



**City of Westminster**

# **Cabinet Report**

<b>Meeting</b>	<b>Cabinet Meeting</b>
<b>Date:</b>	<b>25<sup>th</sup> May 2016</b>
<b>Classification:</b>	<b>General Release Report</b>
<b>Title:</b>	<b>Westminster City Hall Refurbishment Programme</b>
<b>Wards Affected:</b>	<b>St James' Ward</b>
<b>Financial Summary:</b>	<b>The financial implications are detailed in full as part of the Part B confidential report</b>
<b>Report of:</b>	<b>Guy Slocombe Director of Property, Investments and Estates</b>

## **1. Recommendations**

Members are recommended to:

- 1.1 Approve the proposal for the refurbishment of City Hall under Option 2 as set out in paragraph 7.5 of this report, subject to planning consent.
- 1.2 Delegate responsibility to the Director of Property, Investment and Estates within the approved budget and in consultation with the City Hall Refurbishment Steering Group to approve:
  - 1.2.1. the concept and detailed design
  - 1.2.2. submission of a planning application
  - 1.2.3. any variations required to the design/specifications a result of any planning conditions and/or tenant variations
- 1.3 Approve the procurement of consultants and building contractors for the City Hall refurbishment with delegated responsibility to the Director of Property, Investment and Estates within the approved budget and in consultation with the City Treasurer and the City Hall Refurbishment Steering Group and to:
  - 1.3.1. Appoint consultants via an approved framework to market test the scheme.
  - 1.3.2. Progress the appointment of a building contractor in consultation with the City Hall Steering Group. This will be followed by a further report to Cabinet at the stage of approval to contract.

- 1.4 Note that expenditure against the capital budget, as detailed in the current 5 year capital programme, is approved. This is funded by a) the capital programme and b) borrowing financed through future revenue savings as detailed in paragraph 9.3 and 9.4 of the confidential report. This is subject to regular progress reports to the Programme Board and the Capital Review Group.
- 1.5 Note the revenue pressure estimated over the next 5 years due to the decant costs plus potential rent free and void periods post refurbishment.
- 1.6 Approve the use of reserves referred to in paragraphs 9.14 – 9.17 of the confidential document on the basis that all future years savings against the budget be repaid back into reserves until this has been replenished.
- 1.7 Note that the estimated use of reserves will be as referred to in paragraph 9.13 – 9.16 and table 6. The annual drawn down amount is to be delegated to the City Treasurer in consultation with the Cabinet Member for Finance and Corporate Services and the Chief Executive subject to the cap referred to in paragraph 9.15 – 9.16 of the confidential document.
- 1.8 Note that capital and revenue costs are estimated and will be reviewed further over the design and development period.
- 1.9 Approve that the budget as set out in 'Table 6: Revenue Implications' in the confidential document remains unchanged until the full repayment of the reserves.
- 1.10 Delegate authority for the lettings strategy for the scheme to the Director of Property, Investment & Estates in consultation with the City Hall Refurbishment Steering Group. Such strategy to be reported back to Cabinet at the time of the report approving the contractor appointment.
- 1.11 Approve the strategy to decant to temporary accommodation as set out in this report, in accordance with the timeframes for refurbishing City Hall and within the approved budget including:
  - 1.11.1 to delegate the authority to the Director of Property, Investment and Estates for negotiation of appropriate terms and entering into the leases as long as this remains within the budget outlined.
  - 1.11.2 To delegate authority to the Director of Property, Investment & Estates to identify and commit to alternative properties in consultation with the City Hall Refurbishment Steering Group in the unlikely event that the properties outlined are not secured.

## **2. Reason for decision**

2.1. Approval of the recommendations contained within this report will enable the City Hall Refurbishment Programme to commence as planned and:

- Reduce the running costs associated with City Hall;
- Generate income from letting high quality surplus accommodation to support the Council's revenue budget;
- Upgrade a building that is not compliant with current environmental legislation in order to support a more sustainable building in the future;
- Provide professional office accommodation more appropriate to the Council discharging its responsibilities;
- Improve the Council's ways of working for staff by encouraging modern working practices, in turn providing efficiencies and cost savings for the Council;
- Reduce the environmental footprint of the Council's working practices;
- Reduce energy costs associated with the building;
- Increase staff satisfaction with their working environment;
- Improve the quality and function of Westminster City Hall.

