



Belfast City Council

Report to:	Strategic Policy and Resources Committee
Subject:	6 Callender Street: Former Consumer Advice Centre
Date:	14 th March 2008
Reporting Officer:	Gerry Millar, Director of Improvement (ext. 6217)
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Relevant Background Information

The Council hold premises at 6 Callender Street by way of a 21 year lease which is due to expire on the 31st July 2012. The premises were previously used by the Council's Consumer Advice Centre, who relocated to alternative premises in 2006. Following agreement by the Council, Belfast Local Strategic Partnership (BLSP) currently occupies some of the accommodation previously occupied by the Consumer Advice Centre. There is only a small number of BLSP staff remaining and it is understood that the contracts for any remaining staff are due to expire by December 2008.

The Citizens Advice Centre also occupies a portion of the premises by way of an agreement with the Council (inc. payment of an apportioned rent). They are however proposing to relocate in the next few weeks to alternative premises.

The annual rent for the premises is currently £32,000 per annum (the rent has not been reviewed since 1994 and officers have resisted any attempts from this date to have the rent increased). The total annual rent, service charge, insurance, rates and maintenance costs are approximately £73,000 p.a (based on current figures and on the basis that the Citizens Advice Centre has moved out).

The premises suffer from a poor layout, are in poor repair and there are onerous repairing liabilities on the part of the Council. Under the terms of the lease the Council is required, on expiration of the lease, to leave the premises in good and substantial repair and condition. This could therefore result in a substantial dilapidations claim cost against the Council at the end of the lease term. The premises are not DDA compliant (there are no WCs on ground or first floor, no lift and there are difficulties in providing a ramped entrance due to footpath width etc). The Consumer Advice Centre relocated to alternative premises due to the problems associated with the building, and the Citizens Advice Centre is also relocating for the same reasons.

Given the inherent problems with the building, officers have been attempting for some time to negotiate an early surrender of the lease with the owners of the premises, but until recently

they had refused. However the owners have now indicated that they will accept an early surrender subject to the Council paying a premium of £110,000 to compensate them for lost rental income. Initially the owners had requested a higher premium and had also made the surrender conditional upon a dilapidations survey being carried out and any issues raised being addressed by the Council at their expense. However, following negotiations they have now dropped the dilapidations condition and reduced the premium.

As the annual cost of occupation is £73,000 p.a. (as above), the total cost of occupation to the end of the lease, based on current figures, is estimated at £330,000. However, as the service charge, rates and insurance costs will be subject to annual increases the real cost is likely to be in excess of this.

Key Issues

Whilst it is acknowledged that surrendering the lease will allow the owners to proceed with redevelopment of the premises, it is recommended that the Council surrender the lease at the premium requested. This recommendation is based on the following:

- The cost of continuing with the lease until the lease end is estimated at approximately £330,000, i.e £220,000 in excess of the premium to get out of the lease.
- If a dilapidations claim is made by the owners at the end of the lease (which they are entitled to do under the terms of the lease) this could potentially significantly increase the Council's financial liability further.
- The premises are in poor repair, the layout is inefficient and they are not DDA compliant. They are not suitable for relocating Council staff without substantial upgrading works, but given that the lease is due to terminate in 4.5 years it is not cost effective to upgrade the premises. A DDA audit carried out a few years ago concluded that substantial expense would be incurred in making the premises DDA compliant.
- Following the Citizens Advice Bureau relocating there will only be a small number of BSLP staff (approx 5 no) located on the premises, and it would be significantly more cost effective to relocate these staff to alternative Council accommodation. Relocation to alternative Council premises is being considered as part of the wider Council Accommodation report which is also being brought to this Committee. However, if alternative accommodation cannot be found, officers are in discussions with the owners of the Callender Street premises about the possibility of a short term Licence Agreement being entered into to allow the remaining BSLP staff to occupy a small portion of the premises (ground floor office) only up until the end of December 2008

Resource Implications

Financial: the premium requested by the owners for surrender of the lease is £110,000. The cost of continuing with the lease until the lease end is estimated at approx £330,000. A sum of approximately £220,000 would therefore be saved as a result of surrendering the lease.

Asset and other Implications: As the premises are in poor repair and are unsuitable for alternative Council use without substantial upgrading works, and given the total cost that will be incurred to the lease end date, an early surrender of the lease, albeit at a premium, accords with effective management of the Council's assets.

Recommendations

It is recommended that the Committee grants approval to :

- (i) an early surrender of the lease at a premium of £110,000 (subject to the owner making no claim against the Council for dilapidations) and relocation of the remaining BLSP staff to alternative Council accommodation (up to the end of December 2008), or alternatively;
- (ii) to enter into a short term Licence Agreement with the owners of the building to permit the remaining BLSP staff to occupy the ground floor office up until December 2008 (if required) subject to the terms of the Licence being agreed by the Estates Management Unit and the Director of Legal Services.

