

Gloucester City Council

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| Meeting: | Cabinet | Date: | 21st June 2017 |
| Subject: | Accommodation Review | | |
| Report Of: | Cabinet Member for Performance and Resources | | |
| Wards Affected: | All | | |
| Key Decision: | No | Budget/Policy Framework: | No |
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| Appendices: | 1. None | | |

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To outline options to meet the future accommodation needs of the City Council and to recommend the start of negotiations with Gloucestershire County Council to relocate the organisation to Shire Hall to facilitate the potential disposal for the Herbert, Kimberly and Philpott (HKP)Warehouses.

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE that:**

- (1) The relocation of the City Council from its existing office accommodation in the Herbert, Kimberly and Philpott Warehouses, Gloucester Docks be supported;
- (2) The Corporate Director be authorised to commence formal discussions with the County Council to agree terms for the City Council to occupy available accommodation in Shire Hall;
- (3) Potential partial location into City Council owned premises at Westgate Street also be supported;
- (4) The top floor of North Warehouse be retained for Civic and Meetings purposes;
- (5) It be noted that further reports on the potential disposal of the vacated HKP Warehouses will follow in due course.

3.0 Background and Key Issues

North, Herbert, Kimberly & Phillpotts Warehouses (N-HKP)

- 3.1 Gloucester City Council moved its administrative offices to Gloucester Docks in 1987 as part of a process to kick-start the regeneration of the docks area. The Council originally occupied:

North Warehouse (N) - Freehold – c1800sqm – Part leased to Regus to 7/03/2023
Herbert (H) – Leased to 2188 – c2150sqm
Kimberly (K) – Leased to 2188 – c1380sqm
Phillpotts (P) – Leased to 2186 – c1320sqm

- 3.2 One aspect of the Together Gloucester design principles was to engineer a future staffing structure which, with downsizing, home/mobile and flexible working was able to be accommodated within one of the three docks warehouses.
- 3.2 The new structures facilitate this potential change and further work has now been undertaken to quantify the infrastructure works necessary to enable the Council to function safely and efficiently in one building.
- 3.3 If the Council was to remain in one of the three HKP Warehouses the most appropriate would be Herbert, which offers ground floor access and basement storage. An options report produced in January 2016 suggested that the separation and refurbishment costs prior to letting the vacant K and P Warehouses would be c£650,000 and the two might yield an income of £100,000pa (payback with void periods c 9 years). Further recent work has identified the need to relocate electrical and mechanical equipment and ICT infrastructure into Herbert Warehouse if the Council was to remain located there.
- 3.4 The closure and mothballing of K and P might cost c£200,000 and yield savings in running costs of c£135,000pa
- 3.5 From time to time the Council receives expressions of interest from third parties in relation to redeveloping the vacated warehouses in ways which would support the Council's economic, regeneration and visitor economy strategies and potentially generate either capital or revenue income.

Alternative Accommodation Options

- 3.6 In order to try to mitigate the costs of relocating to a single warehouse, maximise either capital receipts, revenue income or both and support further economic and social regeneration the Council has explored a number of alternative accommodation options, these include
 - 3.6.1 Vacate HKP and relocate to North Warehouse, where the Council holds the freehold and where the Civic Suite is currently located. This was discounted on the basis that breaking the existing Regus lease would be problematic and potentially costly and would not serve the economic and business support objectives of the Council. Allowing the lease to come to the end of its term would mean the Council trading water in HKP for 5/6 year.
 - 3.6.2 Relocate to Kings House. This option would require a scheme to design and refurbish a City Council owned property at Kings House. This option was discounted on the basis that there would be significant refurbishment and running costs and it would limit future options for the potential redevelopment of that site. Redevelopment timescales would also prevent an early exit from HKP.
 - 3.6.3 Relocate to new build on Gloucestershire County Council estate. This would require a negotiation to occupy new build accommodation on the site currently

occupied by Quayside House or elsewhere at Blackfriars in partnership with County. This option was discounted on the basis that there would be significant development risk and uncertainty associated with a potentially complex design, planning and building project and timescales would prevent an early exit from HKP

- 3.6.4 Gloucester Language Immersion Centre (GLIC). This County Council owned building has struggled to find a sustainable use since the closure of the language immersion centre. The potential to use the building as a location for the City Council has been explored with the County Council but discounted because the obligations arising from the grant funding which supported its construction mean that an alternative use by the City Council would be expensive. The County Council has plans to maintain a use for the building which is compliant with the original funding grant.
- 3.6.5 Relocate to existing and vacant office accommodation in Gloucester. The Council owns, leases or could acquire an interest in existing office accommodation to meet its needs. This option is not ideal because the likelihood is that space of sufficient size to accommodate the whole organisation is unlikely to become available at a time and within a budget to make it tenable. However, the Council owns property at Westgate Street, close to Shire Hall, which could be vacant in Spring 2018. The property would require some refurbishment to make it suitable, but it could offer a visible city centre location for the Council's Place Team (City Growth and Delivery and City Improvement and Environment Teams) and allow an early partial decant from HKP.
- 3.6.6 Relocate with Gloucestershire County Council. Sufficient space is likely to be available from early 2018, pepper-potted around the Shire Hall estate. The County Council is supportive of this proposal and is open to a negotiation in respect of costs. Relocation to Shire Hall would overcome a number of logistical and infrastructure issues and remove the need for many of the ICT projects that would be necessary in other locations. It would facilitate an early departure from HKP and could allow the release of the top floor of North Warehouse in time if we chose to share meeting and Council Chamber facilities at Shire Hall.
- 3.6.7 Relocate to new build on Kings Quarter site. This option would require the Council to promote and develop new build accommodation at Kings Quarter. The benefits of this option would be purpose built flexible-use accommodation, potentially providing a wider public service hub and acting as an anchor/pioneer development in the regeneration of Kings Quarter. A number of partner agencies have expressed early willingness to be involved in discussions about the potential for a hub in this location. However, such a proposal comes with development risk and requires a longer timescale which would delay an early departure from HKP.

Interest in HKP Warehouses

- 3.7 There are a number of parties interested in alternative uses for the HKP warehouses.
- 3.8 Given the existing commercial interest and the potential for other interest, this report is not seeking decisions on disposal or future uses of the HKP warehouses at this time. Those matters will be the subject of further reports at a later date. It is merely

necessary that Councillors are aware of the potential advantages of an early decant from HKP

4.0 Asset Based Community Development (ABCD) Considerations

4.1 This report seeks authorisation to enter discussion and negotiation with the County Council on utilising existing “public estate” office accommodation/spare capacity for City Council use.

5.0 Alternative Options Considered

5.1 See paragraphs 3.6.1 to 3.6.7 above

6.0 Reasons for Recommendations

6.1 There are a number of significant factors against remaining in one or all of the existing docks warehouses. These include running, maintenance and repair costs and the costs of downsizing and relocating infrastructure to one warehouse. There are also substantial opportunity costs arising from the potential to generate a capital receipt or revenue stream, the potential to avoid major infrastructure costs and the potential to promote an alternative use of the HKP site which supports the Council’s strategic objectives

6.2. There are also a number of options for the future. Short term relocation to Shire Hall would avoid HKP related infrastructure costs and allow the City Council to use available county council office space, ICT infrastructure and other facilities management services that would come with serviced Shire Hall accommodation. Shared use of Shire Hall meeting rooms and Council Chamber might also allow the Council to negotiate the release of the top floor of North Warehouse to Regus if it wished. Alternatively, retention of the top floor of North Warehouse for civic and meetings purposes would allow the Council to retain a Civic identity which is distinct from the County Council.

6.3 The City Council could choose to couple this option with occupation of the property in Westgate Street, to provide a visible and symbolic presence in the City Centre for the Place group of services. Alternatively it could be considered that accommodation in Shire Hall would be sufficiently city centre based and would avoid the risk of a return to siloed working that Together Gloucester has been designed to remove.

6.4 Finally, relocation out of HKP and into available accommodation in 2018 would also allow the Council the time to consider whether to promote the regeneration of the Kings Quarter though investment in a new civic centre or public service hub in the longer term.

7.0 Future Work and Conclusions

7.1 Cabinet is asked to consider endorsing an early relocation of the City Council out of the HKP warehouses during 2018 and to negotiate with Gloucester County Council to relocate into suitable available Shire Hall accommodation.

- 7.2 Cabinet is also asked to agree to prioritise the relocation into Shire Hall and to consider Westgate Street as an alternative only if the whole organisation cannot be relocated with the County.
- 7.3 Cabinet is also asked to indicate if it wishes to retain the top floor of North Warehouse for Civic and Meetings purposes.
- 7.4 Subject to decisions in respect of the points raised above the next steps will be to negotiate with the County Council suitable terms for the relocation and the preparation of a detailed decant and relocation plan which will include significant de-cluttering, storage and archival management and an ICT plan.
- 7.5 Further report on options for the disposal of the vacated HKP warehouses will follow.

8.0 Financial Implications

- 8.1 At this stage detailed financial implications are difficult to assess. Previous estimates indicate that a full disposal of HKP would avoid either separation and refurbishment costs of c £650,000 or mothballing costs of around £200,000 and could yield a significant capital receipt, revenue income or both. However, until a compliant disposal process is completed the exact figure is unknown and this will all be subject to further reports.
- 8.2 The likely costs of relocating within Shire Hall are also subject to the conclusion of successful negotiations with the County Council. It is anticipated that the cost will be based upon a per desk charge for “serviced” accommodation and ancillary facilities – meeting rooms, welfare and refreshment space, ICT networking etc.

9.0 Legal Implications

- 9.1 The occupation by the City Council of space within the Shire Hall will need be documented. The negotiations will recognise that this accommodation will be the principal or main City Council offices.

(One Legal have been consulted in the preparation this report.)

11.0 People Impact Assessment (PIA):

- 11.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

12.0 Other Corporate Implications

Community Safety

- 12.1 Subject to the outcome of the discussions the proposal may offer opportunities to further integrate the multi-agency community safety work of the City and County Council’s and the Police.

Sustainability

- 12.2 Subject to the outcome of the discussions the proposal is likely to be sustainable and cost effective.

Staffing & Trade Union

- 12.3 Staff have been briefed on the proposals. The shift to Shire Hall would be a minor relocation in terms of the change of work location.

Background Documents: None