## **3. Introduction**

3.1. There is an Outline Business Case to support the City Hall Refurbishment Programme which contains a detailed Strategic, Economic, Financial, Commercial and Management case. This information has been used as the basis of the Cabinet Report and Confidential Part B reports to Members – in some instances summarised versions of the cases have been used in said reports.

3.2. The Confidential Part B report contains information that is considered commercially sensitive and therefore confidential.

## **4. Executive Summary**

4.1. Officers have undertaken a thorough review of the Council's property portfolios and investments in order to identify opportunities to reduce costs and increase income to address the Council's future financial challenges.

4.2. The Council has a valuable asset in City Hall which is held leasehold from Land Securities. While the unexpired term of the lease provides the Council with over 50 years of secure occupancy, the lease is not marketable enough to deliver sufficient capital value to enable a wholesale move and the short

lease term is unattractive to a residential developer. However, the Council requires only half of the space provided by City Hall and rent review terms of the lease provide that the Council pays rent equivalent to 66.6% of market value. This enables the Council to generate a “profit rent” on surplus accommodation within the building.

- 4.3. City Hall plays an important role in the life of the City Council and it is currently underperforming in terms of the way it presents the Civic function of the building. It is also a poor quality environment for Councillors and the workforce. Investing in a modern office environment will compliment other activities being carried out to transform our ways of working, deliver savings and make us an employer of choice.
- 4.4. City Hall represents the importance of the core Civic values and responsibilities that shape the Council and should reflect the Council's values and aspirations. It is presently in a poor state of repair and fails to provide a positive reflection of the Council as an ambitious custodian of the City and an innovative leader of local government.
- 4.5. The City Hall building, along with its base mechanical and electrical systems, date back to the 1960's. As a result, the maintenance has become increasingly difficult and costly. The building was not designed for modern work styles and the number of people using City Hall places unmanageable demands on aging plant and infrastructure. Equipment failures are becoming increasingly frequent as significant elements are coming to the end of their life and this is seriously impacting Councillors, customers and employees ability to use the building.
- 4.6. City Hall fails to meet environmental standards set out in the 2011 Energy Act and this will prevent the Council from sub-letting surplus accommodation from 2018 and will thus have a negative impact on the Council's budget. The additional cost of the “patch and mend” approach to maintaining City Hall is burdensome.
- 4.7. Officers have carried out extensive analysis to determine the most appropriate asset management strategy which both optimises the cost efficiency (income and savings) and the working environment at City Hall. That has included scenarios from a “do minimum”/“do nothing” approach, through to acquisition of a new building, but ultimately has concluded that a substantial refurbishment of City Hall provides the most cost and business effective solution.
- 4.8. As part of this work, a review of the option for the Council's main office accommodation has been undertaken and this report sets out how a proposed refurbishment of City Hall will both reduce costs and increase income for the Council.

- 4.9. There are two main objectives for refurbishment programme:
- 4.9.1. Objective 1a – Realise savings by reducing the running costs associated with Westminster City Hall and occupying the space more efficiently;
  - 4.9.2. Objective 1b - More efficient use of space and the letting of high quality office accommodation to generate income in support of front line services;
  - 4.9.3. Objective 2 – Provide a modern, fit for purpose building for Councillors, visitors and staff which is future proofed.
- 4.10. In order to deliver the project, it will be necessary for the Council to vacate City Hall to ensure the refurbishment is undertaken in the most cost effective manner, with the minimum disturbance to staff and least disruption to services. It proposed that the Council decants from City Hall to temporary alternative accommodation whilst the refurbishment is being carried out.
- 4.11. It is hard to find c. 90,000 sq ft of cost effective accommodation available specifically for the period of refurbishment. Accordingly two separate sites have been identified which collectively provide sufficient, cost effective, temporary accommodation.

