

**TITLE OF REPORT: STORAGE FACILITIES**

REPORT OF THE HEAD OF FINANCE, PERFORMANCE & ASSET MANAGEMENT  
PORTFOLIO HOLDER: COUNCILLOR T.W. HONE

**1. SUMMARY**

- 1.1 To seek Cabinet's approval of a property strategy to rationalise Council storage accommodation.

**2. RECOMMENDATIONS**

- 2.1 That Cabinet delegates to the Strategic Director of Finance, Policy and Governance, in consultation with the Portfolio Holder for Finance and IT, authority to dispose of the Beverley Close, Royston warehouse and document store by way of sale or lease, subject to the terms offered being the best consideration.
- 2.2 That Cabinet delegates to the Strategic Director of Finance, Policy and Governance, in consultation with the Portfolio Holder for Finance and IT, authority to acquire the freehold or long lease of land or buildings suitable to be used as Council storage facilities up to the value of £750,000 including any necessary adaptation, alteration, renovation and construction costs, professional fees and subject a viable business case and subject to the terms offered being the best consideration.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 To rationalise the Council's storage facilities and relocate the use to a more convenient location.
- 3.2. To improve IT services and reduce backup server costs.
- 3.3 To replace lost storage space.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Keeping the existing Royston storage site.
- 4.2 Keeping the existing remote server backup outside Hertfordshire.

**5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 5.1 As this is a Council wide strategic matter there is not been any consultation with Ward Members or external organisations.

**6. FORWARD PLAN**

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 30 June 2014.

## **7. BACKGROUND**

- 7.1 The District Council owns a freehold warehouse storage facility in Gernon Road adjacent to Town Lodge and behind the print facility. Unfortunately the concrete floor slab has moved leading to significant internal movement. The building was considered unsafe by Building Control and Property Services. For a number of years the building had been used for document storage but now the documents have been moved out and staff access restricted.
- 7.2 In 2006 as part of a relocation package to release development land elsewhere, the Council constructed a 118 sq m (1,270 sq ft) warehouse at Beverley Close, Royston. After a few years the relocated tenant exercised its break clause and vacated the Beverley Close warehouse. A new document store was set up in the warehouse as the building was vacant and immediately available without the need to enter into a lease and pay rent to a third party. Although the facility itself is suited to this use, being located approximately 25 minutes away from the main office in Letchworth has made it less convenient when documents are needed, especially if there is some urgency for their retrieval.
- 7.3 Currently the Council's backup computer servers are located off site with a third party contractor based outside Hertfordshire. Off site backup servers are required in case there is an incident that results in the main servers being unable to function. The annual contract for this Disaster Recovery service is in the region of £40,000. IT Services have already earmarked part of this budget as a potential saving in 2014.
- 7.4 IT Services are about to replace the existing Council main servers. This has provided an opportunity to reuse the older servers to provide the necessary offsite backup facility. Once in place it will be possible to end the arrangements with the third party service and potentially save up to £40,000 per annum in contract fees. Being situated locally should also help in an emergency as it will be easier and quicker to bring the service back into operation again than with the current third party arrangements. A temporary location has been found for the backup servers. Subject to installation of new cabling it is hoped to be able to have this up and running in time to end the off site contract in September. The temporary server location is within another Council property. For security reasons the exact details are not given within this report and it is likely to be available for 12 to 18 months only.
- 7.5 As part of the plans for the new District Museum in Hitchin some storage space was to be included within the building for the Museum Service. Unfortunately for various reasons one store room and part of another in the District Museum are now required for other purposes. This has resulted in a reduction of storage space for the Museum Service by approximately 25 sq. m. There is no additional space available at the existing Burymead Road Museum store and therefore the additional museum storage space needs to be found elsewhere.
- 7.6 The curtain walling of the main Council Offices is coming to the end of its useful life and will need to be replaced in 2015. It will be necessary to decant Council staff and Members whilst the windows and panels are removed. As part of the refurbishment there are plans to change the layout of the Council Offices to provide more efficient use of the building, improve ventilation and, subject to the final layout to be agreed, release at least one floor for letting to third parties. The preferred option is for staff to be temporarily relocated to Town Lodge whilst the works are undertaken. Letchworth Museum could also be used for temporary staff accommodation once the Museum Service has relocated to the new District Museum. It may be necessary to find alternative arrangements for Committee meetings. During the office decant there will be a need to

remove and store existing furniture, equipment and documents, which may be addressed by this proposal. The existing Beverly Close Document store is nearly full and is not big enough to provide space for storage of additional furniture and equipment.

