

15.3 Confidential - Office accommodation

This report seeks Council's approval to enter into a lease to address the current issues of staff accommodation.

This is a new proposal, concept or issue.

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Attachments: Nil

1 Executive summary

This report seeks Council's approval to enter into a lease to address the current issues of staff accommodation.

1.1 Context

The administration is currently housed in two main work locations (Noarlunga Office and the Field Operations Centre) with a further two ancillary office locations at the Southern Operations Centre and a leased tenancy at Noarlunga House.

In November 2011 the administration commissioned a review into the accommodation requirements of the organisation. In the past we have been extremely successful in obtaining externally funded staff positions within the organisation which is viewed as being the most prominent contributor to the overcrowding that is currently being experienced.

The review was undertaken by architectural firm Hardy Milazzo and took into consideration best practice accommodation models, sustainable office design and benchmarked our accommodation against the standard of the Government Office Accommodation Committee (GOAC). The GOAC standard is recognised as a reasonable synopsis of the requirements of office accommodation needed to meet Occupational, Health and Safety standards as well as providing an environment supporting productivity. It exists as the only benchmark for comparative office accommodation modelling for our circumstances.

The Hardy Milazzo report raises concerns relating to our current method of providing office accommodation and highlights that we currently have 64 staff without a dedicated workspace.

In response, a number of scenarios have been investigated and the property market has been researched in order to deliver a cost effective and industrially sound solution to our accommodation needs.

This report requests that Council consider our accommodation requirements and approve entering into a lease for additional office space to address the Hardy Milazzo report recommendations.

1.2 Financial implications

The Council has approved within the 2012–13 budget the allocation of monies to address and provide support for the Council's accommodation requirements.

The budget allocation will provide the required operating expenditure of \$242,150 (ex GST) per annum to lease an additional 835 square metres of office space at a rate of \$290/square metres.

In addition, operating expenditure of approximately \$75,000 is provided for in the operational budget for ordinary outgoings such as cleaning, electricity, water and insurance.

We have investigated options for the delivery of the internal fitout, comparing options for purchasing of the furniture and office fitout requirements against those of leasing. It is recommended that for the most cost effective solution for the provision of office furniture is to lease it at an annual cost of approximately \$60,000. It is anticipated that some furniture will be transferred from the existing office furniture to the new location.

In addition, the budget allocation continues to provide for the planned fitout of the ground floor west location (currently Development Services) and any internal rectification works that would be required at the Noarlunga office and the Field Operations Centre as a result of the new premises.

The proposal will provide a saving (or expenditure offset) to the organisation through the recommendation of relinquishing the existing lease on Noarlunga House when this lease expires in November 2012. This will provide an expenditure offset in the order of \$75,000 for rent and outgoings.

1.3 Suggested outcome

It is suggested that Council consider this item in Confidence. Section (ii) 90(3)(d) of the *Local Government Act 1999* is suggested as the most appropriate to use for this purpose because it contains commercial in confidence discussions relating to lease negotiations.

It is proposed that Council approve entering into a lease for further office accommodation and delegate authority to the Mayor and Chief Executive Officer to execute the required documents on Council's behalf.

2 Recommendations

1. That:

a) under the provisions of Section 90(2) of the *Local Government Act 1999* an order be made that the public be excluded from attendance at the meeting in order to consider in confidence this item.

b) the Council is satisfied that it is necessary that the public be excluded to enable the Council to consider the information at the meeting on the following grounds:

Section 90(3)(d) commercial information of a confidential nature (not being a trade secret) the disclosure of which -

(i) could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and

(ii) would, on balance, be contrary to the public interest;

The Council is satisfied that it is reasonably foreseeable that the public disclosure or discussion of information concerning the discussions of lease negotiations could provide a commercial advantage to another party.

The Council is also satisfied in considering the 'public interest' that whilst disclosure would enhance:

- the accountability of Council or Council staff in the performance of their official powers, duties and responsibilities;
- the community's ability to inform their own decisions; and
- informed debate about issues and public participation in democracy

the public interest is outweighed by the following factors, that:

- disclosure may unduly inhibit the achievement of the objectives of the Act at Section 8, ie. obtaining value for money for the community;
- disclosure would provide a commercial advantage to another party; and
- disclosure may have a detrimental effect on the efficient and effective conduct of government functions.

c) accordingly, on this basis the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information or discussion confidential.

2. That Council enter into a lease with CPT Custodian Pty Ltd for a period of five years with a right of renewal of a further two years with a commencing rent of \$290 per square metre (commencing base rent of \$242,150 (ex GST) per annum) plus specified outgoings.

3. That the Mayor and Chief Executive Officer be delegated authority to execute the lease document and any other documentation relating to the lease arrangements.

- 4. That Council approve the exclusion of the subject lease area from the classification as community land pursuant to Section 193(4)(a) of the *Local Government Act* due to the operational nature of the leased premises for municipal office accommodation.**
- 5. That the matter of the Office accommodation having been considered in confidence under Section 90(3)(d) of the *Local Government Act 1999* an order be made under the provisions of Section 91(7) and (9) of the *Local Government Act 1999* that the Office accommodation and the minutes and the report of the Council relating to discussion of the subject matter be kept confidential until a lease document is executed by both parties.**

3 Engagement

3.1 Staff

The Chief Executive, Directors and Managers have been consulted to date on our accommodation needs and proposed forward planning. Further consultation will take place should Council approve the new lease arrangements.

3.2 Others (including specialist advice)

An independent valuation was undertaken by Egans Valuers on the commercial rate for office accommodation in the Noarlunga Centre area. This report determined that lease rates currently sought are in the realm of \$300 per square metre or more.