## **5. Existing Arrangements**

- 5.1. The cost of maintaining City Hall is high. This is primarily as a result of the age of the plant. The lifts in City Hall are no longer made and when parts break, the replacements must be custom made to order. When City Hall was built, it was intended to accommodate 50 or 60 staff per floor. Modern working practices and open plan offices have increased this to c. 150 staff per floor. Accordingly the lifts and other facilities must cope with demands that far exceed their design or age.
- 5.2. City Hall fails to comply with Energy Act requirements. The current Energy Performance Certificate (EPC) rating for the building is between F&G. Section 49 of the Energy Act 2011 will make it unlawful for the Council to let accommodation in City Hall from 2018.
- 5.3. While it may be possible to increase the energy efficiency rating at City Hall, the quality of the building remains a hindrance to letting at a worthwhile rental level. A refurbishment project will target a BREEAM rating of Excellent. BREEAM is the world's leading sustainability assessment method for masterplanning projects, infrastructure and buildings. It addresses a number of lifecycle stages such as New Construction, Refurbishment and In-Use.
- 5.4. A partial approach to refurbishment has been considered, however, it will not work. A new lifting solution is required. Replacing the lifts alone will, however, not improve capacity. The existing plumbing was not designed for modern

occupancy levels and a partial refurbishment will not address the need to improve sanitary infrastructure.

## **6. Medium Term Financial Plan**

- 6.1. Since 2010, the Local Government grant from Central Government has reduced significantly and, as a result, Westminster City Council has faced substantial financial challenges. The Council will continue to face pressures arising from commercial, legislative, demographic and operational matters, as well as contractual and inflationary pressures.
- 6.2. It is important in this context that the Council identifies opportunities to generate income and save costs to ensure that it can continue to provide appropriate quality core services. City Hall has been identified as an asset that the Council should use more effectively both from a financial and operational perspective. It is acknowledged that large scale investment is required in order to achieve this.

## **7. Options appraisal**

- 7.1. In line with HM Treasury guidance an options appraisal has been undertaken, firstly with a long list of options and, having reduced the list, secondly a more detailed review of the short listed options. Options in relation to the scope, solution, delivery, implementation and funding were all reviewed against the objectives and critical success factors.
- 7.2. As a result of the long list options appraisal it was agreed that the following options would be reviewed in more detail:
- Option 1a – Do nothing
  - Option 1b – Do minimum
  - Option 2 – City Hall refurbishment (Self develop)
  - Option 3 – Acquire a new building
  - Option 4 – City Hall refurbishment (Developer finance)

### **7.3. Option 1a – Do nothing**

- 7.3.1. Option 1a provides a comparator to the other options, in line with HM Treasury guidance. In reality, the 'do nothing' is not an option the Council could choose as there is a critical need for investment in the plant and machinery over the short term, failure to renew critical elements of the fabric and mechanical & electrical plant of the building will render the City Hall obsolete. In addition, the floors cannot be sublet as the building will fail to meet the minimum environmental performance requirements preventing any form of income to be earned.
- 7.3.2. The analysis showed that this would result in a much worse financial position in the long term as well as failing to achieve the required benefits and Option 1a was discounted.

#### 7.4. Option 1b – Do minimum

- 7.4.1. The architect was commissioned to provide a scope and strategy for a minimal refurbishment. This allows for a floor by floor refurbishment of City Hall, in addition to essential upgrade/replacement of central plant, lifts and systems, and refurbishment of the building reception. It is assumed this would be completed gradually over a 6 year period while staff rotate floors throughout the building while each floor is refurbished and M&E is partially shut down to accommodate piecemeal replacement.
- 7.4.2. The Council would remain in City Hall and thus there would be no requirement for a temporary decant. However, the spare floors could no longer be leased in the medium term as the building would fail the minimum environmental performance requirements. Decant space within the building would be required so staff could be moved whilst floors were being refurbished. The Council would lease out the floors approximately 3 years after the start of the build. As the 'do minimum' specification of the building would be of a lesser quality, the voids and rent free periods are expected to be worse than for a full refurbishment.
- 7.4.3. Some benefits would ensue as a result of the do minimum refurbishment however the resultant benefits would be less than the full refurbishment option. For example, a 'do minimum' refurbishment of the lifts is likely to result in a decrease in breakdowns, but there would be no improvement to lifting capacity and thus no decrease in lift waiting times,
- 7.4.4. The analysis showed that Option 1b would result in a less favourable financial position in the long term as well as not achieving the required benefits and therefore was the Option was excluded.

