

# Case Study

Consolidating  
the estate onto a  
smaller footprint  
to save the NHS  
£1.2 million

## THE OLD EXCHANGE, DARLINGTON

### Background

#### Site:

Converted office facility in Darlington, a former telephone exchange

#### Customers/Stakeholders:

- NHS England

#### NHSPS representatives:

- Mark Owens (Senior National Office Programme Manager)
- Ben Gammer (Senior Property Manager)
- Muhammad Arham (Principal Evaluation & Analytics Manager)
- Peter Todd (Principal Construction Manager)

### The Challenge

NHS Property Services (NHSPS) were tied into a long-term lease (until 2035) at The Old Exchange, across the whole building covering 3 floors. Changes to the occupier's requirements meant that we held significant void space, coming to 55% of the premises, or £300,000 per annum in rent and running costs. As the sole occupier, a strategy for NHS England was required during a period of significant organisation transformation, to reduce the floorspace occupied and deliver cost savings.

### The Solution

There was an opportunity to exit the facility at the next lease break in April 2020, by serving 9 months' notice, so time was of the essence for our National Office Programme to review the options available.

A wider strategy of the corporate estate for the North East region was under development, but the team considered the commercial market together with the region's NHS estate holdings to ensure the NHS estate is right sized and optimally utilised.

A deal was struck with the landlord at The Old Exchange to restructure the existing lease on Floor Two only, for a further 10 years with a break at year 5. This provided the opportunity for NHS England to consolidate its functions onto a smaller footprint and hand back liability for the Ground and First Floors in April 2020. A capped service charge of £3.50 / SQFT and 6 months' rent free were further incentives negotiated with the Landlord.

NHS Property Services is investing £100,000 to enable this consolidation, as it requires re-location and reconfiguration of the existing space. Plans are in place to finalise these works by January 2020; so that NHSPS has sufficient time to decommission the surplus space ahead of the hand back.

### The Result

We have released over 1,300 SQM of vacant floor space, consolidating onto a smaller and more efficient footprint. This has delivered £1.2 million in savings to the NHS over a five-year period.