

**CABINET**  
**9 JANUARY 2024**

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**NORTHERN ECHO REDEVELOPMENT**

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**Responsible Cabinet Member – Councillor Chris McEwan, Economy Portfolio**

**Responsible Director – Ian Williams, Chief Executive**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To seek approval for the Council to complete discussion with the Tees Valley Combined Authority (TVCA) and utilise £4,000,000 from the TVCA Investment Fund to supplement other agreed funding streams, to enable the redevelopment of the Northern Echo Building into an Adult Skills Facility on the ground floor and quality office space on the upper three floors. Total available space when complete is approximately 3235 sq. m of grade A office space plus an Adult Skills facility.

**Summary**

2. Members will recall that the adopted Town Centre Strategy focuses upon the diversification of the town centre with an emphasis on developing both residential and commercial buildings in former retail and vacant properties.
3. In addition, since the adoption of the above strategy the landscape of the town centre has radically changed with the impact of the Covid 19 pandemic and more positively the development of the Darlington Economic Campus (DEC).
4. The DEC is currently based in the Council owned Feethams House under a 5-year lease agreement with the Government Property Agency (GPA) and given the ongoing investment made by GPA in the building it is highly unlikely the building will be available for the general market once the DEC move to its proposed permanent location at Brunswick Street.
5. While it is welcomed that Feethams will continue to be used by the GPA this has had the effect of dramatically reducing the availability of quality Grade A office space within the town centre.
6. Since the relocation of DEC, the Council has received several enquiries for office space which unfortunately cannot be serviced. In 2023 a Council commissioned report of office availability reported that:

*“The relocation of DEC Treasury and additional departments is a one in a generation opportunity for Darlington. Failure to capitalise quickly will result in a missed opportunity*

*that the Council would be extremely unlikely to be able to capture even a small proportion of the potential benefits in a few years' time".*

(Aspinall Verdi - Darlington Office Workplace Study – 2023) See **Appendix 1**.

7. Therefore, more than ever before, Darlington town centre must be competitive if it is to be vibrant, diverse, and successful and to achieve this, market conditions ultimately means that the Council takes the lead in facilitating and enabling the conditions for economic growth through on occasions direct intervention in economic regeneration, and in encouraging partnership with business and developers.
8. In 2022 the Council acquired the former Northern Echo Building for £925,000 with funding from the Towns Fund and TVCA Indigenous Growth Fund. Following this acquisition, the Council commenced plans for the building to host an Adult Skills Hub (in partnership with the Darlington College) on the ground floor with the remaining floors refurbished into quality office space for business.
9. A procurement exercise has been completed to identify an experienced and imaginative development partner to design, redevelop, repurpose, and once complete to operate, manage, and maintain the entire building. The preferred tenderer has submitted a bid which includes a full refurbishment of the building in addition to a full fit out of the Adult Skills Hub on the ground floor. It is anticipated that the overall redevelopment will take circa 18 months. The Council will grant an Agreement to Lease/Building Agreement followed by a lease of up to 20 years with opportunity for extension. The successful tenderer details are in **Appendix 2** Part III of the report.
10. The funding envelope for the redevelopment phase of the building includes:
  - (a) Town Fund £5,579,000
  - (b) TVCA Indigenous Growth Fund £680,360
  - (c) And if agreed through the report TVCA Investment Fund £4,000,000
  - (d) Contribution from developer will form part of the Category B fit out to be determined at design stage.
11. The overall budget for the purchase, design and redevelopment with client contingency, Council project management costs and statutory fees is £11,359,360.74.
12. It is anticipated that the Council will seek a market rent from the operator after five years. DBC will retain freehold, with the entire building operated by the developer under the terms of the lease.
13. There is an established process to draw down funds from TVCA and officers have submitted the required business case, economic case and supporting documents which includes Subsidy Control legal advice. At the time of writing the application is progressing through TVCA approval process.

## **Recommendations**

14. It is recommended that:

- (a) Cabinet approves the draw down of £4,000,000 from the TVCA Investment Fund alongside other funds notified above to enable the full refurbishment of the Northern Echo Building to accommodate the planned Adult Skills Hub and facilitate the delivery of circa 3235 sq. m of quality office space in addition to an Adult Skills facility on the whole ground floor.
- (b) Cabinet acknowledges the use of various funding initiatives to fully fund the construction project with no DBC requirement, that when completed will be a sustainable grade A office location in the Town Centre.
- (c) Cabinet delegate authority to the Assistant Director of Economic Growth to enter into the funding agreements with the preferred partner once the procurement process is complete.

## **Reasons**

15. The recommendations are supported by the following reasons:

- (a) To attract more professional, business and office-based jobs to the centre of Darlington contributing to Town Centre vitality.
- (b) To enable the project to advance in line with the desired timetable.

## **Delegations**

16. The delegation sought is to enable the design and build of the offices to advance in a timely manner to ensure the necessary project timetable can be adhered to, and to agree execution of Council funding.

**Ian Williams**  
**Chief Executive**

## **Background Papers**

Tender submissions received through procurement process.