#### 7.5. Option 2 - City Hall refurbishment (Self develop)

- 7.5.1. Option 2 includes a full refurbishment of City Hall delivered by the Council and the temporary relocation of the Council from City Hall to enable a quicker and more cost effective delivery programme. Further work has been undertaken to understand:
- The needs of the Council in relation to the building
  - Potential costs (backed up with Quantity Surveyors' assessments)
  - Reviews of potential income generated from sub-letting surplus accommodation
- 7.5.2. At a high level the specification of the building is expected to include:
- New double capacity lifts
  - Replacement windows
  - Replacement of roof based plant
  - Roofing works

- 19<sup>th</sup> floor extension
- Mechanical and Electrical Engineering including heating, ventilation and air conditioning and plumbing
- Full refurbishment including:
  - Reception
  - WCs
  - Shower facilities
  - Raised access floors
  - Carpets and furniture

7.5.3. A net present value calculation was performed. As a result of the analysis undertaken, the City Hall refurbishment (option 2) is the preferred option generating the most attractive NPV returns. This is based on different sensitivities regarding the lettings and capital costs. To note, the calculations are based on current estimated capital and revenue costs and income, which will continue to be refined over the design and development period.

7.5.4. Option 2 was found to provide the Council with the most attractive financial position. There is a high short term revenue cost for temporary accommodation, however greater income returns in the longer term are created through the letting of floors 1-10. The Council has a beneficial position with lease terms providing a discount to rent terms within City Hall. This provides an arbitrage for the Council for the outstanding term of the lease against market rents.

7.5.5. In addition it is expected that the refurbishment option will have the following benefits:

- Reduced time waiting for lifts resulting in increased productivity
- Improved staff satisfaction
- Improved recruitment and retention of staff
- Increased energy efficiency

7.5.6. Once the benefits are considered and in the context of the strategic rationale, the long list of options reviewed over a 24 month period; and energy regulatory changes, there is a clear rationale for investment in option 2, the City Hall refurbishment.

## 7.6. Option 3 – Acquire new building

7.6.1. Officers have been researching potential properties to acquire within the borough over a 24 month period. The scope of accommodation required by the Council can be found only in limited locations across the borough. The core office locations of Mayfair, Marylebone and Soho were rejected as too costly.



7.6.2. Focus was thus on fringe-of-core areas including Paddington and Victoria. Needless to say, both these areas are improving, but do not yet command the capital or rental levels demanded in the core.

7.6.3. Given the increasing popularity of Victoria as an office destination, especially as a result of neighbouring developments, City Hall maintains inherent underlying value.

7.6.4. A selection of options reviewed in detail are as follows:

- **39 Victoria Street, SW1**
  - 97,000sq.ft including some ground floor retail space.
  - Price Guide £125-£132m
  - The property was sold for £139m
  - Purchase price, acquisition costs & fit out costs £145 million
- **25 Wilton Road, SW1**
  - 90,000sq.ft office building near Victoria Station.
  - Price Guide £160-£170m.
  - Purchase price, acquisition costs & fit out costs £185 million
- **2 Eastbourne Terrace, W2 (Paddington)**
  - 108,000sq.ft
  - Price Guide £140m
  - Purchase price, acquisition costs & fit out costs £155 million
- **10 Victoria Street**
  - 77,500sq.ft in need of redevelopment (potential for 158,000sq.ft)
  - Price Guide offer in excess of £71m, expected price £83m
  - Purchase price, acquisition costs refurbishment & fit out costs £145m plus.
  - Issues with sub-tenancies likely to cause a delay to the redevelopment of this building

7.6.5. Officers have been closely monitoring the market over this period and are confident that it has been fully explored. The supply of properties at reasonable prices with the specification required by the Council has been limited. There are advantages and disadvantages of both the City Hall refurbishment and the acquisition of a new building:

- It could be delivered in line with the Council's required timeframes and has the advantage that no relocation to alternative properties in the short term is required
- Through acquisition the Council would have secured a freehold asset;
- The cost of acquiring a new building at circa £150m is considerably more expensive than the proposed refurbishment of City Hall.

