

REQUEST FOR DMPC DECISION – DMPCD 2015-128**Title: Edinburgh House - Lease Surrender****Executive Summary:**

Edinburgh House is an office in Kennington providing 6,000 sq m of space and 787 desks, with low utilisation. A number of functions have already re-located and the remaining teams are scheduled for re-location to existing MOPAC sites in January 2016. There is no public facing facilities at this location.

The existing lease has a break clause at 25 December 2020, and the proposal is to surrender the lease in March 2016, delivering full year revenue savings from the start of 2016/17.

The one off cost of works at other sites to accommodate the remaining Edinburgh teams will be funded from the existing capital programme, and the surrender/dilapidations costs are proposed to be funded from the dilapidations reserve.

Recommendations:

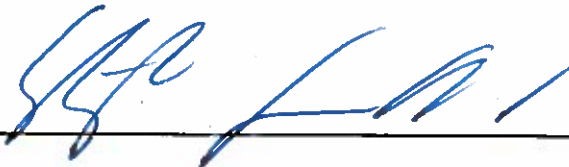
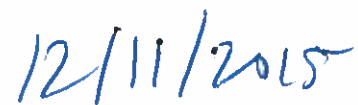
The DMPC is asked to approve

1. the proposal for the early surrender of the lease for Edinburgh House, and
2. the use of the dilapidations reserve to fund the surrender cost

Deputy Mayor for Policing and Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct for elected Members of the Authority. Any such interests are recorded below.

The above request has my approval.

Signature**Date**

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

Decision required – supporting report

1. Introduction and background

- 1.1 Edinburgh House is a 6,000 sq m office space based in Kennington, and provides 787 desks. There has been a sustained low level of utilisation since 2012. Earlier this year a number of Territorial Policing teams were relocated from Edinburgh House and in November Met HQ teams in Edinburgh House will re-locate to Empress State Building. This will be followed by the remaining Digital Policing teams who will be re-located to a number of other locations in the MOPAC estate, allowing the early surrender of this site's lease.

2. Issues for consideration

- 2.1 Under the lease a rent review is due in December 2015, and the next scheduled tenant break clause is in December 2020. Based on current rental values in the area the rent is expected to increase at the next rent review.
- 2.2 "In principle" terms have been negotiated with the landlord to surrender the lease with effect from March 2016, taking account of dilapidations, and with the planned rent review in December 2015 being waived. The anticipated annual revenue savings will contribute to the planned Corporate Real Estate (CRE) savings target. The detail and financial implications of the proposed surrender is set out in Part 2.

3. Financial Comments

- 3.1 The cost of relocating the remaining teams at Edinburgh House is estimated at £875k. This will be funded from the existing approved capital programme.
- 3.2 The cost of the surrender is detailed in Part 2 and will be met from the specific dilapidations reserve. On-going revenue savings will accrue with effect from 2016/17 following the exit and surrender of the lease.

4. Legal Comments

- 4.1 The MOPAC has the power to acquire and dispose of properties (including land) under paragraph 7 (2) (b) of Schedule 3 of the Police Reform and Social Responsibility Act 2011 ("the Act").
- 4.2 The Commissioner may also do anything which is calculated to facilitate, or is conducive or incidental to acquiring and disposing of property (apart from land) but only with the consent of MOPAC under paragraph 4 (2) (b) of Schedule 4 of the Act. The Commissioner must also under s4(3) of the Act exercise the power of direction and control conferred upon him in such a way as is reasonable to assist the MOPAC to exercise that Office's function.

5. Equality Comments

- 5.1 There are considered to be no equality or diversity issues arising as a result of this proposal.

6. Background/supporting papers

MPS Briefing Paper Appendix 1

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the MOPAC website within 1 working day of approval. Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of **this** form to be deferred? NO

If yes, for what reason:

Until what date (if known):

Is there a **part 2** form – Yes

If yes, for what reason: section 43 commercial interest FoIA 2000

ORIGINATING OFFICER DECLARATION:

	<i>Tick to confirm statement (✓)</i>
Head of Unit: Annabel Cowell has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
Legal Advice: The Legal team have been consulted on this proposal.	✓
Financial Advice: The Chief Finance Officer has been consulted on this proposal.	✓
Equalities Advice: Equality and Diversity issues are considered in the body of the report.	✓

OFFICER APPROVAL**Chief Operating Officer**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature



Date

12/11/2015

EDINBURGH HOUSE LEASE SURRENDER

A report by the Director of Commercial and Finance on behalf of the Commissioner

SUMMARY

The MOPAC/MPS Estate Strategy 2013-2016 delivered through the Corporate Real Estate (CRE Programme), has a strategic objective to provide a more efficient and higher quality estate with significantly lower running costs. Edinburgh House was identified as a building that could be released under the CRE Programme in 2015/2016.

