
FEETHAMS OFFICE DEVELOPMENT

Responsible Cabinet Member - Councillor Stephen Harker
Efficiency and Resources Portfolio

Responsible Director - Paul Wildsmith, Director of Resources

SUMMARY REPORT

Purpose of the Report

1. The purposes of this report are to:
 - (a) Seek Council agreement of capital funding of up to £9.3million for the construction of an office building to the rear (east) of the Town Hall, to be funded by Prudential Borrowing; and
 - (b) Seek Council approval of the estimated revenue financial consequences of the scheme noting the range of costs is dependant on varying factors in the future.

Summary

2. DfE, currently located at Mowden Hall, employ in the region of 440 skilled and experienced staff, however, their current premises are in a poor state of repair and require significant investment to tackle the buildings defects and improve facilities on top of the £1m per annum maintenance costs. For this reason the DfE have taken to decision to move from Mowden Hall and have committed to retaining an office in the North East of England.
3. A decision to relocate from Darlington could result in the loss of up to 440 jobs from the Borough. Initially DfE considered a new build option within the Feethams Area of Darlington but the Department failed to secure capital funding for such a development. The Council has therefore been working closely with DfE officials to identify other property options available within Darlington which meet their relocation criteria. To this effect the Council believes that it has identified three excellent property options, which meet and exceeds the DfE's own criteria as set out in their Estates Review Consultation Document: an existing office building within the town centre, a flexible and open plan office within a thriving business park and a new build option as part of an innovative public sector hub.
4. On 9 April 2013 Cabinet considered the report attached in **Appendix 1**, relating to these three options and specifically the new build office development to the east

(rear) of the Town Hall. At this meeting, Cabinet resolved to make specific recommendations to Council relating to the financial implications associated with their decision; this Cabinet resolution is the subject of this report.

5. It is understood that DfE will have made their decision by the end of April 2013 and will be in a position to complete a Full Agreement for Lease by July 2013. However, given the timescales for the project and the delivery of the new build, it is considered prudent to seek Council approval of the financial implications in advance of receiving such written confirmation to enable the Council to respond efficiently and effectively should DfE confirm that the new build option is their preferred and chosen property option.
6. The financial consequences of the project will only be realised if DfE confirm that the new build option to the East (rear) of the Town Hall is their selected property option and therefore the recommendations are subject to receiving such written confirmation.

Recommendation

7. It is recommended that, subject to receiving satisfactory confirmation from DfE that the new build option is their chosen property solution, Council :-
 - (a) Agree capital funding of up to £9.3million for the construction of an office building to the east (rear) of the Town Hall to be funded by Prudential Borrowing; and
 - (b) Approve the estimated revenue financial consequences of the scheme as set out in **paragraphs 55 to 65 of Appendix 1** noting the range of costs is dependant on varying factors in the future.

Reasons

8. The recommendations are supported by the following reasons :-
 - (a) For the Council to deliver this new build office development it will be exposed to increased financial implications. Due to the nature of these financial implications the constitution requires a Council resolution.
 - (b) The Council has yet to receive confirmation from DfE that the new build option is their preferred property solution; however the timescales for the project do not allow such resolutions to be sought following the receipt of confirmation. As such these recommendations are sought subject to the receipt of such satisfactory confirmation;
 - (c) To retain between 340 and 440 jobs in the Borough;
 - (d) To aid the delivery of the Feethams Planning and Development Brief and the objectives of the Town Centre Masterplan.

Paul Wildsmith
Director of Resources

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S17 Crime and Disorder	The report has no implications for crime and disorder.
Health and Well Being	The report has no implications for health and well being.
Carbon Impact	There are no carbon impact implications in this report.
Diversity	No implications.
Wards Affected	Central and Mowden
Groups Affected	All
Budget and Policy Framework	The resolutions in this report are likely to result in changes to the budget and the Medium Term Financial Plan.
Key Decision	The decision by Council in relation to the budget is not an Executive decision.
Urgent Decision	No
One Darlington: Perfectly Placed	Supports the Perfectly Placed priority by retaining jobs in Darlington, bringing jobs to the town centre and facilitating office development.
Efficiency	<p>The workload resulting from the recommendations in this report assumes resources at existing levels within the Programmes and Projects, Capital Projects and Corporate Landlord Sections. The financial implications are set out in detail in this report.</p> <p>The delivery of a public sector hub has significant potential for collaboration with other public sector bodies with the opportunity for savings for the Council.</p>

MAIN REPORT

9. The key background information in relation to this decision is set out in the report to Cabinet on 9 April 2013 which for ease of reference is attached at **Appendix 1**. The financial implications and the subject of the resolutions sought by Council are set out in **paragraphs 55 to 65 of Appendix 1** with the remainder of the report identifying the background, supporting justification and outlining the associated risks.

Conclusion

10. Following the DfE announcement that it intends to relocate from its existing base at Mowden Hall to another office within the North East, the Council has worked with key partners to identify the property options available within Darlington. To this effect there are at least three excellent property options, which the Council believes meets and exceeds the DfE's own criteria as set out in their Estates Review Consultation Document: an existing office building within the town centre, a flexible and open plan office within a thriving business park and a new build option as part of an innovative public sector hub. The latter was considered by Cabinet on 9 April 2013, at which they resolved to recommend Council agree the financial consequences of their resolutions which are necessary to advance the project now DfE have identified that the new build option is their chosen property option for the North East.
11. The report set out in **Appendix 1** has identified that the Council can advance this new build office development at no cost to the Council within the initial lease period. Should DfE decide to exercise their break in year 10, or fail to renew their lease after 15 years, the on-going borrowing costs to the Council, which are dependant upon the total project costs, have been identified alongside the options open to the Council to mitigate these costs.