



Property-Update May 2010

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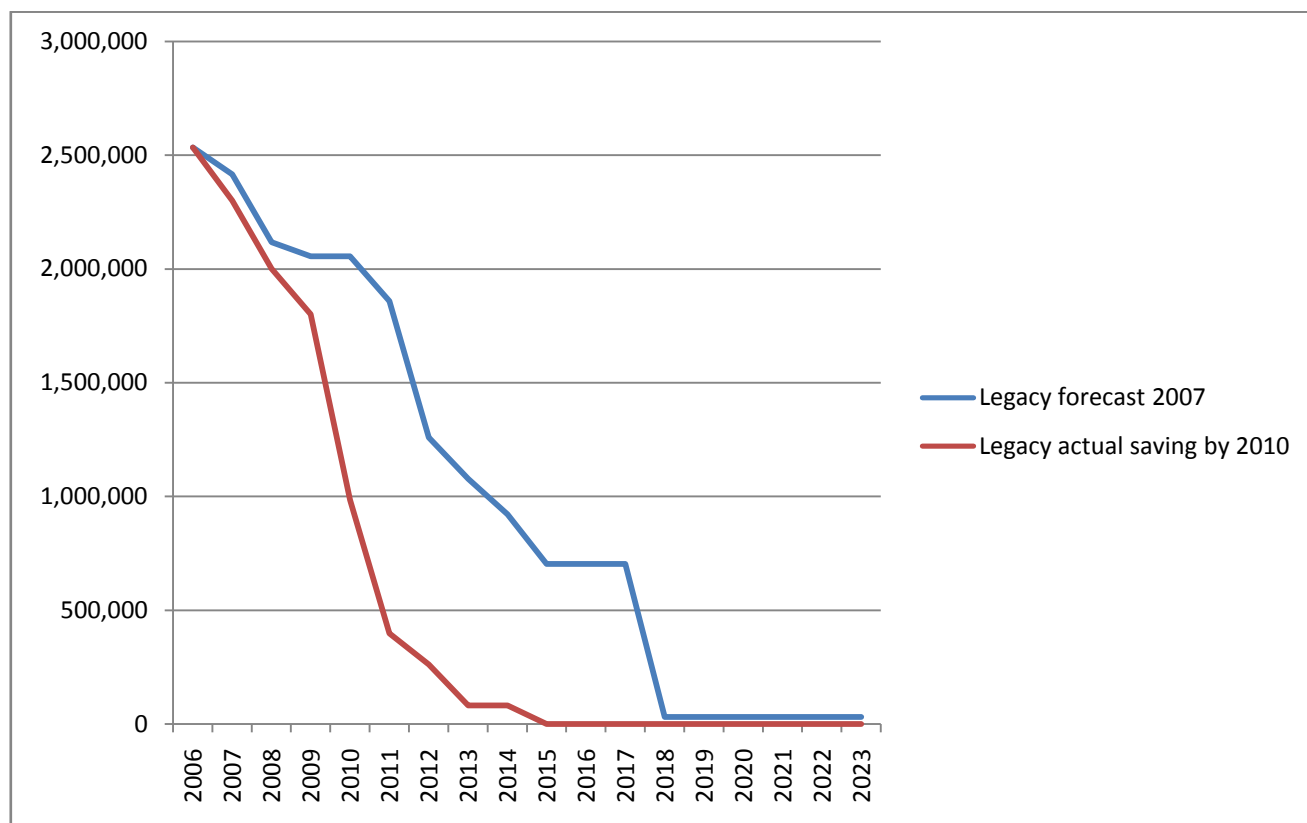
Risks

Overview

The merger of Energywatch, Postwatch and National Consumer Councils produced a collection of 24 leases. Since Consumer Focus needs only 4 locations the remaining 20 properties were identified for disposal. The original legacy property budget was £4.4m and a further £2m covered the four operational properties. Having significantly rationalised the estate and made savings through procurement of shared contracts the budgets are now £1.3m legacy and £1.5m operational.

Rents, rates, Service charge, Utilities, Admin, Agent/Legal Fees	Amount
Artillery House	1,032,000
Capital Tower	173,348
Royal Exchange House	213,000
Elizabeth House	55,000
Legacy Property	959,539
Legacy Admin	311,000
TOTAL	£2,743,887

Legacy costs and realised savings



Achievements

From August 2007 to date a total of 18 leases have been disposed of and three operational leases acquired.