## **8. ISSUES TO BE ADDRESSED**

- 8.1 Operationally the Council's backup servers should be not too close to the main servers in case they are on the same grid power supply but also not too far away as the cost of providing a dedicated IT link will become too high.
- 8.2 It was originally proposed to provide a small amount of additional museum storage within the new District Museum at Hitchin. Now that some of this space is required for other uses new replacement storage space needs to be found elsewhere. Ideally from an operational point of view it is best located close to Hitchin.
- 8.3 The Council's document store at Royston, whilst suitable for its purpose, is felt to be too far from the Council's offices, especially if documents are needed quickly. Whilst the move to document scanning has helped, the Council does not have the resources to backscan all the existing paper documents and files still held within the Council's offices.
- 8.4 Whilst the exact space required is subject to a number of variables, the current estimate suggests that if all of the accommodation requirements identified in the report were provided within one building, it would need approximately 375 sq m to 465 sq m (4,000 sq ft to 5,000 sq ft) in size. Letchworth appears to be the most suitable location. For document storage it is the closest location and for back up servers it is close enough that the cost of a dedicated IT link doesn't become too high but not too close that it could be compromised by an incident such as being on the same power supply as the main servers.
- 8.5 From a financial prospective it would be better to acquire a single building rather than renting one or more properties.
- 8.6 Purchasing suitable existing buildings may be a challenge as there does not appear to be much available at the moment. The building may require alterations and adaption, for example providing a secure room for the backup servers or replacement of asbestos roofing. Due to the very low bank deposit rates and higher returns from investment property it appears that few vacant properties are available to purchase with vacant possession. Those investors who own warehouses prefer to rent rather than sell. Typically a 4,000 sq ft warehouse in good condition may be available to rent at around £25,000 to £30,000 per annum and often there is a service charge as well. Depending upon age and condition a similar size building could be acquired for between £250,000 and £400,000.
- 8.7 Another option could be to acquire land and construct a new building. This is likely to cost between £425,000 and £500,000 for the building plus the cost of land.
- 8.8 A further option could be to acquire an investment property with an existing tenancy that either had a landlord's break clause, a short period to the end of the lease, or where there may be an opportunity to negotiate an early surrender of the tenant's lease. This may be more risky in terms of finding accommodation for the Council's own storage needs but with investment warehouse and light industrial properties typically providing returns of 7.5% to 10% there is a low financial risk to the Council as the investment returns from these properties are much better than bank deposit rates of less than 1%.
- 8.9 Due to the scarcity of suitable sized properties it may be necessary to look at acquiring a slightly larger property than needed if it could be subdivided to provide part Council use

and part letting to a third party as an investment. For this reason authority is being requested to acquire property up to £750,000.

- 8.10 The report identifies various options used as examples. Due to the unique nature of property there may be a number of potential options to solve the Council's storage needs that require a flexible approach.
- 8.11 Due to the nature of the sale and letting of commercial property, as with residential property, should something suitable become available it may be necessary to act fast. It is therefore not possible to bring a specific report to Cabinet once a potential solution is found.

## **9. LEGAL IMPLICATIONS**

- 9.1 Cabinet has within its terms of reference to purchase land and buildings where the sale price, premium or initial rent (after the expiry of any rent free period) exceeds £250,000 and does not exceed £1,000,000.
- 9.2 Cabinet also has within its terms of reference to dispose of land or buildings where the purchase price, premium or initial rent (after the expiry of any rent free period) exceeds £250,000 but does not exceed £2,500,000.
- 9.3 Section 120 of the Local Government Act 1972 provides that a local authority may acquire land by agreement for the purpose of any of their functions or for the benefit, improvement or development of their area.
- 9.4 Section 123 of the Local Government Act 1972 permits a local authority to dispose of land in any manner it wishes provided that the consideration is the best that can be reasonably obtained. Where a disposal is proposed at less than best consideration the consent of the Secretary of State must be obtained.
- 9.5 The registered title of the Beverley Close warehouse does not reveal any entries that would frustrate or prohibit disposal.
- 9.6 Once a potential site been identified appropriate for acquisition due diligence enquires will be carried out as part of the purchase transaction.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 This report requests funding of up to £750,000 including renovation, alterations etc. Therefore this sum may include both revenue and capital expenditure.
- 10.2 The store at Royston was utilised for Council records partly due to its configuration and partly because there was no alternative tenant or purchaser. The building would ideally be much closer to the DCO. There is an option to relocate storage to a much closer location and also potentially incorporate other Council requirements, such as an IT back up site.
- 10.3 The provision of storage closer to the DCO will also contribute to the office refurbishment project by supporting the initiative to minimise the necessity for physical storage within the DCO. If alternative storage is more conveniently located then staff will be more willing to place records there.
- 10.4 The comments in section 8.8 are also noted.

## **11. RISK IMPLICATIONS**

- 11.1 Moving storage arrangements closer to the main Council Offices will not only make access to documents quicker but will bring additional efficiencies by reducing transport costs and Officer time in transferring documents to and from the current Royston site.
- 11.2 Any new facility would have to have suitable security arrangements to ensure the security of irreplaceable document and Museum exhibits as well as IT equipment.
- 11.3 As with any property transaction, the value of any new property acquisition may fall as well as increase.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 There are no direct equalities implications arising from the proposals either contained in this report or made under delegation to the Strategic Director of Finance, policy and Governance regarding the disposal and acquisition of relevant facilities. The proposal to decant staff into alternative accommodation during refurbishment of the District Council offices will address equalities issues at the relevant time.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraph 12.

## **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 There are no Human resource implications from this report.

## **15. CONTACT OFFICERS**

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- 15.5 Policy and Community Services, Liz Green, Head of Policy and Community Services, 01462 474230, [liz.green@north-herts.gov.uk](mailto:liz.green@north-herts.gov.uk)
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**16. BACKGROUND PAPERS**

- 16.1. Beverley Close, Royston Registered freehold HD497360.