4 Strategic/Corporate Direction

The Hardy Milazzo report considered demands and triggers for office accommodation in the short, medium and long term.

The Noarlunga Structure Plan for the Transit Oriented Development outlined the potential for longer term accommodation for the Council being located within the central precinct of the Noarlunga TOD in the vicinity of the train station.

The proposed leasing arrangements contained within this report provides an interim solution for the organisation to plan towards its longer term goals of office accommodation following the end of the lease term.

5 Discussion

5.1 Hardy Milazzo report

A report was commissioned in November 2011 to review and report on the organisations accommodation status and future needs.

The report analysed the existing workplace numbers and facilities at:

- Noarlunga office - 2,970 square metres of floor area (exc Civic area)
- Field Operations Centre (FOC) - 1,266 square metres (exc store)
- Southern Operations Centre (SOC) - 330 square metres
- Noarlunga House (leased) - 124 square metres

The report also considered the anticipated movement in staffing numbers over the next 5, 10 and 20 years based on maintaining a consistent ratio of staff to resident population numbers. This report speculates that a further 19 staff will be required by 2016 to maintain the existing service ratio to our ratepayer population.

The report concluded that the existing facilities are stretched beyond capacity with no ability to augment further capacity from the existing floor areas.

5.2 Government Office Accommodation Committee Guidelines

The overarching mandatory requirements that have been set down by the GOAC for the standard of office accommodation are:

- Total space per person is a minimum of 15 square metres. (Currently 11.5 square metres).
- Total number of enclosed offices is not to exceed 10% of all workplaces by number. (Currently 7.25%).
- Workstations to include 3 square metres of free floor space (FFS) per person. (This is one of the major issues with the current accommodation where FFS has been used to house additional staff members).
- In the main office, general facilities such as meeting rooms, specialised rooms, public spaces, amenities etc should be a maximum of 45%. (Our current general facilities provision is well under the prescribed maximum at 15-30% (dependent on work area)).

This reinforces the anecdotal evidence that there is a general lack of facilities in the buildings such as meeting rooms, quiet work spaces, breakout areas and dedicated storerooms.

5.3 Lease proposal – Commonwealth House

Following the Hardy Milazzo report we undertook to review both our own property holdings as well as private lease options.

There are currently no Council owned buildings that can be refitted to provide accommodation at an affordable cost or provide a positional linkage to our main offices.

We were made aware of the availability of vacant space adjacent to the Noarlunga office at Commonwealth House within the Centro complex. This location provides an opportunity for greater integration with our existing Noarlunga office facility and comprises a large floor area not usually found in a regional centre.

The landowner is CPT Custodian Pty Ltd (Centro) and the following substantive terms have been negotiated (subject to Council approval):

- Floor area of 835 square metres comprising Suites 1.01 and 1.02 and store room – First floor
- Rental \$290/ square metres (commencing rent of \$242,150 ex GST)
- Rent free period of 7 months (equating to a first year saving of \$141,254 (ex GST))

- Fixed escalation rate of 3.5% per annum for both the initial term and the renewal term
- 4 secured car parks at no cost
- The Lessor will provide a cash contribution of \$10,000 towards our fitout costs
- A rent free period (up to 1 September 2012) to fitout the premises
- The Lessor will provide a right to occupy licence for 33 car parks within the Centro main car park at no cost.

In order to keep operational costs to a minimum we will continue to:

- procure our own electricity through our bulk contracting arrangements with Local Government Corporate Services to ensure capping of utility costs (rather than purchase through the Lessor under standard leasing arrangements).
- Provide cleaning services to the new tenancy through our existing cleaning contract.
- Insure the new tenancy through our own insurance scheme (Local Government Mutual Liability Scheme).

5.4 Commonwealth House – fitout design

We have engaged an architectural firm to undertake a draft design for the fitout of Commonwealth House to ascertain the suitability of the proposal as compared to the accommodation recommendations of the Hardy Milazzo report.

Based on the initial concept design the new tenancy would provide approximately:

- 66 workstations
- 11 hot desks
- 5 office/meeting rooms
- Storeroom and utility space

5.5 Noarlunga House

We currently lease 184.7 square metres of office space at Noarlunga House. This space houses 13 workspaces and one office. The current lease fee on this facility equates to \$62,317 or over \$337.40/ square metres. Outgoings for this facility are a further \$8,767 excluding electricity and cleaning.

This lease is due to expire on 30 November 2012 and it is recommended that we relinquish this lease in favour of the greater floor area and more cost effective lease rates at Commonwealth House. If this lease was to continue a market review of the lease rates is a condition of any new period and as such it is anticipated that the rental figure will increase.

The costs associated with the rental and lease service costs associated with Noarlunga House will provide a significant contribution to offset the costs associated with the Commonwealth House proposal.

6 Summary

The lease proposal for Commonwealth House provides an opportunity for Council to address the current staff accommodation issues within its main office facilities.

The lease proposal provides a cost effective solution which has been reached through extensive negotiations with the Lessor and has been verified by an independent valuer as being an appropriate leasing rate.

The existing office facilities are currently 64 workstations under capacity and if staffing ratios are maintained at their present rate then a further 19 staff may be anticipated by 2016.

The lease at Commonwealth House will provide a total of 81 workspaces at a per square metre rate significantly less what we are currently expending at Noarlunga House and provides a more significant and adaptable floor area. It is envisaged that the Commonwealth House proposal will provide enough capacity for this five year period.

The administration, subject to Council approval are currently considering which functional areas will be accommodated in this location. Marketing and promotional material will be formulated and key customer contacts will be made by the resultant relocated team to advise customers should it be required.