

# Report

## Cabinet

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### Part 1

Date: 15 January 2020

### Subject Information Station

**Purpose** Approval to seek alternative commercial use for the ground and first floor of the Information Station, and the relocation of the of current staff and services to the Central Museum and Library.

**Author** Head of Regeneration Investment and Housing

**Ward** Council Wide

**Summary** This report sets out the rationale for seeking alternative commercial use of the ground and first floors of the Information Station building, in order to improve the performance of this building both as an asset and as a stimulus for economic development. Whilst the Information Station has been an undoubted success in terms of service delivery, the high cost of the building lease means it is effectively a wasting asset.

Currently, Newport has a chronic lack of both large 'Grade A' premises and smaller flexible co-working facilities. This paucity of space has proved prohibitive to attracting high value and high growth occupiers, and become a significant barrier to economic growth. The City Centre Masterplan highlights the provision of much needed flexible working spaces for start-ups and knowledge intensive SME's of a tech and digital nature as a crucial ingredient of success.

Despite the strength of Newport as a location for office space, demand for space far exceeds supply. Improvements to infrastructure as well as the high cost of accommodation in neighbouring cities mean that Newport is well-placed to capitalise on interest from potential office occupiers on the condition that space of sufficient quality can be made available.

In addition to supporting regeneration and economic development of the City Centre, Sub-leasing areas of the Information Station to generate income and reduce the financial burden on the Council also aligns with corporate commitments to rationalise and maximise NCCs asset portfolio and use our buildings more effectively. Given the presence of the Cardiff University National Software Academy within the same building, the opportunity to co-locate with this institution is likely to attract market interest from the sector and operators of co-working and incubator space in particular.

To facilitate this objective, it is necessary to relocate the current Information Station building into alternative premises. This will have the dual benefit of maintaining provision of the current service within the City Centre as well as potentially reducing the cost of providing this service. The most opportune location at which the service can be accommodated is the Museum and Library building. This report therefore also seeks in-principle permission to relocate the Information Station to a new home on the ground and first floors of this underutilised premises. In order for this to be achievable the Council

would require additional funding from the Welsh Government Targeted Regeneration Initiative (TRI) to enable the fit out works for the relocation. This is currently being applied for and a decision on its award expected in January 2020.

- Proposal**
1. To proceed with seeking opportunities to commercialise the Information Station building.
  2. Authorise officers to proceed with relevant processes to seek new occupiers for the Information Station and external finance required to deliver the project.
  3. Subject to the successful acceptance of the external TRI funding, satisfactory commercial rent in line with the base financial appraisal for this project, relocation of existing staff and services from the Information Station to the Central Museum / Library and secure new occupiers for the Information Station.
  4. Agree use of Invest to Save reserve to support this project subject to meeting minimum payback period.
  5. Approve the 350k Council capital cost funding required into the capital programme.

**Action by** Head of Regeneration Investment and Housing

**Timetable** Immediate

This report was prepared after consultation with:

- Strategic Director - Place
- Head of Finance (Chief Finance Officer)
- Head of Law and Regulations (Monitoring Officer)
- Head of People and Business Change
- Corporate
- Cabinet members
- Information Station Managers

**Signed**

## Background

This report sets out the rationale for seeking alternative commercial use of the ground and first floors of the Information Station building, in order to improve the performance of this building both as an asset and as a stimulus for economic development. Whilst the Information Station has been an undoubted success in terms of service delivery, the high cost of the building lease means it is effectively a wasting asset.

High value, knowledge based jobs are the new benchmark for City Centre economic success. It is these jobs that drive productivity, job growth and perceptions of cities and towns, as well as sustaining localised retail, services, and residential markets. Newport must rebalance its ratio of space allocated to retail and quality office space, if the city centre is to secure a greater number of knowledge-intensive jobs and thrive.

