

Decision Maker: Cabinet Member for Planning, Regeneration and Economic Development, 15th April 2013

Subject: Shaping our Future - Next steps: Civic Offices

Report by: Kathy Wadsworth, Strategic Director of Regeneration

Wards affected: Charles Dickens

Key decision (over £250k): N

1. Purpose of report

- 1.1 Initial work has shown that there is a major opportunity to look at how the City Council uses its own assets in order to both reduce costs and generate income. There is a possibility that a more creative use of the Civic Offices could achieve these aims, by letting some of the space commercially. The purpose of this report is to gain approval to pursue this line of enquiry, by seeking expressions of interest from the market.

2. Recommendations

- 2.1 The Cabinet Member is recommended to:
- a) authorise the Strategic Director for Regeneration to seek expressions of interest from potential tenants for the Brunel Wing of the Civic Offices.

3. Background

- 3.1 Thinking has been developing about how we continue to take forward our organisational objectives around transformation, particularly in relation to how we use our own assets, and the way we work to be more efficient. This builds on previous work carried out as part of the Transformation programme, but also picking up some feasibility work carried out on council owned assets.
- 3.2 The Civic Offices are one of the major assets held by the City Council. Members have previously expressed a desire to remain in the offices to avoid any major rebuild and relocation costs; to ensure proximity to the ceremonial heart of the city (Guildhall and the Square); and to ensure the economic benefit to the city of a large workforce located in the city centre.
- 3.3 However, the civic offices is an expensive building to operate, taking into account the costs of utilities, refurbishment and improvement, and repairs and maintenance. Despite this, the average occupancy of the building is 50% (although it does occasionally rise to nearer 70%),

given that at any time staff are absent on leave, through sickness or working away from the building (site/home visits etc). The balance between the high running costs and low occupancy rate means that serious thought must be given to opportunities to redress this balance

- 3.4 A feasibility study has been commissioned with Vail Williams on the potential commercial letting of the Brunel Wing of the Civic Offices. The study has been informed by market intelligence and provides a view on potential future uses, and potential strategies for taking options to market. The report concluded that the Civic Offices has the potential to be attractive as city centre office space subject to some degree of remodelling works to enable segregation of the wing, refurbishment to bring the wing up to commercial letting standards (which might include reception space) and provision of some facilities.
- 3.5 Separately, an approach has been received from third party who would like to manage and let the wing as an innovation centre with a series of small serviced office units, offering conference and meeting facilities, to support start-up and small businesses. The proposal received includes provision for refurbishment costs to a low level. We therefore have some confidence that the Civic Offices is viable as a city centre office proposition in the commercial market.
- 3.6 Occupancy and cost modelling has been undertaken across a range of options at a very high level, which suggests that there is scope for the organisation to realise savings and generate income by moving PCC staff out of the Brunel wing, segregating and refurbishing the wing to some level, and letting the space commercially. However, it is difficult to draw firm conclusions from indicative financial modelling without firm engagement with the market on the level of interest, and the standards that they would expect to see the building refurbished to, and the level of segregation that would be required.
- 3.7 However, it should be recognised that such a proposal would have a cost implication in respect of relocating the staff currently in the Brunel Wing to the rest of the building. Enhanced technical infrastructure in the remaining cores would be required, and staff would need the ability to work more flexibly. e.g. from home or other outstations. This would necessitate the provision of laptops, for example, and the ability to log on to systems remotely. However, this is in accordance with our published ICT strategy and aspirations for a more modern, flexible workforce. Similarly, we will be providing desks on a less than 1:1 ratio in future, to take account of the fact that the building is often under-occupied. These issues would all be built into the financial appraisal for commercial letting.
- 3.8 It is proposed that the City Council gives public notification of the intention to let the space, and requests expressions of interest from prospective tenants. These expressions of interest will then form the basis of negotiations and cost modelling. It should be noted that as the

council is at this stage seeking to market and let the wing without external advice, this process is not subject to procurement regulations. This work will be covered within existing resources.

- 3.9 Subject to a financial appraisal being approved by the Head of Finance & S151 Officer, the Strategic Director of Regeneration will bring forward recommendations to Cabinet in the Autumn regarding the future occupation of the Brunel Wing of the Civic Offices. In making these recommendations, regard will be had to both the financial advantage to the local authority; and the wider regeneration aims that the authority is seeking to achieve. An interim report will be presented to the Cabinet Member in July to set out progress.

4. Equality Impact Assessment

- 4.1 There are particular issues in relation to accessibility of the building that will be taken into account as negotiations develop, and impact on service accessibility in the broadest sense will be a core component of discussions. Equality of access to the workplace will also be a key element of considerations about relocation of PCC staff from the Brunel Wing, and in developing our aspirations around mobile and flexible working.

5. Legal comments

- 5.1 There are no legal implications at this stage. The City Solicitor will work with the Procurement Manager to review the proposals and advise on any legal or procurement implications.

6. Head of Finance's comments

- 6.1 The proposals within this report form part of the City's recognised need to review how we use our own assets, to pursue the wider regeneration aims for the city, in terms of creating jobs and houses, and greater opportunities whilst also facilitating the delivery of savings, capital receipts and other income streams within the Council, thus helping to relieve future year financial pressures.
- 6.2 Initial calculations suggest a significant cost of vacating, refurbishing and letting the Brunel Wing but market intelligence around potential interest and expected rents suggests the potential to deliver significant ongoing annual savings.
- 6.3 This report requests approval to seek expressions of interest for the wing and use this information as a basis for detailed financial modelling, so that recommendations on the future of the Brunel Wing can be brought forward to Cabinet in the Autumn. This work will be carried out within existing resources.

- 6.4 Recommendations on future occupancy will be subject to a comprehensive financial appraisal to be approved by the Head of Finance and Section 151 Officer, which demonstrates a payback period of within 10 years and which reflects the likely risks and probabilities of scheme delivery. This will ensure the best financial returns for the City are obtained in delivering wider regeneration objectives.

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Signed by: Kathy Wadsworth, Strategic Director and Director of Regeneration

The recommendation(s) set out above were approved/approved as amended/deferred/rejected by Cabinet Member for Planning, Regeneration and Economic Development on 15th April 2013

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Signed by: Councillor Mike Hancock CBE MP



Portsmouth
CITY COUNCIL