The co-location with GCCNI was agreed and staff moved in during February 2009.

At Royal Exchange House a seven party deal was done to rationalise sub-leases via three banks, an engineering company and a particularly recalcitrant landlord. Staff moved into the newly refurbished 3rd floor also in February 2009.

In November 2009 NSMC moved from 20 Grosvenor Gardens to Artillery House. In March 2009 extensive refurbishment at 20 Grosvenor Gardens was carried out to reduce the impact of delapidations at surrender on 24 May 2010. At 28/30 Grosvenor Gardens redecoration was completed in October/November 2009 in preparation for handing the property over to Royal Mail on 31 March 2010. This was part of a 3 lease deal which BIS felt could not be achieved. Ely and 4th Fl Arthur Street, Belfast have also been transferred.

Our strategic approach and excellent working relations with OGC and BIS have enabled us to achieve a saving in excess of £6 million thus far.

2009/2010 Disposals

Property	Disposal Date	£ Saving over term	Comments
3 rd fl Arthur Street	June 2009	26,000	Lease surrendered at nil cost
Civic House, Birmingham	December 2009	120,000	Lease transferred to West Midland Police under WPS
5 th Floor, Arthur Street	September 2009	150,000	Assigned to Charities Commission
28 – 30 Grosvenor Gardens	April 2010	5,340,000	Transferred to Royal Mail
Old Chapel, Ely	April 2010	385,000	Transferred to Royal Mail
Percy House, Newcastle	April 2008	30,000	Surrender with delapidations reductions
TOTAL		6,051,000	(plus £78k savings by reducing Tenants Services by 3 staff)

2010/2011 Disposals

Property	Disposal Date	Saving	Comments
20 Grosvenor Gardens	May 2010	£215k plus admin costs	Lease surrender with delapidations reduction
4 th Flr Arthur Street, Belfast	May 2010	£96k	Transferred to Royal Mail 20 May 2010
Belgrave Road, London	June 23 rd 2010 (tbc)	Admin costs	MOTO reversion to major occupier
St David's House	31 May 2010 (tbc)	47k	Surrender with reductions for inherent defects
TOTAL		£358k	Net saving

Remaining Legacy Property

Property	Lease Expiry	Remaining costs	Comments
Delta House, Glasgow	23 May 2011	£158	Marketed via agents and ePIMS. Searching WPS
St David's House, Cardiff	13 January 2012	147k	Expecting to settle at £90k
Heron House, Bournemouth	24 January 2012	£168k	Marketed via agents and ePIMS. Searching WPS
Belgrave Road, London	23 June 2010	100k	Notice to cease MOTO given
Unit 1 and 2, Hide Market, Bristol	24 December 2014	£371k less rents is £245k	Tenants given notice to effect repairs under lease covenants

Legacy reduction strategy

In order to achieve a swift disposal of the remaining suites in Cardiff, Glasgow and Bournemouth two different approaches are being made. The first was to formally open discussions with each landlord to talk about a surrender of the remaining term of the lease.

In addition marketing is being carried out within the local and national market place aimed at the wider public service and charities with a view to offering the space rent free resulting in a 50% saving in overheads as the rates and service charge costs would be recovered.

The likely savings if these three leases could be surrendered/let would amount to approximately £300k gross as a minimum based on total rent, rates, service charge costs and utilities.

At St David's House, Cardiff it is hoped that we may be able to reduce the cost of dilapidations because some of the deterioration is due to the Landlords refusal to effect proper repairs to the flat roof over several years. Negotiations indicate that we may settle at circa £90k as against our total remaining liability of £137k.

At Bristol we have a tenant until lease expiry in 2014. They are on half rent and failing to uphold lease covenants. Legal action is being considered.