- The sale of the Council's leasehold interest in City Hall could generate a capital sum which could help bridge some of the gap
- However, the surrender of the City Hall lease would relinquish the ability to generate an income from surplus accommodation. The acquisition of a new building would provide space only for the Council's actual need. Thus the Council would forego the benefits of rental income

7.6.6. One of the key objectives for this project is to provide a long term income stream for the Council. As the acquisition option was unable to achieve this, this option was excluded.

#### 7.7. Option 4 - City Hall refurbishment (Developer finance)

7.7.1. Different options regarding the delivery of the City Hall refurbishment were reviewed in detail early in 2015/16.

7.7.2. This looked at the different ways of funding and delivering the project. Given the nature of the project, and the need of the Council to maintain cost effective lease terms there is not a significant profit available to a partner developer, Consequently the project would need to be part funded by a partner with the Council either providing a capital contribution, an increased on-going rent or a hybrid of the two. The options assessed included:

- Self-fund
- Developer - Capital contribution only
- Developer - Rent contribution only
- Developer - Hybrid (Capital and rent contribution)
- Joint venture

7.7.3. The funding route was considered on a risks and returns basis with a developer or JV solution mitigating the Council's exposure to risk but also limiting the returns. A number of developers were approached on a soft market testing basis to understand the level of investment they would be willing to contribute.

7.7.4. The potential partners were provided with the estimated costs of the project at a point in time and then asked about the contribution the Council would need to provide, either as a capital contribution only, on-going rent contribution only or a hybrid option.

7.7.5. The 'Self-develop' is the most favourable option from a commercial perspective. This is also the highest risk option given that the Council is required to take full responsibility for the costs of refurbishment as well as the ongoing lettings and building maintenance costs. Given that a key objective of the project is to increase income and decrease costs – the self-develop option remains the preferred option with the Council acknowledging the risk that will need to be taken.

## **8. Temporary Accommodation**

- 8.1. The Council must provide circa 1100 workstations and accommodate the Mayoralty, and Member Services along with ceremonial and committee functions in circa 90,000 sq.ft of office accommodation elsewhere whilst the building contractor is on site (July 2017 – Dec 2018)
- 8.2. To minimise disruption to the business and staff it is preferable to minimise the number of locations staff are relocated to and it is recommended that staff relocate to no more than 2 other locations at least one of which is in Victoria.
- 8.3. The prospect of finding bespoke accommodation of 90,000 sq ft for the exact period of refurbishment is improbable. Timing is critical to ensure a timely construction start. Delays to the programme have a significant impact on cost. The requirement must also balance the need to provide seamless service continuity and cost effectiveness.
- 8.4. Locations across the borough were reviewed, along with Tri-borough accommodation and serviced office accommodation.
- 8.5. Two suitable locations have been identified to provide the best combination of availability, timing, specification, location and cost.
- 8.6. Officers have agreed the best terms available to the Council given the challenge of securing appropriate levels of accommodation in terms of timing, size and cost. The only genuine alternative to this temporary accommodation which would deliver the necessary time and size needs would be a serviced contract with a supplier like Regus or WeWork. The rental cost of taking accommodation through a Regus style operator would be substantially higher than the terms agreed. The Council needs a long lead-in and other landlords are unwilling to leave space empty to meet the Council's own programme.
- 8.7. The Council will take a lease on the first property from the end of January (possibly early February), 5 months in advance of occupation. One month is required to move and a month in advance of that to install, commission and test IT services and to ensure the buildings are fully functioning. The Council will be reliant on utilities companies to assist. There will be a phased move from City Hall starting in March to the decant properties to minimise service disruption. It is important that in June 2017 the contractor can start on site straight away, unencumbered, so moving the Council out prior to this date is essential to prevent delays.
- 8.8. In the interim the landlord of the first building will keep it vacant for 12 months (thus rent free) for the Council and has in addition granted a contracted 3 month rent free period, which ensures the Council has agreed terms which fully address the challenges of combining timing, cost and size of the decant accommodation.