Currently, Newport has a chronic lack of both large 'Grade A' premises and smaller flexible co-working facilities. This paucity of space has proved prohibitive to high value and high growth occupiers, and become a significant barrier to economic growth, with demand for space far exceeding supply. Significant projects to bring forward larger developments are underway, including the Council-funded developments at Mill Street and Chartist Tower, which will capture larger firms looking to take advantage of Newport's excellent locational advantages, or retain those that may move out of the City Centre. There remains, however, a conspicuous lack of smaller offices able to accommodate new and relocating businesses.

The City Centre Masterplan highlights the provision of much needed flexible working spaces for start-ups and knowledge intensive tech and digital SME's as a crucial ingredient of success. Newport enjoys a very high rate of SME start-ups but without suitable space, there is little chance of these companies choosing to domicile in the City Centre. NCC's Economic Development section have also identified a large and growing latent demand for City Centre incubation and co-working space.

The Information Station can therefore be considered a prime location to facilitate a tech-focused SME co-working and incubation space due to the opportunity to physically share a building with the Cardiff University National Software Academy occupying the upper three floors. In summer 2019 a soft market test was carried out with potential providers of flexible working space to test the appetite for sub-leasing from the Council. All potential occupiers canvassed during this exercise responded favourably to the opportunity on the condition that certain parameters can be set around fit-out and rent, further evidencing demand.

There is also a strong commercial imperative to the proposal outlined above. As part of the Council's Corporate Plan, the organisation has promised to deliver the following commitments by 2022:-

- Create an inviting and inspiring work environment, freeing up 50% of our estate to save money and create space for commercial and social innovation.
- Reduce the number of buildings we operate out of by half.
- Operate on average at 2:1 desk ratio with many staff working flexibly from home on a regular basis.
- Offer the space made available through these changes to new businesses, growing businesses and organisations undertaking work with social value.

The Information Station has been transformational in terms of providing access to services, but the high cost of the lease paid for the premises remains an issue; when considered in tandem with the opportunity to seek a new occupier for the premises, there is also the potential to help deliver against each of the above Corporate Plan commitments for future asset management.

The service delivered by the current Information Station at present will need a new home if it is to be continued, and the second arc of this project is to relocate the current Information Station operation to the Central Library building. As with many such local authority library buildings, community use has

declined significantly leaving the Council with an underutilised property and insufficient budget to modernise what is a further significant City Centre property.

Co-location of the library and museum with the wider 'One Stop Shop' offer will provide mutual benefits including access to the digital facilities, community and cultural activities available within the library. In turn, by placing the Information Station within the museum building it will enjoy vastly improved accessibility and presence at the heart of the redeveloped Friars Walk leisure complex. It is anticipated that the relocation of staff and services will offer an opportunity to review and improve current working practices and service delivery models. The design on the new facility will aim to improve the customer journey and also facilitate greater use of the services available at the Museum and Library building.

In summary, relocating the current Information Station operation to an alternative City Centre site would make available a prime space that can deliver against both the economic regeneration and asset management objectives within the Council's Corporate Plan. In the Information Station, the Council has the head lease interest on a property that can be used to provide more commercially relevant space within the City Centre with a specific emphasis on developing its tech and digital sector. The relocation of the current public-facing services to the Library will in turn result in better use of this asset and enable improvements to the service by virtue of a more accessible location and design in a better customer journey.

## CAPITAL

	Year 1 2019/20	Year 2 2020/21	Year 3 2021/22	Notes including budgets heads affected
Info Station Capital	£47,500	£299,500	£3,000	
Museum and Library Refurbishment	£47,500	£1,345,500	£7,000	
<b>TOTAL CAPITAL COSTS</b>	<b>£95,000</b>	<b>£1,645,000</b>	<b>£10,000</b>	
NCC Borrowing	£28,500	£318,500	£3,000	
Welsh Government	£66,500	£1,326,500	£7,000	TRI funding to be confirmed
<b>TOTAL FUNDING</b>	<b>£95,000</b>	<b>£1,645,000</b>	<b>£10,000</b>	
<b>NET TOTAL</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	

