

Gloucester City Council

Meeting:	Cabinet Briefing	Date:	20 June 2018
	Overview and Scrutiny Committee		2 July 2018
	Cabinet		11 July 2018
Subject:	Gloucester City Council Office Accommodation		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	Westgate		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	None		

FOR GENERAL RELEASE/ EXEMPTIONS

1.0 Purpose of Report

- 1.1 To provide an update report on plans to relocate the City Council's operational offices from the Herbert, Kimberly and Phillpotts Warehouses (HKP) at Gloucester Docks to Shire Hall and 92-96 Westgate Street, Gloucester
- 1.2 To present to budget costs and savings likely to arise as a result of the move.

2.0 Recommendations

- 2.1 Overview and Scrutiny Committee is asked to consider the information contained in the report and make any recommendations to the Cabinet.
- 2.2 Cabinet is asked to **RESOLVE** that
 - 2.2.1 The business case and annual savings arising from the proposals to relocate the City Council are accepted and endorsed
 - 2.2.2 That the Corporate Director is authorised to sign the Heads of Terms; and
 - 2.2.3 That work continues to implement the relocation plans.

3.0 Background and Key Issues

- 1.1 Twelve months ago (21 June 2017) Cabinet considered a report on options to meet the future accommodation needs of the City Council. Cabinet supported plans to vacate the HKP Warehouses and to open discussions with the County Council to occupy available accommodation in Shire Hall and the City Council's own property at 92-96 Westgate Street.

Shire Hall

- 1.2 Officers from the two Councils have now agreed Heads of Terms for the relocation on the following basis (and subject to contract)
 - 1.2.1 The City Council will occupy the 5th Floor Block 4 (Bridge) and meeting rooms on the 1st floor block 3 Shire Hall Westgate Street Gloucester for a term of 3 years from 1 April 2019. Earlier occupation from February 2019 under licence and for a nominal fee of £1.
 - 1.2.2 Annual rent reviews based upon RPI from 1 April 2020.
 - 1.2.3 Initial rent will be £202,600 per annum for the 725 square metres internal area to include repair, maintenance, and cleaning of the space, business rates, insurance, heat, lighting, custodian service at Shire Hall, capital replacements.
 - 1.2.4 The space will be fitted out by the County Council for office use with ancillary kitchen and meeting room space.
 - 1.2.5 The County Council has offered to supply desks. The City Council will be responsible for other furniture, IT and telephony.
 - 1.2.6 Sub letting will be prohibited except to partner organisations approved by the County Council. The approval of which will not be withheld unreasonably.
 - 1.2.7 The City Council will have exclusive use of three meeting rooms plus access to other rooms via the County centralised booking system and reasonable use of meeting rooms will be free of charge.
 - 1.2.8 The premises will be open 7am to 7pm Monday to Friday but pre agreed occasional late/weekend working will be allowed
 - 1.2.9 Each party will be responsible for their own legal costs.
- 1.3 The City Council's space in Shire Hall will be open plan and County Council staff and partner organisations will have the ability to pass through the space to access other parts of the buildings.
- 1.4 Provision is being made for the Leader of the City Council to have an office on the 5th Floor Bridge which will, as is the case at the moment, be used as a meeting room when the Leader is not in the office. In addition the City Council will have exclusive use of a room provided for the shared use of the Cabinet and another room for shared use by City Councillors.
- 1.5 It is intended that by effective use of mobile technologies, flexible working, and hot desking etc. the 5th Floor Bridge accommodation will accommodate all of the City Council's existing operations except the Customer Contact Centre.

- 1.6 The Customer Contact Centre and accommodation for Civica ITO (IT Services) and Civica BPO (Revenues and Benefits Services and the Severn Centre) will be provided in 92 -96 Westgate Street.
- 1.7 There is no car parking as part of the agreement but discussions are ongoing about the use of existing disabled parking facilities at Shire Hall for blue badge holders.

92-96 Westgate Street

- 1.8 The City Council owns 92-96 Westgate Street. The building is a three storey property which was occupied by elements of the County Youth Service until recently.
- 1.9 The property will be remodelled and partially upgraded to provide an accessible, city centre customer service centre on the ground floor. The intention is that the layout will be designed to be open, friendly and accommodating whilst also ensuring the safety of staff and customers. The new accommodation will be smaller than the existing space in Herbert Warehouse but the Council's approach to improving on-line services and shifting towards appointments only should ensure that the smaller space is able to provide a better service to users.
- 1.10 The first and second floors will be used to house Civica's ICT and revenues and benefits teams.

HKP Warehouses

- 1.11 In October 2017 authority was given to officers, after consultation with the Cabinet Members for Regeneration and Economy and Performance and Resources, to market the Council's interest in the HKP Warehouses and report back to Cabinet with the outcome of the marketing exercise.