Mark Ladyman: ext. 6306

S17 Crime and Disorder	The report has no implications for crime and disorder
Health and Wellbeing	The report has no implications for health and well being
Carbon Impact and Climate Change	The developer must, where practicable, ensure the refurbishments are in line with the Council's commitment to reducing its carbon footprint and reaching net zero carbon emissions by 2050.
Diversity	No implications
Wards Affected	Park East
Groups Affected	All
Budget and Policy Framework	The report does have implications for the immediate budget or policy framework.
Key Decision	Yes. This has been reported as a key decision. The resolution results in the Borough Council incurring expenditure which is significant having regard to the budget for the service or function to which the decision relates and there will be significant effects on communities living or working in an area comprising one or more wards in the Borough.
Urgent Decision	No
Council Plan	Supports the Council Plan priority – Growing Darlington's Economy.
Efficiency	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 the report. The delivery of a new office building has significant potential for collaboration with other public sector bodies with the opportunity for savings for the Council.
Impact on Looked After Children and Care Leavers	None.

## MAIN REPORT

### Information and Analysis

17. In 2020 the Council completed the construction of Grade A office facilities at Feethams House. Given this development was completed at the height of the COVID-19 pandemic enquires from potential tenants was extremely limited. However, in 2021 the then Chancellor of the Exchequer announced the creation of Darlington Economic Campus which included the relocation of significant elements of HMT and several other government departments. Following negotiations, the Government Property Agency on behalf of DEC signed a 5-year lease with the Council to occupy Feethams House. While this is a temporary arrangement until the permanent offices on Brunswick Street, given the extensive investment into the building by the Government Property Agency it is extremely likely that Feethams House will be occupied by a central government department for the long term.

18. Given this long-term occupation of Feethams House the lack of availability of Grade A office buildings in the town centre for future business enquires the market is extremely limited. Following the announcement of the development of DEC the Council has experienced a growth in enquiries from professional service organisations into available office space within the town centre. These enquiries often require a location within the town centre near the DEC and in high quality office facilities.
19. It is anticipated that the refurbished Northern Echo Building will now play a crucial role in meeting this demand by converting the upper floors into refurbished office space. The feedback we have received from these enquiries is that the 'flight to quality' is very strong hence the requirement for the Northern Echo Building (NEB) to be converted into quality office space.
20. The NEB will facilitate the creation of at least circa 3235 sq.m of high-quality managed workspace. The NEB does not need to be restricted to any specific business sector/s or size and will be open to large and SME's. The building is not listed.
21. To establish an understanding of the current demand an office demand study was commissioned in late 2022. The study, attached in Appendix 1, examined the current office availability and the current and future office demand in the town centre. Clearly from the conclusions of the report there is an acute requirement for additional high quality office space within the town centre.
22. In 2022 the Council acquired the former Northern Echo Building for £925,000 with funding from the Towns Fund and TVCA Indigenous Growth Fund.
23. The Town Fund has earmarked and reserved a substantial budget for the redevelopment phase of the project of £5,579,000, this has been established through the virement of funds from other projects which will not deliver expected outcomes due to difficulties experienced in acquiring the necessary properties. This virement is currently with government for agreement. Furthermore, an agreed and committed £680,000 is available from the Indigenous Growth Fund. Budget estimates have been obtained for the provision of an Adult Skills facility on the ground floor together with whole building improvements which include mechanical, electrical and ventilation works, roof repairs, windows, floors, ceilings, walls, and a new lift installation.
24. The Council are seeking to appoint a partner to deliver the design and refurbishment programme over and above the works identified and operate the building once the improvement works are complete.
25. Once the procurement exercise has been completed further reports will be presented to cabinet detailing the updates and outcomes of this exercise with financial implications and project delivery timescales.

### **Legal and Procurement Implications**

26. Pursuant to the Localism Act 2011 the Council has the powers to deliver the project under the General Power of Competence.

## **Financial and Funding Implications**

27. Funding will be through the TVCA Investment Fund, TVCA IGF and the Towns Fund. An application has been made to TVCA Investment Fund and is going through the TVCA approval process at the time of writing. Approval has already been given for the TVCA IGF funding and agreement has been made at the Town's Fund Board to transfer funding between projects. A formal request to the Department for Levelling Up, Housing and Communities (DLUHC) to move funding within the Town Fund grant is progressing.
28. Work will not commence until formal approval of funding by TVCA and DLUHC.
29. Ongoing revenue costs and rental income associated with the operator of the building and for the Adults Skills centre are still being negotiated and will be confirmed post tender. The current MTFP makes no provision for income from or additional costs of operating the building.

## **Risks**

30. The objective of the project is to provide high quality offices within Darlington. To establish the necessary budget for the work to commence agreement for funding from TVCA and virement of Town Fund budget is required from the accountable government department. If this funding is not secured the project cannot be delivered. If funding is agreed the biggest risk is a partner to deliver the project cannot be identified and continued construction inflation makes the project unviable.
31. A new Adult Skills facility will be accommodated on the ground floor. This will be predominately delivered by Darlington College and Darlington Borough Council Learning and Skills Department. While a rental figure has been agreed with the preferred tenderer service charges and NNDR will need to be established once the tender is let.

## **Equalities Considerations**

32. It is considered that this project has no specific implications for groups with protected characteristics. Equalities implications will be considered during the formulation of the design to ensure the building is compliant with the Equalities Act 2010.