- 8.9. The decant to temporary accommodation will be used to introduce the first phase of new agile working for staff. There are presently 1376 desks at City Hall for a day-to-day occupancy of 1100. The total number of desks provided across the decant addresses is likely to be 753 thus moving staff to a ratio of 7 desks to 10 staff.
- 8.10. In order to keep cost to a minimum the move will involve limited modifications to the temporary accommodation. As well as accommodating staff, the second location will house The Lord Mayor, Leadership, Member Services and Executive, along with ceremonial and committee functions which are space intensive and less flexible. Accordingly the first location will accommodate the Council more densely, but the space will have greater flexibility.
- 8.11. The committee, planning appeals and other large ceremonial / statutory meetings must be accommodated in space which is smaller than the current City Hall managed meeting floor. Unavoidable scheduling conflicts may mean alternative venues are required from time-to-time and this can be dealt with as a result of the more agile approach to accommodation at the first location.
- 8.12. The terms on both locations have been negotiated as a combined deal. In addition to favourable rent free terms, the landlord will be leaving a virtual turn-key solution at the second location, which is fully furnished. It will also underwrite the cost of any dilapidations settlement at the end of the lease. This provides a cost effective solution for the Council, especially in a market with extremely low office availability as is the present case, for short term space.

## **9. Letting Strategy**

- 9.1. Floors 1-10 of City Hall will continue to be informally marketed in advance of the start on site in an effort to secure a pre let.
- 9.2. The Victoria office market has increased in popularity over recent years and continues to grow, attracting new tenants across financial, tech and fashion sectors. Much of the new accommodation constructed caters for large floor plate requirements. City Hall will offer a point of difference for tenants requiring 5,000 – 10,000 sq ft.
- 9.3. As the rental values continue to rise it is sensible to avoid agreeing terms too soon. However there will be focus on ensuring the accommodation is let in advance of completion of the refurbishment.
- 9.4. The specification of the refurbishment will be homogenous across all floors and letting terms across two floors will be agreed to allow flexibility should the Council need to expand, or contract, its occupancy of City Hall.
- 9.5. If a pre let is not secured before practical completion the space will be formally marketed in the run up to and post practical completion. A formal marketing strategy will be devised by the joint letting agents after the start on site is confirmed.

## 10. Risks

Risk Description	Impact	Mitigation	Risk
Failure to secure vacant possession of City Hall by June 2017	Delay start on site which will:- Increase:- 1. decant cost 2. professional fees 3. build cost	Serve break notice on Citi base in a timely manner Secure decant space early. Instruct ICT to install commission and test services in advance of move.	Low
Planning Consent	Failure to secure planning consent or a delayed decision will delay start on site Planning obligations/require variations to the design increase costs	Make an early application to allow time for an appeal and or subsequent application. Early consultation with planners to identify any potential problems and concerns.	Low Initial consultations positive
Landlord's Consent	Failure to secure could delay start and increase cost Could also reduce scope of works	Open an early dialogue with the Landlord and agree a timetable for decisions/approvals	Low Landlord already engaged

## 11. Contingency Arrangements

- 11.1. A contingency plan is being produced and will be reported to the Programme Board and Members once decant options have been agreed. This plan will outline arrangements for contingency management should service delivery be delayed and the refurbishment of City Hall overrun.

## 12. Legal Implications

- 12.1. Legal advice and assistance is being provided by external solicitors, Bond Dickinson LLP and the Tri-Borough Legal Team as appropriate.

- 12.2 The programme requires the Council to secure vacant possession of City Hall by serving notices on a variety of tenants, enter into new leases on temporary accommodation, secure landlords consent for the works and rights to over sail adjoining property, procure and appoint a professional team and building contractor, secure warranties and guarantees, enter into various planning agreements, let surplus accommodation to various third parties and possibly vary various existing FM & ICT contracts.