Costs and Savings

- 1.12 The Council's Money Plan anticipates an annual saving of £200,000 from the changes to the Council's accommodation moves. The proposals outlined above are likely to result in the following revenue costs and savings

Savings		£
1	HKP Business Rates	173,606
2	Insurance	11,000
3	Docks Service Charge	53,600
4	Electricity	88,000
5	Gas	12,000
6	Repairs and Maintenance	50,161
7	Staffing	7,725
	Total Savings	402,954
Costs		
1	Shire Hall (inclusive)	202,600
2	92-96 Westgate Street (Rental opportunity cost)	37,500
	Insurance	2,000
	Business Rates	15,000
	Utilities	33,000

	Repairs and Maintenance	10,000
	Total Cost	300,100
	Net Savings	102,854

- 1.13 The revenue savings, on their own, do not meet the £200,000 savings target. However, the shortfall could be covered if the Council chose to use an element of the capital receipt from the sale of HKP to realise a revenue saving (for example through investment or debt repayment or a deal that was structured to provide an ongoing income stream rather than a capital receipt).
- 1.14 In addition to the accommodation costs there will be necessary and related transitional expenditure:
- 1.14.1 IT and Telephony (hardware and software) (£600,000) – Investment in new IT and Telephony would be essential even if the Council remained in HKP in the long or medium term.
- 1.14.2 Refurbishment of 92-96 Westgate Street and the provision of a server room and platform lift (c£300,000). This represents an investment in a council owned property which will be partially funded by the dilapidations provisions claimed against the previous occupier. In addition some of the works would have been required prior to re-letting even if the Council was not intending to move in (to ensure compliance with energy standards and DDA for example).
- 1.14.3 Refurnishing costs and removals (£100,000).
- 1.15 The funds to cover these transitional costs will come from a variety of sources. The IT and telephony requirements are part of the Council's existing ICT strategic plans and would be necessary even if the Council was not due to relocate. The funding will come from existing ICT investment funds and from proposals to implement a number of the recommendations coming from the Ignite work (this will be the subject of further reports). The accommodation works at 92-96 Westgate Street can be funded from dilapidations payments, the Council's Asset Management reserve, though it should be noted that this will be a significant draw on the £400,000 in that fund, which is topped up by £50,000 each year; or could be met from other appropriate funds. The remaining costs could be met from the additional income realised by the business rates pilot.

4.0 Asset Based Community Development (ABCD) Considerations

- 4.1 None.

5.0 Alternative Options Considered

- 5.1 Cabinet considered a report on 21 June 2017 setting out a number of alternative options including
- a full relocation into **North Warehouse** (discounted on the basis of the existing lease with Regus or a delay waiting for the lease to end);
 - relocation to **Kings House** (discounted because of the substantial cost of refurbishment and running costs and the opportunity costs in potentially limiting development opportunities in this part of Kings Quarter);
 - new build on the existing **County Council estate** (discounted because of development costs and risk, complexity and timescales);

- repurposing of the **Gloucester Language Immersion Centre** (GLIC) (discounted because of the ongoing obligations arising from previous grant funding for the centre)
- relocation to existing **vacant office accommodation** in the city (discounted because of the need for extensive floor space and likely rental costs)
- new office accommodation in **Kings Quarter** (discounted in the short term on the basis of development risk and cost and timescales which would have delayed vacation of HKP).

6.0 Reasons for Recommendations

- 6.1 This report provides an update on plans to secure accommodation for the City Council and an indication of the likely savings arising from the proposals.

7.0 Future Work and Conclusions

- 7.1 Work is continuing to finalise floor plans and layouts for both Shire Hall and 92-96 Westgate Street. In due course the Council will engage with a professional removals company.
- 7.2 Work has also commenced to reduce the volume of paper and other items stored or accumulated by the Council at the HKP Warehouses to ensure that the organisation is minimising waste and maximising operational space in our new accommodation.
- 7.3 Works to refurbish 92-96 Westgate Street will ensure that the property provides suitable accommodation in the short term and an investment in the sustainability of the Council's asset in the longer term.

8.0 Financial Implications

- 8.1 The table at 3.12 highlights the potential savings and cost as a result of the proposed disposal of HKP and subsequent move of the Council. Comparisons with commercial serviced office accommodation show that the rental being charged by the County Council is both inclusive and competitive. Further savings may be achievable as identified at 3.13; however this will prevent any capital receipts used this way to support the capital programme.

- 8.2 Any shortfall will require additional savings to be identified within the money plan.

(Financial Services have been consulted in the preparation this report.)

9.0 Legal Implications

- 9.1 As a business operation, the City Council would normally enjoy the statutory rights of renewal contained in Part II of the Landlord & Tenant Act 1954. This would mean that the City Council could require the County to grant a new lease, upon broadly the same terms, unless the County could prove certain grounds. The City could challenge the grounds for possession, or the proposed terms of a new lease, in court.
- 9.2 Particularly as the proposed premises form part of a building occupied by the County Council, it is likely that the County will require the lease to be excluded from

these rights. In these circumstances, at the end of the 3 year period the City Council would either have to enter into a new lease (on whatever terms, if any, the County would be prepared to agree), or vacate the premises.

9.3 The City Council would have to consider the implications of the above two paragraphs from a landlord perspective in respect of Civica's occupation of 92-96 Westgate Street. It may be appropriate to grant Civica a lease excluding the ability to renew the lease.

9.4 Data Protection Act 2018 and General Data Protection Regulation 2016 requirements would have to be considered where there is the possibility of sharing space, or third parties have access to or through the City's working areas.

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

10.0 Risk & Opportunity Management Implications

10.1 This report presents a progress update and financial analysis. There are no new or additional risks arising from the content of the report.

11.0 People Impact Assessment (PIA) and Safeguarding:

11.1 A verbal update will be provided to Overview and Scrutiny Committee and will be incorporated into the final report for Cabinet.

12.0 Other Corporate Implications

Community Safety

12.1 None

Sustainability

12.2 None

Staffing & Trade Union

12.3 Ongoing communications with staff and the Trades Unions is part of the project plan.

Background Documents: None