

CABINET

30 NOVEMBER 2010

INNOVATION CENTRE MEDWAY

Portfolio Holders: Councillor Alan Jarrett, Finance
Councillor Jane Chitty, Strategic Development and Economic Growth

Report from: Robin Cooper, Director of Regeneration, Community and Culture

Author: Stephen Gaimster, Assistant Director, Development, Economy and Transport.

Summary

This report seeks delegated authority to let vacant space within the Innovation Centre upon commercial terms.

1. Budget and Policy Framework

- 1.1 Recommendations made within this report are within the Council's budget and policy framework.
- 1.2 The granting of licences, tenancy agreements, or leases is an executive function, therefore, any standing delegation to the Assistant Director, Housing and Corporate Services, is a matter for Cabinet. Subject to Cabinet approval, this delegation will be added to the Employee Scheme of Delegation, as set out in the Council's Constitution.

2. Background

- 2.1 Cabinet received a report on the 25 November 2008, which set out the proposals for letting the commercial floor space within the building. At that time it was proposed the ground and first floors would be operated as an innovation centre and the top floor would be let to one or more anchor tenants. However, whilst the innovation centre element has proved very successful with approximately 92% of the ground and first floors space let, the top floor has proved much harder to let during the current economic downturn. Whilst, several serious expressions of interest in the top floor were received from a variety of potential occupiers none ultimately proceeded to completion.

2.2 In light of the above officers are now of the view that in order to maximise the buildings potential it would be in the Council's commercial and economic interests to divide up the top floor and incorporate the newly created units (which will be larger than the ground and first floor units) within the Innovation Centre facility. There is a demand for units that are larger than those on the ground and second floors and officers believe that they will be able to let these units within a short space of time. The Assistant Director (Housing and Corporate Services has existing delegations for the grant of leases, but these are subject to financial limits. As the rental value of the new units (and in time the other units within the Centre) will exceed £20,000 per annum and therefore fall outside the limits of officers delegated powers the approval set out below is being sought.

3. Options

3.1 Option 1: to delegate authority as recommended.

3.2 Option 2: not to delegate authority and to refer the approval of each new tenancy/licence which falls outside existing standing orders to Cabinet.

3.3 Option 1 is recommended as Option 2 may delay approval of terms, which would lead to delays and the prospect of losing tenants to competing facilities.

4. Advice and analysis

4.1 It is essential to the cash flow of the Innovation Centre that tenants are found for the remaining space as soon as possible.

4.2 Agreeing to delegate authority to approve tenancy terms will maximise the chances of agreeing terms with the prospective tenants and should reduce the chances of the prospective tenant taking accommodation elsewhere, due to the Council being unable to agree terms without delay.

5. Risk management

5.1 The following risks have been identified.

Risk	Description	Action to avoid or mitigate risk
Units remain vacant	Vacant units lead to a loss of rental income and incur management costs	Appropriate marketing and ability to complete agreements with new tenants quickly

6. Consultation

6.1. Consultation has taken place within the service directorate, the business support department and the relevant Portfolio Holders and no objections to the proposal have been received.

7. Financial and legal implications

- 7.1 Existing units on the ground and first floor are currently occupied by way of standard term licences which are able to be processed quickly. The top floor units would be occupied by way of similar licences or leases depending upon the exact requirements of each occupier.
- 7.2 The Council has an obligation under s123 of the Local Government Act 1972 to dispose of land (including by way of lease) at best consideration, unless the consent of the Secretary of State is obtained. This does not apply in the case of a lease of less than 7 years. It is not likely that the occupation of any of the top floor units would be for a term of more than 7 years, but in any event Cabinet is requested to delegate authority to grant such leases/licences on the best terms reasonably obtainable.
- 7.3 The top floor of Innovation Centre Medway has the potential to generate approximately £200,000 rental income per annum (rental plus service charge). The proposal will ensure that cash flow to the Centre is maximised.

8. Recommendation

- 8.1 Cabinet delegate authority to the Assistant Director (Housing and Corporate Services) to grant licences, tenancy agreements, or leases at the Innovation Centre Medway, on the best terms reasonably obtainable.

9. Suggested reasons for decision(s)

- 9.1 To enable the Council to act quickly and secure occupational tenants for the Innovation Centre and the consequential rental income.

Lead officer contact

Stephen Gaimster, Assistant Director, Development, Economy and Transport

Background papers

Report to Cabinet dated 25 November 2008