## REVENUE

The projected capital financing cost of £47,500 pa and the estimated additional revenue costs of delivering the service in the library & museum site and the capital financing cost are expected to be fully covered by any rental income achieved by the new tenant. The project may also need some enabling one off funds to deliver the commercial / regeneration outcomes being sought in the information station and an allocation of up to 250K is included in the base financial appraisal for this, pending confirmation of adequate rentals to bring about sufficient levels of MTFP savings to meet the minimum payback criteria this requires.

The estimated increased annual cost to the Council if the information station remains un-let would be c£110,000. Soft market testing has been carried out which has confirmed that there is interest in the scheme, there would need to be due diligence carried out on any potential tenants to assess their business plan and subsequent assessment of financial strength.

## Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
TRI Funding Application	M	L	<p>The Welsh Government may not fund the full capital allocation requested.</p> <p>The use of JV regeneration funds may be required to plug any shortfall.</p> <p>NCC will make a capital request to the Welsh Government for the maximum £1.4m available to the project in the first instance.</p> <p>If the WG Regeneration Panel do not approve this investment, NCC will seek a minimum TRI intervention of £1.150m, capping any potential JV investment at £250k. If this minimum funding is not achieved the project will not proceed.</p>	Team Manager Regeneration
Lack of Market Interest	H	L	<p>The sub-letting opportunity may not receive any market response. Without a viable occupier the grant investment and MTRP savings are unlikely to materialise.</p> <p>Soft market testing has confirmed interest. Opportunity to be marketed by Newport Norse including by advert in the national property press.</p>	Team Manager Regeneration
Revenue Cost Increase	H	L	<p>A potential occupier may require support in order to establish their business.</p> <p>Co-location of the hub with the NSA will provide a steady stream of potential customers for the hub.</p> <p>A high-quality fit out suitable for co-working space will be achieved through the project.</p>	Head of RIH
Capital Cost Increase	L	H	Dedicated project working group, reporting direct to the Major Projects board.	Project Manager

			MTRP savings mitigate cost of borrowing as a minimum. Further borrowing to complete the scheme is unlikely to exceed the potential MTRP saving achieved.	
Project Delays	H	L	Dedicated project working group, reporting direct to the Major Projects board.	Project Manager
Staff Communications	M	L	Comms plan for both staff based at the Information Station and service users implemented prior to project commencement.	Project Manager
Failure of Business Tenants	H	L	Due diligence will be carried out on proposed tenants, and additional security i.e. guarantors sought where required.  The refurbished space can be re-let to an alternative provider or user should any failure occur. The Council would need find additional finance to cover the cost of any void periods.	Head of RIH

## Links to Council Policies and Priorities

The Information Station commercialisation project will dovetail with and add value to the Council's strategic Policies, both for continued regeneration of the City Centre and the rationalisation and best use of its assets as set forth in the Corporate Plan 2017-2022.

The project also supports Newport City's Economic Growth Strategy, which sets out a ten-year programme for delivering growth across the city centre through capital redevelopment, upskilling, training and business support. The provision of a bespoke start-up facility for the tech sector will further each of these objectives

Through its wider community activities, the project is consistent with the themes and objectives of the 'Newport City Council Well-being Plan 2018 – 2023':

- people feel good about living, working, visiting and investing in Newport.
- people have skills and opportunities to find suitable work and generate sustainable economic growth.
- people and communities are friendly, confident and empowered to improve their well-being.
- Newport has healthy, safe and resilient environments.

The project will help deliver a number of national, regional and local strategies particularly those aimed at educational attainment, skills development, economic resilience, improved business opportunities and support, and environmental regeneration. The relocation of the current Information Station offer to the Museum and Library will not only offer an enhanced service user experience but also further complement local cultural, heritage and destination management strategies by driving greater footfall into the library building.