This paper recommends the payment of a premium to enable the early surrender of the lease of Edinburgh House delivering significant revenue savings.

A. RECOMMENDATIONS - The Deputy Mayor for Policing And Crime is asked to:-

1. **Approve the early surrender of the lease held by the Mayor's Office for Policing And Crime (MOPAC) in Edinburgh House as the building is no longer required for operational purposes in exchange for a surrender payment detailed in exempt appendix two.**
2. **Approve the proposal to fund the surrender payment from Dilapidations' Reserves noting that the surrender of Edinburgh House will deliver revenue savings which have been included in the CRE target savings for 2016/2017.**

B. SUPPORTING INFORMATION

1. The MOPAC/MPS Estate Strategy 2013-2016 delivered through the Corporate Real Estate (CRE Programme), has a strategic objective to provide a more efficient and higher quality estate with significantly lower running costs. Edinburgh House was identified as a building that could be released under the CRE Programme in 2015/2016.
2. Edinburgh House is an office building in Kennington totalling 6,000 square metres in size and provides 787 desks. Utilisation of the building has been less than 40% since 2012. In 2014/15, the CRE Board noted that the building could be vacated through the relocation of teams to other sites and supported the release of Edinburgh House in October 2015. With the reprofiling of the Command Point project the release date was agreed as March 2016 and the CRE Board signed off approval of this, with an exit date of January 2016, in October 2015.
3. Territorial Policing teams were relocated from the building in May 2015 and further staff in other Met HQ teams are moving to Empress State Building (ESB) in November 2015. DP teams and a number of third party suppliers including Unisys, Cap Gemini and teams supporting the Command Point project remain at the property and currently occupy 430 desks. DP have been allocated 350 desks at ESB and a further 102 desks at Hendon (Sir John Stevens building) for Command Point teams (including the contractual commitments in place with Lockheed Martin). A further 95 desks have

been allocated to DP at Newlands Park. Further drop down space at NSY will be transferred to Curtis Green. Based on Smarter Ways of Working the reduced desk numbers will support the DP team and their contractual liabilities to provide space to third party contractors, based on their approved design model.

4. The works required at Newlands Park and Hendon Estate relate to the reconfiguration of floor boxes, minor partition of Newlands and IT related work including connectivity of cabling and alteration of cable runs.
5. DP Senior Management Team confirmed that the alternative accommodation can meet their proposals and that the building can be physically relocated in January 2016. The enabling works required in the alternative locations relate to IT connectivity which will be delivered by Digital Policing as required. The recommended surrender date of the lease at Edinburgh House is 24 March 2016 to allow time for de-commissioning prior to returning the building to the landlord.
6. The building is held by way of a lease from Workspace Group. The freehold is owned by the Duchy of Cornwall. The lease has a break clause in MOPAC/MPS's favour on 25th December 2020. The lease is subject to a rent review on 25th December 2015 and advice is that the rent may increase by as much as 20% above the rent currently being paid as market rents in Kennington have risen significantly since December 2010, the date of the last rent review.
7. As the building is held as a leasehold basis, MOPAC/MPS are obliged to maintain the building to specific standards and to reinstate the property to its condition at the point of occupancy at the end of the lease. It is common practice in Landlord and Tenant Law to negotiate the cost of the works required and settle this as a lump sum payment, known as a "Dilapidations" payment, rather than carry out works. Exempt Appendix Two details potential liability by independent advisers Knight Frank.
8. The annual revenue running costs based on 2013/2014 are detailed in Exempt Appendix 2, together with details of the possible rental from December 2015.
9. "In Principle" terms have now been agreed to surrender MOPAC's leasehold interest as at 24 March 2016, subject to payment of a lump sum to the landlord. Details of the premium are detailed in Exempt Appendix 2. The terms negotiated include provisions that the rent review in December 2015 is waived and that upon the surrender MOPAC is released from all liabilities in respect of the building, including any dilapidations liability.

