

**To: Joint Committee**

**On: 29 June 2018**

**Report  
by  
Director Scotland Excel**

**Extension of Lease and Office Expansion**

**1 Introduction**

This report provides a proposal on the extension of the Scotland Excel lease and an additional request to extend the space provided to Scotland Excel by Renfrewshire council.

**2 Background**

Scotland Excel's primary office space is provided by Renfrewshire Council and is located within Renfrewshire House, Paisley. The office occupies 676 square metres of a wing on the fourth floor of the building. The remaining 247 square metres is currently occupied by a department of Renfrewshire council.

At the December 2017 Joint Committee, members agreed to extending the lease from February 2018 to February 2019. This one year extension was designed to allow Scotland Excel to consider options and to prepare recommendations for the Joint Committee.

**3 Office Requirements**

Members are aware of the need to develop additional income and therefore services to support future funding of Scotland Excel. Additionally, the new 5 year strategy seeks to develop a flexible and efficient organisation that continues to provide additional shared services for members.

The existing office space has been optimised to provide the maximum number of desks for staff. The organisation has implemented agile working including hot-desk facilities to increase its staff to desks ratio. Scotland Excel continues to work with colleagues at Renfrewshire council to seek further options.

With recent projects funding additional project staff, the need for additional space has become more critical. Short term measures are in place including the allocation of hot-desks to staff.

In order to ensure that core membership fees are not impacted by additional projects, a costing mechanism has recently been incorporated into each new project resource to ensure sufficient funds are in place to cover desk, IT, and cover office space. This has been designed to support any necessary expansion.

Scotland Excel currently pays Renfrewshire council an annual amount of £70,320 for rental and an additional £88,180 for service charges.

#### **4 Office Options**

Scotland Excel has been in discussion with colleagues at Renfrewshire council to explore options and costs for potential expansion to present to members. Recognising the need to continue to seek value for money, a review of alternative options was also sought from a third-party provider. GVA, a leading real estate advisory company with experience in the public sector provided a detailed options appraisal.

##### Alternative Accommodation

GVA were commissioned to undertake a number of tasks:

- Review Scotland Excel needs
- Undertake a confidential review of the market
- Complete a detailed availability schedule
- Analyse existing costs and comparable external costs

Prior to establishing specific specification/technical and financial criteria, the primary focus was to establish the best/optimum location for office occupation for Scotland Excel. GVA undertook a postcode analysis of staff and considered a number of geographical locations across the central belt of Scotland. The organisation provided an analysis of travel data in order to identify the optimum location whereby a suitable market search area could be agreed. The outcome for this exercise identified West of Glasgow and Glasgow city centre as the focused search area.

The GVA market search indicated that a number of properties were available within the search area that represented a range of rents, business rates and service charge costs depending on age and nature of building specification.

The analysis indicated that an opportunity existed to consider relocating to a low cost office option (typically within the out of town market west of Glasgow or in close proximity to the periphery of the city centre). Relocation to mid cost and higher cost options within the city centre would require additional capital investment in the region of £400,000 and £900,000 respectively over the lease period in addition to other incremental costs.

A financial analysis was conducted to review the operating financial costs of properties identified. This included rental, service costs and rates. Table 1 provides an overview of a selection of the properties identified.

**Table 1**

Property	Rent (sqm)	Service (sqm)	Rates (sqm)	Total Per sqm	676sqm/7276sqft
Renfrewshire House	£108	£138	£0	£246	£166,402
Rutherglen Links	£172	£38	£70	£280	£189,176
The Albus	£151	£38	£70	£258	£174,624
Olympia	£135	£47	£70	£252	£170,331
Commonwealth House	£108	£48	£70	£226	£152,796
Corunna House	£108	£41	£70	£218	£147,703
Skypark	£135	£37	£70	£241	£162,982

The current costs for Renfrewshire House have been included in Table 1 to provide a direct comparison between the properties selected. The service charge for Renfrewshire Council includes all accommodation costs such as cleaning, heating, lighting, security, common areas and reception.

Scotland Excel also undertook an assessment of additional costs that would be associated with a move to an alternative accommodation. A number of these costs have been included within the GVA assessment but further costs would be incurred associated with areas such as IT and telephony. These costs have not been fully ascertained, however with the existing IT strategy taking a more agile approach these potential costs continue to be reduced.

Based on the GVA report and its own analysis, Scotland Excel has worked with colleagues within Renfrewshire council to explore options for extending the current one-year lease and expanding its footprint within the building.

#### Expansion within Renfrewshire House

The remaining 247 square metres on the same floor as Scotland Excel is currently occupied by a department of Renfrewshire council. Initial exploratory discussions indicated that the council would be open to reviewing the use of the remaining space and transferring to Scotland Excel.

The additional space would allow space for 25-35 members of staff. It would also provide additional meeting room space and an additional kitchen. Scotland Excel currently has its own to a small kitchen area which is now significantly over capacity and becoming an issue. Additionally, a small reception area would be located at the front of the offices.

It is proposed that in order to minimize additional one-off costs, limited work would be undertaken to adapt the new space in the short term. This initial work would involve:

- Removal of non load bearing wall that currently separates the two spaces.
- Minimal “tidy-up” of new space including branding at reception area.

- Purchase of new desk phones.

Renfrewshire council has agreed to remove its file storage unit from the area and to leave the existing desks.

## **5 Funding**

Extending the current lease from the current one year to five years has no direct financial impact as lease costs are a standard part of the operating budget planning process.

Expansion of the office has the following financial impact:

Additional Rental costs	£26,664 per annum
Additional Service costs	£31,304 per annum

Total additional annual costs      £ 57,968 per annum

A small amount of work will be undertaken and a budget of £20,000 is proposed.

Scotland Excel proposes that the office expansion should be fully funded from income generated from projects. The expansion should not place an additional financial burden on the core services or core requisition paid by members.

### Timing

Scotland Excel has discussed potential implementation dates for the expansion that suits both organisations. A date between September 2018 and January 2019 has been discussed. Assuming the earlier date of September means that the financial impact in 2018/19 would not be a full years cost and is £33,814 for rental and service charges. The proposed fit-out costs of £20,000 would also be within this period. The total investment in 2018/19 would therefore be £53,814 if a move in date of September 2018 is agreed and proportionately less for a later date.

## **6 Conclusion/Recommendation**

Committee members are asked to approve the signing of a new five year lease incorporating a three year break-point and approve the plans for future office expansion.