## **Options Available and considered**

1. To proceed with opportunities to commercialise the Information Station building, on the basis that officers can secure new occupiers and external finance required to deliver the project. Also relocate existing staff and services from the Information Station to the Central Museum and Library.
2. To not proceed with opportunities to commercialise the Information Station building, continue to operate the building in the current format, along with the Central Museum and Library.

## **Preferred Option and Why**

To proceed with opportunities to commercialise the Information Station building, on the basis that officers can secure new occupiers and external finance required to deliver the project. Also relocate existing staff and services from the Information Station to the Central Museum and Library.

## **Comments of Chief Financial Officer**

The proposal above is subject to the acceptance of WG TRI funding of £1.4m and sufficient rental achievable from potential tenants to make the scheme cost effective. These are included in the base financial appraisal for this scheme and if not met, the project should not proceed. This is because the project could then increase the councils current costs for which there is no budget. The base financial appraisal would ensure that use of up to £250k of Invest to Save funds to support this meet minimum payback period.

The outline business case has shown that if the scheme achieves the rental which is expected, it will deliver a net financial benefit to the Council. There is currently no MTFP savings in the budget for this proposal and will only be added once funding and a tenant is secured.

Any proposed tenants will be subject to due diligence of their business case and additional security that needs to be secured.

## **Comments of Monitoring Officer**

The proposed action is in accordance with the Council's legal powers under Sections 122 and 123 of the Local Government Act 1972 regarding the appropriation and use of Council owned property. The proposed sub-letting of further space within the Info Station as an SME technology incubation hub, and the relocation of existing Council services to the Museum and Library building to facilitate this, is consistent with corporate economic regeneration and asset rationalisation policies. This follows on from the previous Cabinet decision to grant a similar sub-lease of parts of the building to the National Software Academy. Cabinet will need to agree to this part of the Info station being declared surplus to the Council's operational requirements, re-appropriate the property for regeneration purposes under section 122 and then agree to its "disposal" under section 123 by way of a long lease to a suitable technology occupier. Because this will involve the grant of a sub-lease for more than 7 years, then the Council has a statutory duty to secure best value and market consideration for the grant of the lease. Therefore, competitive tenders and proposals have been invited from technology providers, to determine the best terms for the letting, both in relation to the tendered rents and their proposed business model. However, further financial and legal due diligence would need to be undertaken to determine the covenant strength of the proposed tenants and to secure any necessary guarantees or security for the payment of the rent. The sub-letting and the fit-out work would also be subject to obtaining the necessary consents and licenses from Network Rail, as head landlords, under the terms of the Council's head-lease. The transfer and re-provision of the existing Council services at the Museum and Library should not have any detrimental impact on service delivery but a full Fairness and Equality impact assessment will be carried out to demonstrate that due regard has been had to the Council's public sector equality and well-being duties. The business case is only viable if TRI grant funding is awarded by Welsh Government towards the costs of the fit-out work at both the Info station and the Museum and Library

and suitable terms can be agreed for the sub-lease. Any shortfall in the funding will need to be met by a mixture of capital expenditure and use of Invest to Save monies, and Cabinet are required to approve this funding model, subject to TRI grant being forthcoming.

## **Comments of Head of People and Business Change**

There are no direct HR implications arising from this report. Existing staff will be relocated to the alternative building and a communications plan for staff will be implemented prior to commencement of the project. Any future staff proposals will be subject to a separate report.

As stated in this report, whilst the Information Station has been a success in terms of service delivery, the high cost of the building lease means an alternative solution is required in the longer term. The proposal will help deliver a number of national, regional and local strategies particularly those aimed at economic development, skills and work, environmental regeneration and improving the local business offer. This long term project fits in with the city's Well-being Plan by contributing to improving the Newport Offer, particularly in the city centre, and offering skills and work development. The project has considered the five ways of working as required in the Well-being of Future Generations Act and meets the national well-being goals of a prosperous Wales, a Wales of vibrant culture and thriving Welsh language, and a more equal Wales.

