

DRAFT GROWTH PROPOSAL

London Borough of Tower Hamlets
Medium Term Financial Strategy 2021-24

Proposal Title:	Mulberry Place - short term rent increase		
Reference:	GRO / PLA 001 / 21-22	Growth Type:	Budget Pressure
Directorate:	Place	Growth Service Area:	Central services
Directorate Service:	Property & Major Projects	Strategic Priority Outcome:	13. Not aligned with Strategic outcome
Lead Officer and Post:	Vicky Clark, Divisional Director, Growth & Economic Development	Lead Member and Portfolio:	Mayor John Biggs, Executive Mayor

Financial Impact:	Current Budget 2020-21	Growth 2021-22	Growth 2022-23	Growth 2023-24	Total Growth
Budget (£000)	2,800	1,200	-	(1,200)	-

Staffing Impact (if applicable):	Current FTE 2020-21	FTE Increase 2021-22	FTE Increase 2022-23	FTE Increase 2023-24	Total FTE Increase
Employees (FTE) or state N/A	N/A	-	-	-	-

Proposal Summary:

The current lease of Mulberry Place expired on 1st July 2020 and officers engaged in negotiations with the Landlord's agents to discuss and agree terms for a lease extension. It has always been recognised that the new Town Hall will not be ready for occupation until midway through 2022 at the earliest, so the Council needed to secure accommodation for the intervening period either through an extension to the current lease or moving to new premises.

It is important that the Council has certainty regarding its office accommodation provision over the period prior to relocation to the new building which is likely to be in mid-2022. Options to provide this accommodation were to either remain in Mulberry Place or to move the workforce to a new location. Detailed analysis was undertaken of both options, with the cost of moving to new offices being estimated in the region of £8m to £12m. It therefore represented value for money to remain within the current offices and to re-negotiate the lease.

Discussions started with the landlord's agents in December 2016 shortly after they had purchased the freehold from the former owners. Those discussions included sharing the Council's plans for the move to the new Town Hall and the timescale for that project were included in the negotiation for a lease extension.

The Council has a current annual budget of £2.8 million in respect of the rent for Mulberry Place. In addition, service charges are payable to the landlord. Under the terms of the new lease, the previous financial arrangements continued to 1st July 2020 when the higher rental charge came into effect. A revised rental charge of £4m was agreed and this increase in annual rent was approved at Cabinet on 9 January 2019, resulting in a budget shortfall of £1.2m from 2021-22 and the need for growth. There is no mitigation for this budget shortfall which will continue until the Council vacates the building in 2023-24. At this time the growth will no longer be required.

Budgeted Outcomes / Accountability (focus on improved performance):

This growth bid will align the budget with the terms of the new Mulberry Place rental agreement on a temporary basis until the lease is ceased and the workforce move to the new town hall in 2023-24.

Risks and Implications:

The lease extension is predicated on the Council moving to the New Town Hall by 2023-24 and vacating Mulberry Place. The main risk is that this project will be delayed and the Council will require a further extension to the existing lease on Mulberry Place. Market conditions and the Council's vulnerable position in requiring a short-term extension could result in a further increase in the lease rental for which there is no budgetary provision. If the landlord were to refuse an extension then the Council could be forced to seek alternative accommodation and the cost for this is likely to be even greater.

Value for Money and Efficiency:

Extending the lease on Mulberry Place represented value for money to the Council. The increase in lease rental of £1.2m per annum for two years is significantly lower than the estimated cost of decanting the building and moving to alternative accommodation, which was estimated at a cost of £8m-12m.

GROWTH PROPOSAL - BUDGET EQUALITY ANALYSIS SCREENING TOOL

Trigger Questions	Yes / No	If Yes – please provide a brief summary of how this impacts on each protected characteristic as identified in the Equalities Act 2010. This will need to be expanded in a full Equality Analysis at full Business Case stage.
Does the change reduce resources available to address inequality?	No	
Does the change reduce resources available to support vulnerable residents?	No	
Does the change involve direct impact on front line services?	No	
Changes to a Service		
Does the change alter who is eligible for the service?	No	
Does the change alter access to the service?	No	
Changes to Staffing		
Does the change involve a reduction in staff?	No	
Does the change involve a redesign of the roles of staff?	No	

Summary:	
To be completed at the end of completing the Screening Tool.	
Based on the Screening Tool, will a full EA will be required?	No

Additional Information and Comments: