



Department for  
Communities and  
Local Government

# Ex-Fire Regional Control Centres

Marketing & disposal summary update

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# 1. Introduction

- 1.1. This report provides a bi-annual update on the progress made with regard to letting and reducing costs on the remaining Fire Regional Control Centres (RCCs). It aims to briefly recap on the project history, update on recent progress made and advise on the forward strategy to be adopted by the department.
- 1.2. This report does not consider the reasons for the failure of the FiReControl Project or the overall cost of the project, which has been thoroughly analysed and documented by the National Audit Office (NAO) over recent years. Instead it focuses on the significant achievements made by the department in relation to letting the buildings to others to save costs and see the valuable assets used.
- 1.3. The report is divided into the following sections:
  - National overview
  - Control centres update
  - Marketing overview
  - Marketing & disposal strategy
  - Conclusion

## 2. National overview

- 2.1. The nine control centre buildings are legacy assets from FiReControl, which were constructed between 2007 and 2010. The buildings are held by the department on long leases, with no break clauses, which expire between 2027 and 2035.
- 2.2. The buildings were delivered by developers on a fully fitted basis with the fit out 'rentalised' at the outset. An initial rent was agreed subject to an increase every 5 years of 2.5% per annum compound for the duration of the term. This means that rents are significantly higher than comparable market rents.
- 2.3. The control centres are located in accessible locations and are highly bespoke, and were intended to be utilised for the regional co-ordination of fire and rescue services. They possess a range of specialist features, such as double height control rooms, uninterruptible power supplies, full catering kitchens, and large water storage and fuel storage tanks. Because of their specialist nature the buildings are extremely difficult to dispose of, the main barriers being:
  - Layout and specialist plant: there is little demand for control centre space and without adaptation work it is difficult to use the buildings for another purpose;
  - Cost: the buildings were acquired on a leasehold basis and the running cost (predominantly rent) is in excess of market levels for comparable property; and
  - Market: demand for commercial property has been limited over recent years due to underlying economic conditions.
- 2.4. Since FiReControl was terminated (in December 2010), the department has taken concerted action to find tenants for the centres. Our first preference was for fire and rescue services or other emergency services to use control centre buildings – as they are purpose built for this. However, we have not imposed central solutions. Where local emergency services had decided that using a control centre is not the best way forward for their communities, we have been looking to find other suitable tenants.
- 2.5. Our general approach to these legacy assets has included consistent action to reduce costs wherever possible, while ensuring good management of the buildings. Alongside this intensive work has been undertaken to market the buildings to the fire and rescue services, and across the public and private sectors, which has resulted in significant success.

### **Five disposals to date**

- 2.6. Five of the nine buildings (London, Warrington, Durham, Fareham and Wolverhampton) have been sub-let or transferred – four to the public sector and one to the private sector, an IT company (see table 1 below). Each occupier pays a proportion of the passing rent incurred by the department along with paying running costs, which are considerable, less any incentives agreed such as rent-free periods. The below table summarises progress made to date:

**Table 1**

<b>RCC location</b>	<b>Lease expiry</b>	<b>Status / let?</b>	<b>Occupier</b>	<b>Operational</b>	<b>Estimated cost saving</b>
London	2035	✓	London Fire Brigade	✓	c £35 million
Fareham (SE)	2033	✓	Maritime & Coastguard Agency	✓ (part)	c £18 million
Durham (NE)	2027	✓	County Durham & Darlington FRS	✓	c £8.5 million
Warrington (NW)	2033	✓	NW Fire Control	✓ (part)	c £18 million
Wolverhampton (WM)	2032	✓	Oosha Ltd	✓	c £11 million
Wakefield (Y&H)	2028	Heads of terms under negotiation	-	-	c £10 million (anticipated)
Taunton (SW)	2027	Heads of terms under negotiation	-	-	c 7.5 million (anticipated)
Cambridge (EoE)	2033	Marketing underway	-	-	-
Castle Donington (EM)	2032	Marketing underway	-	-	-

### **Consistent action to reduce costs**

- 2.7. The Department has been successful in reducing future estimated property costs by over £100m through a combination of transferring or letting centres and reducing running costs.
- 2.8. Each of the buildings is secured and maintained by Babcock under a comprehensive facilities management contract. Facilities management and utilities are considerable costs, due to the specialist equipment present in the buildings, and this is an area where the department has worked hard to reduce expenditure. Since 2012/13 facilities management costs have been reduced by c45% and other running costs savings have been made, reflecting a reduction in cost from £3.8m to £2.7m annually. Since September 2013 electricity costs have also been reduced by c40% annually.
- 2.9. The department has taken action to ensure effective asset management of the properties, through the transfer of responsibility for them to department's Property Asset Management Unit, from April 2012, to be managed as part of the Department for Communities and Local Government Estate, whilst continuing to maintain close links with the Fire, Resilience and Emergencies Directorate. In addition, to provide a further layer of scrutiny prior to new lettings, a business case must be drafted and presented to the department's Investment Sub-

Committee, who make the ultimate decision as to whether centres are let and on what terms.

## 3. Control centres update

- 3.1. As a result of the hard work that the department has undertaken relating to marketing the centres, we have been successful in transferring or subletting five of the nine centres. There has also been a promising level of interest in the other centres and numerous viewings have taken place. Consequently, heads of terms are under negotiation on a further two centres, with good interest shown in the remaining two, which we are pursuing.

### **London Regional Control Centre**

- 3.2. The London Fire Brigade control room relocated to the London Regional Control Centre, located in Merton, in January 2012 and the centre is fully operational, handling emergency calls. It is estimated that transferring this centre will save the department in the region of approximately £35 million.
- 3.3. The control centre houses the London Local Authority Control Centre, who carries out the emergency planning responsibilities of the London Fire and Emergency Planning Authority. Co-ordinating the London wide response of the London Boroughs and the City of London to emergencies such as severe weather or pre-planned events including the recent Olympic Games. In addition, the centre is the Fire and Rescue Service National Co-ordinating Centre, which manages the availability of national New Dimension assets<sup>1</sup> and assists in their mobilisation in conjunction with the National Resilience Team.

### **Warrington Regional Control Centre**

- 3.4. The Warrington Regional Control Centre lease was transferred to the North West Fire Control in 2012. The centre is partly operational, with full operational status by March 2014. North West Fire Control comprises collaboration between Cheshire Fire and Rescue Service, Cumbria Fire and Rescue Service, Lancashire Fire and Rescue Service and Greater Manchester Fire and Rescue Service. It is estimated that transferring this centre will save the department in the region of c £18 million.
- 3.5. Since taking the centre North West Fire Control have been making good use of the building basing their project team there, along with making office space available to partners, contractors and facilities managers as flexible 'touch down' space. The centre has also been used for hosting a variety of meetings and events, including Chief Fire Officers Association events.

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<sup>1</sup> Vehicles and equipment transferred by Department for Communities and Local Government (DCLG) to Fire and Rescue Service (FRS) as part of a national capability to respond to major disruptive events involving Chemical, Biological, Radiological and Nuclear (CBRN) materials, collapsed or unstable structures, and to move large volumes of water.



## **Durham Regional Control Centre**

- 3.6. The Durham RCC lease was transferred to County Durham and Darlington Fire and Rescue Service in 2012. It is estimated that transferring this centre will save the department in the region of c £8.5 million.
- 3.7. The fire service completed a substantial refit of the centre in late 2013, which the department helped fund, that included: the construction of a mezzanine level in the control room to increase capacity by about 40%; relocation of the entrance to form a new central reception area; a new restaurant area and gym; installation of roof lights and additional windows to bring in natural light; installation of photo voltaic panels across the roof area; and creation of five meeting rooms with state of the art conferencing capability.
- 3.8. The building went live as an operational headquarters in September 2013 and we understand that it has been very well received by staff. The control room functions are due to transfer across in May 2014 once the new IT solution is completed.

## **Fareham Regional Control Centre**

- 3.9. The Fareham Regional Control Centre was sub-let under a Memorandum of Terms of Occupation to the Maritime and Coastguard Agency in 2012. The centre will become the National Maritime Operations Centre and it expected to be fully operational by September 2014. The facility will eventually handle calls from across the UK and replace several coastguard stations. In their place the new national centre will sit at its centre, alongside nine other 24-hour centres around the UK handling search and rescue operations. It is estimated that transferring this centre will save the department in the region of c £18 million.
- 3.10. The centre was suitable for the Coastguard Agency as it was purpose built as a Civil Contingencies Act Category 1 Emergency Response control room. The building therefore represents the opportunity for the fastest possible mobilisation of the National Maritime Operations Centre capability, with the lowest overall risk to the delivery of the Future Coastguard Programme.
- 3.11. The centre has recently undergone IT works to enable coastguard communications and work has been undertaken to develop the Agency's data centre, which will be located on site. In the meantime the centre has also been used as a location for meetings and training events.
- 3.12. Utilising the centre has removed the need to rent additional commercial premises or invest £5 million in the construction of a new site; this option has therefore delivered substantial savings to the wider public purse.

## **Wolverhampton Regional Control Centre**

- 3.13. The department attained Department for Communities and Local Government Investment Sub-Committee approval for the sub-letting of the Wolverhampton Regional Control Centre in August 2013, and the centre was sub-let, in December 2013, to a Small Medium Enterprise IT-company, Oosha Ltd. Oosha

moved in to the building in December 2013 and the centre is operational. It is estimated that this letting will save the department in the region of c £11 million.

- 3.14. Letting to a Small Medium Enterprise in this way will not only result in significant cost savings, but it supports the government's drive to assist Small Medium Enterprises under the government space for growth initiative and stimulate economic growth. This letting was a significant milestone as it was the first letting to the private sector, which demonstrates that there is a market, albeit limited, outside of the public sector that has and can continue to be targeted. Furthermore a letting to the private rather than public sector represents a saving to the tax payer more generally.

### **Wakefield Regional Control Centre**

- 3.15. The Wakefield Regional Control Centre is at present unoccupied. However detailed discussions have been held with a public sector organisation over a number of months and heads of terms were sent, and revised heads of terms issued recently. A significant amount of work has been undertaken on this negotiation to date, and the department attained Department for Communities and Local Government Investment Sub-Committee approval to the sub-letting in August 2013. Consequently we are hopeful that the heads of terms will be agreed in the near future and a sub-lease agreed by the summer 2014. If this deal is completed it is estimated it will save the department in the region of c £10 million.

### **Taunton Regional Control Centre**

- 3.16. The Taunton Regional Control Centre is at present unoccupied. However heads of terms were sent out to a public sector organisation in late 2013 and the department is hopeful that they will be agreed in the near future, with the negotiation of a sub-lease to follow, however discussions are in their early days.
- 3.17. There has also been interest shown in the Taunton centre from a number of other public sector organisations, and we are working hard to formulate innovative solutions to progress matters. This has resulted in numerous viewings of the centre in the last six months and heads of terms were sent to one of the organisations.
- 3.18. The department is hopeful that, considering the good interest shown in the Taunton centre recently, a deal will be forthcoming in 2014.

### **Cambridge Regional Control Centre**

- 3.19. The Cambridge Regional Control Centre is at present unoccupied. There has been interest in the building mainly from public sector organisations and three viewings have taken place in the last six months. Despite the department pursuing this interest, it has not yet progressed through to detailed negotiations. We are however continuing to discuss options with two public sector organisations, which are in their early days, and we are hopeful that the centre will be let in the next financial year.

## **Castle Donington Regional Control Centre**

3.20. The Castle Donington Regional Control Centre is at present unoccupied. There has been interest in the building across the public and private sector. In particular there have been repeat visits by two private sector companies, one providing IT services and the other logistics. Discussions are ongoing with the IT-company regarding feasibility and viability, although they are in their early days, and we are hopeful that the centre will be let in the next financial year.

## 4. Marketing overview

- 4.1. Marketing of the remaining centres to the public sector began in 2011 and commercial marketing in 2012. Our initial approach to marketing the buildings was to concentrate on engagement with the local fire services. Once this was completed we worked closely with the Government Property Unit to promote the buildings across the public sector.
- 4.2. GVA Ltd (the department's professional property advisers) undertook a marketing report in 2012 which advised that:
  - There is a considerable differential between the rent passing under the leases and the rent achievable in the open market; and
  - The specialised nature of the buildings will limit the number of occupiers prepared to consider them for relocation.
- 4.3. The marketing programme has involved:
  - Registering the buildings with the Government Property Unit and on the find me some government space and e-PIMS websites;
  - Preparation of a marketing strategy report by GVA Ltd;
  - Erection of 'to let boards';
  - Launch of commercial marketing campaign including the website, brochures and Property Week advert;
  - Posting of mailer to over 2,600 organisations in sectors including call centre operators, research and development, telecoms, utilities, biotech, training, computer software and the public sector;
  - Adverts in Property Week and the Emergency Services Times;
  - Adverts in the Fire Service Bulletin and the Estates Gazette; and
  - 56 local and regional property agents have toured the control centres.
- 4.4. More recently marketing has involved responding to interest via website hits, providing brochures and promotion of the buildings at meetings, along with numerous site viewings arranged via our agents. This demonstrates that there continues to be genuine interest in the remaining centres.
- 4.5. As a result extensive marketing and promotion of the buildings has taken place, but it takes time for marketing campaigns to filter through to negotiations and eventual deals. Nonetheless we have achieved significant success in letting the buildings, despite the challenges faced, with the transfer or sub-letting of five of the nine centres.
- 4.6. GVA Ltd undertook a review of the marketing strategy recently and reported:
  - An improved sentiment across a range of sectors;
  - Stability in rentals and incentives;
  - Marginal uplifts in net effective rents in 2014;
  - An increase in enquiries on the centres; but

- That the specialist nature of the buildings was still likely to limit the potential market.

4.7. The department undertakes marketing and disposal review meetings on a quarterly basis to ensure that the forward strategy is continually refreshed and that we are doing everything possible to let the buildings and minimise costs. This forward strategy is considered further below.

## **IT sector**

4.8. Based on the sub-letting of the Wolverhampton centre to an IT company and recent interest shown, it is considered that the IT sector offers a market, albeit limited, of potential occupiers of the centres. GVA Ltd have reviewed this sector and indicated that, whilst the buildings would be unlikely to be viable for occupation for the bulk of the IT sector, a limited sub-market exists of Small Medium Enterprise specialist / bespoke IT companies. The centres are attractive to these companies because they provide secure and resilient space that is crucial for these type enterprises.

4.9. This opens up the opportunity to targeted marketing of the Small Medium Enterprise IT sub-sector. Clearly letting to a Small Medium Enterprise brings a new set of considerations relating to covenant strength and so on, which would need to be worked through on a case by case basis according to risk. Small Medium Enterprises inherently bring greater financial risk compared to public sector operators, however this should be balanced against the desire to let the centres and a cost/risk: benefit analysis undertaken. It is also important to acknowledge the wider benefit to the economy of letting to Small Medium Enterprises, which will help to stimulate local economic growth. Whilst the IT sector has been marketed previously via blanket adverts and mailouts, it is now considered that a more targeted approach would be appropriate. Therefore, GVA are currently evaluating the cost of targeted marketing to specific IT sectors which may be undertaken in conjunction with the current marketing strategy to date.

## 5. Marketing & disposal strategy

- 5.1. The Department has and continues to explore the following options as part of its disposal strategy:
- 5.2. Discounting – this option relates to offering the remaining empty buildings at substantially below market rates. This could assist in bringing the buildings into occupation and reduce non-rental running costs. We are currently exploring the potential demand for the sites at a reduced cost including the offer of incentives, structured within the overall deal, and the implications of doing this, including the value for money position. There has been recent interest in the centres at around market rate levels (already discounted from the actual passing rent) therefore it may be too early to consider further substantial discounts. This should however be considered on a case by case basis, taking in to account wider benefits to the public purse, the purpose for which the centre would be used and whether there is other interest. For example it may be that at a point in time, discounting could be offered, if a centre has not been let and there has been little interest shown, to a public sector or not for profit organisation, which could result wider savings to the public purse on property costs related to alternative buildings. Further discounting is a potential option that we continue to review on a case by case basis.
- 5.3. Remodelling – this option relates to investing in empty buildings to convert them for other uses. The Durham Regional Control Centre has been converted for use as a headquarters and control room. The buildings may also be suitable for a part office, part data-centre or control room use. It is unlikely that conversion into pure office space would be cost effective and at this stage it is considered that the department itself investing money to refit buildings would not be an effective use of funds, as potential occupiers normally have their own bespoke requirements. Therefore the Durham centre is being used as a successful example to promote this concept to other prospective occupiers.
- 5.4. Support wider government policy objectives – this option relates to utilising the buildings to support key government initiatives. The properties have already been offered for consideration as Free Schools and are being promoted to charities and Small Medium Enterprises, under the government space for growth agenda. As noted above, this option has experienced some success given the letting of the Wolverhampton centre to a Small Medium Enterprise IT company. By their very nature Small Medium Enterprises may likely lack the financial strength usually required by landlords to give comfort that the rent and other outgoings will be paid. However, a viable deal to make the centres available for use by Small Medium Enterprises might be structured within the government space for growth agenda. This is considered to be a good option albeit there would need to be an acceptance that this might bring a higher level of financial risk.
- 5.5. Hibernation – this involves closing the empty buildings and reducing the facilities running costs as much as possible while still protecting the specialist plant and equipment and retaining the ability to use the buildings if a tenant is found. We are exploring the implications of this option. To date the buildings'

running costs have been reduced significantly – since 2012/13 from £3.8m to £2.7m annually. Further reductions in utilities costs are also expected. Therefore to a large extent this option is already being implemented for the remaining empty centres.

- 5.6. Complete mothballing – under this scenario any empty buildings would be permanently mothballed. This would reduce costs to an absolute minimum, although the buildings would remain empty. Department for Communities and Local Government would remain liable for all of the rent for the remainder of the lease term, and there would be some unavoidable facilities management costs related to maintaining empty buildings. If this option were progressed we would potentially risk the specialist mechanical and electrical equipment becoming obsolete due to a lack of servicing, which would be very costly to re-commission. On balance we consider that, as there has been recent interest in the centres and there has been a general improvement in market sentiment recently, it is too early to seriously consider this option.
- 5.7. Consequently, we do not consider that we are yet in a position where the centres should be mothballed. But we do intend to consider the potential for offering some reduction and incentives (structured such that the overall deal is feasible), combined with exploring ways to minimise costs and support wider government policy, and promoting how the buildings can be successfully adapted to potential occupiers.
- 5.8. It is considered that transaction opportunities will arise albeit these will increasingly require flexibility and innovative thinking to progress deals through form enquiry to completion. Letting the centres at reasonable levels will result in by far and away the greatest cost savings to the public purse.
- 5.9. Inevitably, however, due to the very specialist nature of the buildings, it will take time to convert tentative into firm interest. This process requires careful handling and persuasion over a period of time. Rushing the process, particularly at an early stage can be counterproductive. In negotiating with interested parties there is a careful balance to be struck between attaining the best deal possible, in light of other deals, and the desire to let the buildings.
- 5.10. The following disposal strategy is therefore proposed over the forthcoming period:
  - Continued marketing via site visits and the website, and development of discussions with interested parties;
  - Targeted marketing to the IT sector;
  - Continued collaboration with the Government Property Unit with a view to promoting the buildings across the public and private sectors, and supporting wider government initiatives, such as government space for growth;
  - Review of previous interest at each empty centre with a view to considering innovative and flexible ways that the buildings can be offered;
  - Promotion of the good practice examples where control centres have been successfully let and refitted;
  - Continue to explore ways to reduce costs; and

- Review of the marketing and disposal strategy on a quarterly basis to ensure that everything possible is being done to dispose of the remaining buildings and to minimise costs.



## 6. Conclusion

- 6.1. It is clear that despite the significant challenges faced in disposing of the centres and reducing the department's cost liability, considerable success has been achieved. We have worked hard to market the buildings across the public and private sector and this has resulted in transferring or sub-letting five of the centres, which it is estimated will save the department over £90 million. We are also in the process of negotiating head of terms on a further two centres, which if completed is estimated could save the department a further c £17.5 million, and recent interest has been shown on the other two centres. Sub-lettings to other public bodies were achieved where it was deemed that a Control Centre offered the optimum value for money option for the public sector organisation and therefore to the wider public purse.
- 6.2. The department has been successful in reducing running costs significantly from £3.8m to £2.7m annually since 2012/13 and we will continue to explore ways to further reduce costs. We have also significantly reduced rental liabilities through letting five of the centres.
- 6.3. The department's marketing and disposal strategy is to do everything possible to let the buildings, which will by far achieve the greatest savings to the public purse. It will however, due to the challenges posed by the buildings, be increasingly important to formulate innovative solutions and creative ways to make deals happen. In parallel we will continue to market the buildings across both the public and private sectors. On the basis of recent interest in the buildings it is hoped that we will be successful in finding tenants for all of the remaining four buildings during the next financial year.