C. OTHER ORGANISATIONAL & COMMUNITY IMPLICATIONS

Equality and Diversity Impact

1. Exiting poorly utilised buildings will deliver revenue savings which will assist in meeting savings targets. The CRE programme identifies opportunities to improve usage of buildings in the core estate. The over arching CRE Equality Impact Assessment (EIA) addresses moves generally and advocates that building specific EIAs are conducted on a case by case basis.
2. The alternative sites proposed for DP occupation are all compliant to the Equalities Act 2010. Concerns have been raised by occupiers of Edinburgh House, including third party contractors using space in the building that relocating to other parts of London

may impact on travel times. The DP SMT are managing individual requirements directly, the roll out of audio-visual functionality across the estate will minimise the need to travel between buildings.

Capital

3. The building works required at Newlands Park and Hendon total £0.125m and are being funded through the PSD Capital Programme, Estate Transformation Budget as part of the Forward Works budget. Works are not required at ESB, DP will improve the use of the space that has been allocated and space that is currently in use
4. The cost of relocating DP IT equipment from Edinburgh House to other buildings to reprovide high capacity communications links is estimated at £0.75m. Such costs would be incurred at whatever date the building was vacated. It is proposed these costs will be met through the Forward Works Capital Programme 2015/2016.

Revenue

5. The existing revenue costs for Edinburgh House are detailed in Exempt Appendix Two. The recommended surrender will deliver Medium Term Financial Plan (MTFP) revenue savings, as outlined in Appendix 2, with full year benefit effective from 2016/17. This saving will contribute towards the phased reduction in annual property running costs to £90m by 2020/21 delivered through the CRE Programme and the Future Estates Transformation Programme, which are already part of the MTFP.
6. The building is held by way of a lease with a break clause in the tenant's favour on 25th December 2020. The lease is subject to a rent review on 25th December 2015 and advice is that the rent may increase by as much as 20% above the rent currently being paid.

Value for Money

7. The 2016-2020 Estate Strategy is currently being developed with an ambition to further reduce annual revenue costs to £90m by 2019/20; this will involve further reducing the number of buildings from 450 to around 110. The recommended surrender enables the release of an existing poorly utilised and expensive building and will support future savings targets.

Legal Implications

8. Section 6 of the Police Reform and Social Responsibility Act 2011 ("the Act") provides that MOPAC must secure the maintenance of the Metropolitan Police Service, and secure that the Metropolitan Police is efficient and effective.
9. In carrying out its functions, the MOPAC may, under paragraph 7, Schedule 3 of "the Act" "do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of the functions of the Office". This includes, entering into contracts and other agreements, in addition to acquiring and disposing of property (including land). The MOPAC has the power to dispose of surplus properties (including land) under paragraph 7 (2) (b) of Schedule 3 of the "the Act".

10. The Commissioner may also do anything which is calculated to facilitate, or is conducive or incidental to acquiring and disposing of property (apart from land) but only with the consent of MOPAC under paragraph 4 (2) (b) of Schedule 4 of "the Act".

Risk (including Health and Safety) Implications

11. All relevant health and safety legal requirements such as the workplace, health and safety regulations and appropriate MOPAC and MPS standards will be met in any minor works required at either Newland Park or The Sir John Stevens building at Hendon and with the disposal and exit from Edinburgh House.

Environmental Implications

12. The release of a poorly utilised building will lead to a reduction in the level of energy use and associated emissions. As staff move to other buildings better use will be made of those facilities and the energy being consumed therein.
13. An environmental implications table has been completed highlighting likely impacts and mitigation.

Environmental Implications				
	Higher	Lower	No impact	Mitigation/management of any higher impact
Level of energy use and associated carbon dioxide emissions		X		Shutting down a poorly utilised building will reduce emissions.
Level of water consumption			X	Staff numbers remain as existing.
Level of waste generation/waste requiring disposal			X	Staff numbers remain as existing.
Level of travel and transport and associated emissions		X		One fewer building to travel to
Raw material use and finite resources (use of recycled materials and sustainable alternatives)			X	Minor building works only

Investment Criteria

Criteria	Minimum score required	Indicative score	Comments
Business Requirement	3	3	Aligns with 2013/2016 Estates Strategy and CRE Programme
Cashable Revenue	1	5	Full year savings, as outlined in Appendix 2 from 2016/17 onwards

Savings (full year effect)			
Return on Investment	4	4	
Total	8	12	
Total exc ROI	4	8	

Report author: Jane Bond/David Taylor – Property Services

Abbreviations:

CRE	-	Corporate Real Estate
DP		Digital Policing
EIA	-	Equality Impact Assessment
ESB		Empress State Building
MOPAC	-	Mayor's Office for Policing And Crime
MPS	-	Metropolitan Police Service

