

Delegated Decision Front Sheet



Officer Decision

OFFICER: Michael Canavan	SERVICE AREA FUNCTION: Economic Growth	DATE: 29 th April 2019
DECISION NO:	DELEGATION POWER Delegated authority for the Strategic Director, Finance and Governance and Support; in consultation with the Deputy Mayor and Executive Member for City Centre Strategy/Executive Member for Finance and Executive Director for Growth and Place.	CHECKS & BALANCES: Strategic Finance – Paul Shout Legal Services – Jo Youngs
DETAILS OF DECISION: To approve the contractual terms set out in the Asset Management Agreement, with regards to the marketing and letting and estate management of buildings 1 and 2 at Centre Square	IS IT A KEY DECISION? N	
REASONS FOR DECISION: Within the Executive report of 20 th February 2018 – Centre Square East Office Development – Council Investment and Accommodation, a baseline position was presented on the contractual terms, through further negotiations with Ashall Projects there has been some minor amendments to the terms within the report. The decision will provide the approval for the contractual terms set out in the asset management agreement (attached appendix 1) that the Council is agreeing for Centre Square and the services provided by Ashall's with regards to the marketing and letting of building 2 and the wider estate management services. The Asset Management Agreement accords with the Executive Report of February 2018, and provides an inclusive package of marketing and estate management. Within the agreement costs are covered for the first lettings of the A3 restaurant unit of building 1 and all the office space within building 2. The Council would then be liable for the costs of the second lettings of these spaces within the timeframes of the Asset Management Agreement (3 years from Practical Completion of Building 1 and 2) Whilst feasible this is extremely unlikely as it does not accord with the Council's criteria for qualifying lettings The decision is being requested at this time due to the requirement for consultation with the Executive Members and with the current election period it is uncertain when the next available opportunity will be to consult the necessary Executive Members.		
BACKGROUND On the 20 th February 2018, the Council's Executive approved the investment in office space at land east of Centre Square for the purposes of (i) securing an efficient, cost-effective and sustainable solution for the long-term accommodation of Middlesbrough Council staff and (ii) investment in a second building in the development to achieve a commercial return for the Council. Within this report delegated authority was granted to the Strategic Director, Finance and Governance and Support; in consultation with the Deputy Mayor/Executive Member for City Centre Strategy, the Executive Member for Finance and Governance and Executive Director for Growth and Place to agree: <ol style="list-style-type: none"> 1. The substantive rental agreement (only where this has a positive net effect on the financial case) and is within the parameters of external advice; 2. All operational decisions, site management obligations / arrangements and contractual arrangements associated with the management and administration of the principal and underlet lease agreements; 		

3. The eligibility criteria for tenant businesses in the sub-let property;
4. All contractual commitments for site marketing, maintenance and site management; and,
5. Final approval of fit-out specification for the Council's accommodation

The Asset Management Agreement accords with the approved Executive report and provides a full marketing and estate management service. The Executive report stated *the proposal (and costs) are inclusive of a package of professional marketing and lettings services, to advance the early letting of Building Two and the area of A3 / restaurant space incorporated within Building One.* The Asset Management Agreement references that this is only applicable to the initial lettings (first letting) of the A3 unit at Building 1 and Building Two, in the unlikely event that should a tenancy become vacant (subsequent letting) within the timeframe of the Asset Management Agreement the Council would be liable for the professional fees associated the re letting of the unit. The Council has the ability under the Asset Management Agreement to terminate the Agreement upon the Council giving 6 months prior written notice upon the expiry of 3 years from the Practical Completion Date. If the Agreement is not terminated and continues then MBC would be liable for the cost of additional letting services (part 1 of Schedule 11 of the Agreement) should any space become available within Building 2 or the A3 Unit in Building 1. MBC is also liable to pay third party costs and expenses incurred in relation to Estate Management Services, eg legal and surveyors fees (if the same cannot be recovered from the occupational tenant)

The Asset Management Agreement also references that the marketing budget for the A3 unit of Building 1 and Building 2 applies only to the first lettings, any marketing required for subsequent lettings will have to be agreed and a new marketing budget be in place, should Ashall be marketing the buildings on behalf of the Council at that point.

SIGNATURE:  Executive Director Growth and Place	DATE: <i>2-5-19.</i>	SIGNATURE:  Strategic Director of Finance, Governance and Support	DATE: <i>2.5.19</i>
SIGNATURE: Deputy Mayor/Executive Member for City Centre Strategy	DATE:	SIGNATURE: Executive Member for Finance and Governance	DATE: