



Meeting:	Cabinet	Date:	8 December 2021
Subject:	Review of Office Accommodation		
Report Of:	Cabinet Member for Performance & Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Jayne Wilsdon – Asset Management Officer		
	Email: Jayne.wilsdon@gloucester.gov.uk	Tel:	39-6871
Appendices:	<ol style="list-style-type: none"> 1. Proposed Layout Plan 2. Visualisation Plans 3. Commercially Sensitive Information 4. Recommendations of the Overview & Scrutiny Committee 29 November 2021 		

EXEMPTIONS

If the committee wish to discuss appendix 3, the public are likely to be excluded from the meeting during consideration of this report as it contains exempt information as defined in paragraph (3) of schedule 12A to the Local Government Act 1972 (as amended).

1.0 Purpose of Report

1.1 To provide proposals as to viable options for ongoing office accommodation for City Council staff.

2.0 Recommendations

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

- (1) negotiations be commenced immediately with Gloucestershire County Council on current rental levels
- (2) the option to relocate to the Eastgate Shopping Centre in Summer 2022 be approved.

3.0 Background and Key Issues

3.1 Gloucester City Council moved out of HKP and took a lease from Gloucestershire County Council for Block 5 in Shire Hall with effect from 1st April 2019 for a period of three years ending on 31st March 2022. This modern flexible space has served us well over recent years. However we now have the opportunity to explore alternative

spaces within our own portfolio of City Centre properties and to make cost savings whilst we establish what we want from our formal office accommodation in the long term.

- 3.2 The current lease is excluded from the Landlord and Tenant Act 1954. This means the lease will come to an end on the 31st March 2022 unless a further agreement is made between the two parties.
- 3.3 The overriding rationale to carry out this review is to ensure value for money and ensure the accommodation meets the needs of the City Council moving forward and to consider if the long-term objectives meet our needs.

Our Current Position

- 3.4 Reasons to consider current position with regards accommodation are as follows:
- An opportunity to reduce accommodation costs and identify savings
 - A change to a more hybrid way of working means we can review more how we occupy space and continuing to work in this manner for at least the medium term will give us the opportunity to reduce costs whilst we continue to review our long term options
 - The hot desk booking system gives us the ability to see how much of the office space is being utilised on a daily / weekly / monthly basis.
 - The ability to recreate our own identity

Future Space Requirements

- 3.5 Following Covid19 pandemic the area required for formal office space has reduced and is anticipated to be this way for some time to come. There are 5 aspects influencing the decision to continue hybrid working for the short to medium term.
- Covid 19 is still transmitting at high levels therefore staff are still encouraged to work from home where possible.
 - There are no plans to require staff to work from the office, a home working option and flexibility post COVID is still considered a long-term possibility. Work output remains high and safety of all staff comes first.
 - Numbers booking desk space ranges from 18-27 out of a possible 100.
 - These are often recurring staff who are unable to carry out certain work functions from home. This highlights that the need for office space is still required but in the short term a reduce capacity of around 30% less desks would be feasible and present us with significant cost savings.
 - The experience of home working has been largely positive and opinion at the recent staff Q&A from team leaders / managers were that they were happy for this to continue. Most felt the option to bring teams together on a weekly or monthly basis by booking space was preferred.

Options for Future Accommodation

Option 1 – Remain in Shire Hall but negotiate a lower rent

- 3.6 Considering current market rates, the current rent payable is above the cost per square foot of other similar space in the City.
- 3.7 Current arrangement is as follows:

City Council occupy 8,206.4 sq. ft on level 5 of Shire Hall (See Appendix 3 item 3.7 for more information)

A brief comparative search showed that premium office space within ½ mile of Shire Hall commanded a rent of between £3 - £12.50 psf exclusive of any services, insurance, or utilities etc. There was no comparable evidence available for fully serviced office space at the time of writing the report. The closest comparable was Gloucester Quays with around £13.50 – £15.00 psf to include rent, building service charge, insurance, cleaning and one parking space for every 500 sq ft but excluded rates and utilities.