Operational Property

Property	Lease Expiry	Costs	Comments
Artillery House Floor	2 April 2011	£888k	Lease expiry and relocation options considered. See below.
Capital Tower	26 April 2011	£195k	Lease expiry and relocation options considered. See below.
Royal Exchange House	1 August 2014	£229k	DDA improvements being considered and costed by Landlords. Report due early June
Elizabeth House	18 March 2015	£55k	Co-location successfully maintained

Relocation Projects

There is a requirement under the Gershon Review for government departments to vacate private properties in favour of existing vacant space on the Civil User Estate (CUE) which was being aggressively applied as demonstrated by the recent refusal to allow NHS to occupy Europa House in Scotland. There are also targets to ensure that we make good use of space and give up any excess. In 2008 we chose to aim for 10m² per person at set-up which is a generous allowance as compared to some departments who managed to achieve 6.5m². Our strategy is to maximise the space available to staff and minimise non-staff use of space.

Artillery House lease expiry

The 3rd and 4th floor leases at Artillery House expire on 1 April 2011 and 23 June 2011 respectively.

There was a requirement under the Lyons Review and Smith Report for us to make a case assuming we wish to retain a presence in London. Due to recent changes emanating from the new government this pressure has been largely set aside. The cost of relocation, redundancy and recruitment of new staff is now higher on the agenda and vacant London stock has been reduced to a minimum. Accordingly the risk of Consumer Focus England being forced to move out of London is very low.

We are required to take up other remaining vacant space on the civil estate and our parent department, BIS, would like us to consider their vacant space. Negotiations on this have been positive thus far. A nominal budget for relocation within SW1 will be needed for contingency purposes. Having now completed a comparison of eight shortlisted offices we have now focused attention on space in 10 Victoria Street, just opposite, but not part of BIS, Drummond Gate, Pimlico and we are required to include 1 Victoria Street though this may have implications for our perceived independence. NAO was also considered but is very expensive.

Option 1 - At 10 Victoria Street we would have use of a large restaurant, café and conference facilities whilst other facilities such as reception are shared in the common areas allowing the whole of the office space to be used for desks and small meeting rooms. This allows some space reduction to 83% of our current space in Artillery House.

Option 2 - At Drummond Gate we would have two thirds of an open plan floor with some shared facilities. This office is above Pimlico Tube Station.

Option 3 - If required to take space at 1 Victoria Street we would access to a gym, restaurant, café, catering for meetings, conference suite, cycle racks, showers and lockers.

Whatever the outcome we must be prepared for the move by March 2011 despite the uncertainty of budgets, staffing levels, possible co-location with CCWater and hence space requirements.

Capital Tower lease expiry

The lease for Capital Tower expires on 1 April 2011. Our case for remaining in Capital Tower is not viable. There is only one alternative in Cardiff, Portcullis House, but due diligence checks revealed that the lease expiry is 2013 not 2021 as shown on ePIMS. It may not be possible to gain agreement for an extension but OGC have given support in principle. During due diligence checks it was discovered that St David's House is due for demolition so even though space is now available it would not be cost effective to move twice.

Staff in Cardiff have also placed DDA high on their wish list and indicated that Portcullis House may not be ideal. Further investigations are being conducted to ascertain whether and if so at what costs the Landlord might be willing to make any necessary improvements; and whether the whole of the ground floor might be made available to us.

Property on the WAG estates is now updated on ePIMS and a search shows that the remaining options include: Aberystwyth; Bangor; Brecon; Bridgend; Caernarfon; Newport; Pontypool and Pontypridd. However the recent changes in government policy and focus on cost efficiencies mean that we cannot fund a relocation. Following the budget cuts OGC have confirmed that a case to take Portcullis House would be supported as the new government has stated that relocations must be demonstrably cost effective. It is unlikely that relocation out of Cardiff would be cheaper than a seven year extension to the Portcullis lease at £13 psqft.

Property Risks

Major property risks include failure to gain suitable alternative space following the expiry of leases at Artillery House and Capital Tower. Good relations are being maintained with BIS and OGC to try secure our preferred space in London. We have also negotiated an agreement to extend Portcullis House and asked for another check of any WAG space.

However the level of uncertainty and delays in decisions remains a high risk to timely relocation at both London and Cardiff.

We have also appointed property agents to reduce the risk of ongoing lease and maintenance costs and have advertised vacant space on ePIMS.

There is currently only one user trained on ePIMS and Benchmarking reporting systems but arrangements are being made to train other staff as a backup.