#### Current Tenancies/Vacant Possession

- 12.2(i) The existing sub leases contain mutual break clauses which when exercised will enable the Council to secure vacant possession. Bond Dickinson has reviewed the leases and will serve valid notices at the appropriate time. The sub leases require WCC to give at least 6 months' notice (Dec 2016) and at least 9 months' notice (Sept. 2016). It is intended to give both tenants at least 12 months' notice.
- 12.2. Bond Dickinson will ensure valid notices are served correctly. The risk of Bond Dickinson serving notices incorrectly is low as is tenant's failure to comply with the notice. If notices are served incorrectly or one or more the tenants does not comply that would delay the start on site. If the start on site is delayed the building contract could be varied to include a soft strip of the vacant floors while full vacant possession is obtained.

#### New leases on Temporary Accommodation

- 12.3. To provide full vacant possession it is necessary for the Council to enter into new leases on temporary accommodation. Terms have been agreed to lease accommodation across two locations from January 2017. The Council will enter into agreements to lease in June 2016 and complete the various leases in January 2017. Bond Dickinson has advised on the heads of terms and will advise on the leases and agreements to lease to ensure the agreement to lease reflects the agreed heads of terms, contains the ability for the Council to terminate the lease with minimum penalties, limit repairing liabilities, exclude any dilapidations liabilities, ensure rent & service charges are only due up to the break date.
- 12.4. In relation to these leases, Section 120 Local Government Act 1972 provides a general power to acquire by agreement. A local authority may purchase for the purposes of their functions or for the benefit or improvement of their area under section 120.

#### Landlord's Consents

- 12.5. City Hall is held on a long lease from Land Securities and so it will be necessary to ensure the Council & its contractors comply with the terms of that lease. Bond Dickinson have already reviewed the lease and identified consents and additional rights required in advance of a start on site. We have already started a dialogue with Land Securities who are generally supportive

to the proposed works and therefore the risk of not securing consent and thereby delaying the start on site is low

#### Professional Appointments /Building Contract/Warranties & Guarantees

- 12.6. A multi-disciplinary professional team (Faithful & Gould) has already been appointed on an NEC3 form of contract prepared by Bond Dickinson. The Building contractor will be appointed on standard JCT Design & Build form of contract and Bond Dickinson has and will continue to ensure that in all appointments and building contracts WCC has the ability to terminate where appropriate, receives all necessary warranties /guarantees, that the building contractor is fully responsible of all aspects of the design and workmanship and that the insurance provisions meet the obligations under the head lease. It is intended that the contractor will be appointed October 2016.

#### Planning & other Statutory Consents

- 12.7. Bond Dickinson will advise on the validity of any planning conditions imposed and ensure they are correctly documented and advise on all other relevant planning matters relating to the redevelopment.

#### New leases

- 12.8. It is intended to sublet floors 1-10. Bond Dickinson will advise on the heads of terms agreed with prospective tenants and ensure the leases reflect the agreed heads of terms, provide for the tenant to pay rent/ service charge etc., contains the ability for the Council to break where agreed and complies with and reflects the terms of the head lease. If space is let during construction Bond Dickinson will also prepare and advise on agreements for lease which will secure the letting in advance of practical completion. Where necessary Bond Dickinson will also advise on Licences to Alter and ensure sub-tenants have adequate public liability cover and are obliged to comply with any buildings insurance requirements in relation to the proposed works. The Tri-Borough Legal Team will review all leases before completion.
- 12.9. If the Council wishes to dispose of any leases of 7 years or more it has a power to do so under section 123 Local Government Act 1972 provided it does not dispose of for less than the best that can reasonably be obtained

#### M & ICT Contracts

- 12.10. Work is on-going to establish if the acquisition of temporary accommodation and the decant from City Hall will require any variations to existing facilities management contract with Amey and various IT suppliers. If variations are required Bond Dickinson will advise.

### **13. Financial Implications**

13.1. The full financial implications are detailed in full as part of the Business Case.

**If you have any queries about this Report or wish to inspect any of the Background Papers please contact: Guy Slocombe – Director of Property, Investments and Estates [gslocombe@westminster.gov.uk](mailto:gslocombe@westminster.gov.uk); tel: 020 7641 5465**