No car parking is currently offered under the terms of the lease. The City Council owned car park at Castlemeads is available a short walk away on a monthly charge at a reduced rate to staff.

Pros	Cons
Would be able to stay – not suffer the inconvenience of moving	May not be able to negotiate a lower rent meaning costs to the City Council will remain high
No loss of desk space	With social distancing still being practiced there is a loss due to layout
Current layout allows for social distancing	Loss of own individual corporate identity operating from third party asset

Option 2 - Relocate to Eastgate Shopping Centre Office Space - Temporary move subject to review of long-term portfolio and Office requirements

- 3.8 This option would see the City Council make use of its existing asset to accommodate staff and make continued use of home working.
- 3.9 This option would require investment in the region of £300,000 to include rent extension of current space and full refit of new space to high standard ready for occupation. Work includes design drawings, access control systems, fire alarms, sprinklers, reconfiguration of space, redecoration and all building control certification. It will also include redecoration of Shire Hall once we have vacated, moving furniture required, storing excess furniture, moving IT equipment etc. These costs are

estimated as a full design specification is subject to change following consultation. (See appendix 3 item 3.9 for more details)

3.10 The Council would not lose income if it moved into this space. Therefore, no loss of rental income has been factored into the business plan for Eastgate. The Eastgate Space (define) has only ever been let on a cost neutral basis therefore no loss of income.

3.11 Items to consider:

Reduction in space by 1,764.4 sq. ft which will be sufficient to meet the requirements based on the hot desk bookings and the ability to accommodate teams on a schedule basis going forward. There is a further 300 sq. ft space available in addition to the main office space which will be suitable for storage and over flow office space if required.

No lease / formal agreement required as we own the asset however, we would need to consider entering into an agreement with the managing agents so they can invoice us for our share of the service charge. In addition to this there would be Business rates and other occupational costs. (See appendix 3 item 3.11 for more details)

3.12 Car parking is a factor as whilst the walk from Castlemeads is still acceptable in terms of distance itself and the route is no less favourable / accessible it is slightly further. Castlemeads to Shire Hall front door is 0.5 miles and around a 10 minute walk whereas it is 0.6 miles to Eastgate and around a 10-15 minute walk depending on which entrance you use. We can utilise space above Boots which is currently inaccessible to the public and will provide around 20 spaces which can either be booked with a desk or allocated on the basis of impaired mobility should the need arise. However, given the more central location the public transport links are better therefore staff can be encouraged to use other means of transport and again supporting our sustainability goals.

3.13 The Eastgate Space is currently occupied under a cost neutral short-term licence with minimum 6-month term and the earliest the 60 days' notice required can be served is 31st October 2021 for vacant possession by the 31st December 2021. The tenants requirements are being taken into consideration so two months' notice by the 20th December 2021 at the latest is recommended to obtain vacant possession by in February 2022 to enable works to be completed to facilitate the relocation. Although subject to change depending on when notice is given. This allows them time to source alternative office space and then move once the Christmas shut down period is over which was a concern to them. The full build will take 16 weeks for build and relocation with the target date of the end of June 2022 to be fully operational from the new location. It will take a further 4 weeks maximum to redecorate the current office space in Shire Hall to ensure satisfactory condition on handover in accordance with the current lease. (See Appendix 3 item 3.13 for more details).

3.14 Significant savings can be made over the next 3 years and occupation is available indefinitely as we own the building. (See Appendix 3 item 3.14 for more information)

- 3.15 This location is central to the City and the large regeneration project currently taking place. A move here will show the City Council has faith in the centre and what it is trying to achieve on completion of these works.