## **Comments of Cabinet Member**

The Cabinet Member has approved the report for consideration by Cabinet.

## **Scrutiny Committees**

N/A

## **Equalities Impact Assessment and the Equalities Act 2010**

The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users.

The decisions recommended in this report will require officers with delegated responsibility for managing the design and delivery of both the new tech hub space and the relocated Information Station to ensure that each facility is fully accessible and does not disadvantage any current or potential occupants or service users. Staff members currently accommodated at the Information Station will be notified of any changes in a suitable format and be given the opportunity to feed in to the design stage.

In partnership with the Corporate Policy Team, a Fairness and Equality Impact Assessment has been undertaken and the key points from this are:

1. The impacts are likely to be positive (refurbishment and upgrade) and with no significant detriment to protected groups.
2. The information station will remain in the city centre with improved accessibility and co-location of public services.
3. If the project obtains the go ahead consultation will be undertaken with customers and staff in order to develop the best and most appropriate service.



## **Children and Families (Wales) Measure**

Both the library building and potentially the Information Station are used by Children and Families. A targeted consultation with these service groups will be required in advance of the implementation.

## **Wellbeing of Future Generations (Wales) Act 2015**

The project accords well with the five ways of working as set forth in the Wellbeing of Future Generations Act:

**Long Term** – This offer provides a sustainable future for a key city centre building and provides a different and important offer within Newport. Diversification of the economy, and support for knowledge intensive business trading is identified as a key factor driving the economic sustainability of town and city centres across the UK.

**Prevention** – The project will secure an enhanced provision of the current Information Station offer in the city centre and ensure the services accessed remain able to carry out key preventative services, such as housing options and migrant support.

**Integrated** – The City Centre Masterplan denotes the ‘Northern Gateway’ areas adjacent to the train station as a key economic anchor for the urban core. This potential project will integrate positively with sustainable public transport and wider regeneration proposals.

**Involvement** – The project has engaged with staff and the private business community to date to ensure the project is a long-term, viable option. Targeted consultation will be carried out with service users of the Museum and Library along with the current Information Station.

**Collaboration** – Newport City Council have worked in partnership with a number of organisations to develop this potential offer, particularly private sector operators as well as both the Homes and Places and Economy and Transport divisions of the Welsh Government.

The project is compliant with the well-being goals through improvements to economic, social and environmental aspects of both the immediate property and surrounding area as follows:

### **Goal 1 – A Prosperous Wales**

By providing much needed, small-scale premises for start-up businesses, particularly those in the economically resilient knowledge-based tech and digital sector.

### **Goal 2 - A Resilient Wales**

By seeking to generate a volume of new businesses domiciled in the City Centre able to take on redundant retail space and contribute to a sustainable and diverse economic base.

### **Goal 3 - A Healthier Wales**

By encouraging access to each facility by sustainable transport – either rail, bus or active travel.

### **Goal 5 - A Wales of Cohesive Communities**

By embedding a culture of collaboration within the local the business community.

### **Goal 6 - A Wales of Vibrant Culture and Thriving Welsh Language**

By encouraging access to the current Museum and Library offer by co-locating this provision alongside other key services.

### **Goal 7 - A Globally Responsible Wales**

By securing investment for south east Wales and the local supply chain and businesses. Applying sustainable regeneration principles based around this engagement of local suppliers will ensure that the objectives contribute fully to a globally responsible Wales.

## **Crime and Disorder Act 1998**

Section 17(1) of the Crime and Disorder Act 1998 imposes a duty on the Local Authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

## **Consultation**

Comments received from wider consultation, including comments from elected members, are detailed in each application report in the attached schedule.

## **Background Papers**

N/A

Dated: 24 December 2019