Pros	Cons
Central location	Relocation will need to be managed internally and may disrupt services / working practices for a short time
Considerable cost savings	Parking distance
Complete control	Reduced desk space
No lease required	
Able to oversee the running of our own assets more easily	

Option 3 – Move to North Warehouse

- 3.16 This option would not be available in the short term due to Regus being the current tenant occupying under the following terms:

Regus occupy 12,277 sq. ft (remaining 4,156 is occupied by Gloucester City Council) 16,433 sq. ft in total.

- 3.17 The lease is contracted out of sections 24-28 of the Landlord and Tenant Act 1954 however the terms of the lease mean it does not automatically come to an end on the 7h March 2023 unless Regus surrender the lease. Regus have the option by serving not more than 1 year and not less than 6 months' notice to extend the lease by a further 5 years. Earliest date to service notice is 7th March 2022 latest date is 7th September 2022. This means in effect that there is no guarantee this space will be available to us and given it's rental potential would mean a loss of income to the City Council if we took occupation here.

- 4.1 Costs for relocation unavailable due to no design specification. Actual specification would be determined when current tenant leaves and building condition can be assessed in conjunction with our requirements at that time.

Pros	Cons
Own the building no rent and complete control	Loss of income from potential tenants
Corporate identity retained	Grade II listed building would be ours solely to maintain
Parking is easy access	Relocation costs

Already part occupier so all requirements would be under one roof	
---	--

Option 4 – Relocate to alternative accommodation

3.19 Alternative office space locally ranges from £3 - £20 per square foot for a variety of different requirements and locations ranging from City Centre down to Gloucester Docks / Quays. These range from basic space to fully equipped and serviced spaces and the most expensive at £20 psf comes with parking. However these represent a significant cost to the City Council year on year in addition to the initial cost of relocation. Where these spaces are ready now we would also need to pay rent on two spaces for the next 4-5 months to ensure we secured the space we need.

4.0 Social Value Considerations

4.1 There are no specific social value impacts as a result of this report

5.0 Environmental Implications

5.1 There are no additional environmental implications above those already highlighted in the body of the report

6.0 Alternative Options Considered

6.1 As detailed in Section 3 above.

7.0 Reasons for Recommendations

7.1 The recommended option will provide the Council with good suitable office space whilst also delivering significant financial savings and delivering value for money.

8.0 Future Work and Conclusions

8.1 Negotiations should start to ascertain if a reduced rent can be negotiated for the current office space at Shire Hall.

8.2 A full schedule of works should be created in anticipation of the above not proving successful. This will enable us to finalise costs ready to start works as promptly as possible.

8.3 Elected Member accommodation and parking are currently under review with the project team.

9.0 Financial Implications

9.1 The recommended option will deliver significant savings over 3 years (2022/25) (See appendix 3 item 9.1 for more information)

9.2 Further details are included in Section 3 above.

10.0 Legal Implications

10.1 A full consultation with our legal representatives will take place once a decision has been made. They are aware that a notice will need to be served to the current tenant of the Eastgate office space and will do so on receiving instructions. They have confirmed that there is no requirement for us to enter into a formal lease with Eastgate as we own the building we will just need an agreement in place to pay the service charge so legal involvement on this aspect of it is minimal.

11.0 Risk & Opportunity Management Implications

11.1 The main risk is associated with the cost of relocation. Prices are reflective of materials that are available and their current prices however these, as well as available labour, have fluctuated considerably as a result of the Covid 19 Pandemic. A contingency has been factored in to both the cost and time frames however this can only be used as a guide at present due to ongoing issues in the construction industry.

11.2 Relocating to the heart of the City Centre will present us with considerable opportunities for cost savings and to have a positive impact on the City Centre as a whole. It will show confidence in the regeneration of the City and bring money into the centre economy from the staff members who will have easier access to the amenities there.

12.0 People Impact Assessment (PIA) and Safeguarding:

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

13.0 Community Safety Implications

13.1 Nil

14.0 Staffing & Trade Union Implications

14.1 Nil

Background Documents: None