

# Cabinet

## Supplementary Agenda for Urgent item



**Date:** Tuesday, 10 January 2017

**Time:** 4.00 pm

**Venue:** Conference Hall, City Hall, College Green,  
Bristol, BS1 5TR

### **Distribution:**

**Cabinet Members:** Marvin Rees (Mayor), Councillors Mark Bradshaw, Clare Champion-Smith, Craig Cheney, Fi Hance, Claire Hiscott, Helen Holland, Paul Smith, Estella Tincknell (Deputy Mayor) and Asher Craig

**Copies to:** Senior Leadership Team and the Monitoring Officer

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**Date:** Tuesday 03 January 2017



# Supplementary Agenda

## **PART A - Standard items of business:**

- 1. Welcome and introductions**
- 2. Public Forum**
- 3. Apologies for Absence**
- 4. Declarations of Interest**
- 5. Matters referred to the Mayor for reconsideration by a scrutiny commission or by Full Council**
- 6. Reports from scrutiny commission**
- 7. Chair's Business**

## **PART B - Key Decisions**

- 8. Collection Fund - Estimated Council Tax and Business Rates Surplus 2016/17**
- 9. Period 7 (end of October) Finance Report**
- 10. Urgent Item - Leasing out offices at 100 Temple Street**

To seek Cabinet's support for evolution in the Council's office accommodation strategy and grant approval for leasing out office space to improve the revenue position of the Council.

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## **PART C - Non-Key Decisions**





## Executive Summary of Agenda Item No. 10

**Report title:** Leasing out offices at 100 Temple Street  
**Wards affected:** Central  
**Strategic Director:** Barra Mac Ruairí - Strategic Director Place  
**Report Author:** Robert Orrett - Service Director, Place - Property

### Recommendation for the Mayor's approval:

- 1. Variation of the Bristol Workplace business case to allow leasing out of accommodation at 100 Temple Street, Bristol to generate revenue.**
- 2. The Strategic Director – Place is authorised to approve the terms of leases subject to briefing the Cabinet Member for Place.**

### Key background / detail:

a. Purpose of report: To confirm support for evolution in the Council's office accommodation strategy and grant approval for leasing out office space to improve the revenue position of the Council.

#### b. Key details:

- Bristol Workplace Programme has delivered projects to change how the Council works in its offices. These have achieved modern working office environments supporting new ways of working using office technology. The overall modernisation will deliver significant long terms savings for the Council. The focus of the programme, now approaching completion, has been to deliver two high quality core office hubs.
- The levels of occupational efficiency designed for the two core office hubs have been improved beyond original expectations. This means that a greater number of staff than originally expected can be accommodated in those buildings, at a time when the total number of staff employed by the Council is reducing.
- It is now possible to release some office space from being used to accommodate the Council, enabling some financial savings to the revenue costs of the Council. The proposal at this stage is to release a currently vacant ground and first floor accommodation at 100 Temple Street extending to 714 m<sup>2</sup> (7,685 sq ft) and 1,705 m<sup>2</sup> (18,355 sq ft) respectively. The aim will be to lease this externally on market terms. A normal level of landlord's finish needs to be provided for this space. The cost for the first floor is already budgeted within the BWP budget. The capital cost to re-fit the ground floor space and reconfigure the main entrance lobby is estimated to be £1.7 million. It is expected that total revenue impact will be over £700,000 per annum.



# Cabinet

Date of Meeting



**Report Title: Leasing out offices at 100 Temple Street**

**Ward: Central**

**Strategic Director: Barra Mac Ruairí - Strategic Director Place**

**Report Author: Robert Orrett - Service Director, Place - Property**

**Contact telephone no. & email address: 0117 922 4086  
robert.orrett@bristol.gov.uk**

## **Purpose of the report:**

**To confirm support for evolution in the Council's office accommodation strategy and grant approval for leasing out office space to improve the revenue position of the Council.**

## **Recommendation for the Mayor's approval:**

- 1. Variation of the Bristol Workplace business case to allow leasing out of accommodation at 100 Temple Street, Bristol to generate revenue.**
- 2. The Strategic Director – Place is authorised to approve the terms of leases subject to briefing the Cabinet Member for Place.**



## The proposal:

1. The Bristol Workplace Programme (BWP) is a series of projects that set out to change ‘how we work’, whilst also delivering significant savings. This has been delivered in accordance with an original business case approved July 2012 which in July 2013 was refocused. The three themes of work have been:
  - a. Assets - Rationalisation, decommissioning and disposal of surplus buildings; provision of two high quality core office hubs (City Hall and 100 Temple Street)
  - b. Technology - Deployment of technology to enable modern and new ways of working
  - c. People - Supporting and training the workforce to think differently about how they work
2. Delivery of the programme is nearing completion, meeting the business case and in line with budget. The levels of occupational efficiency designed for the two core office hubs have been improved beyond original expectations. This means that a greater number of staff than originally expected can be accommodated in those buildings. During the implementation period since July 2013, the savings pressures on the Council have been met by voluntary severance programmes and service redesign. This means that total numbers of staff employed by the Council are lower than anticipated when the capacity of office buildings was being assessed for the BWP business case.
3. The combination of these two factors is that it is now possible to release some office space from being used to accommodate the Council. This reduction in the space needs of the Council due to greater efficiency and the reduced size of the organisation enables some financial savings to the revenue costs of the Council.
4. The BWP team and the Council’s Property Service have re-assessed the overall situation. They have concluded that there is sufficient capacity to release a currently vacant ground and first floor accommodation extending to 714 m<sup>2</sup> (7,685 sq ft) and 1,705 m<sup>2</sup> (18,355 sq ft) respectively.
5. The capacity of the remaining areas in 100 Temple Street is capable of accommodation 1,624 staff. A further 1,600 staff can be accommodated in the reconfigured City Hall.
6. The areas of accommodation were leased to KPMG until the end of August 2016, when the lease ended. The BWP programme already allowed for re-fitting the first floor (South) space with the cost being met from the BWP approved capital budget. The first floor and ground floor accommodation will be re-fitted to a standard “category A” standard. This is the standard for modern office space that is the market norm in terms of what landlord’s provide when leasing to tenants. It is then for the tenant to consider, finance and implement their own fit out and to provide furniture and equipment.
7. It is also proposed to revise the layout of the main ground floor reception lobby for 100 Temple Street. This will enable a lobby area to be created for customers of the Council’s Citizen Service Point, with sufficient space to accommodate self-service terminals in the lobby area. Dividing the existing large lobby space will mean there would be a separate entrance and lobby for access to the main office floors.
8. The capital cost to re-fit the ground floor space and reconfigure the main entrance lobby is estimated to be £1.7 million.
9. The estimated market rental value for the space is £231 per m<sup>2</sup> (£21.50 per sq ft). In addition, leasing the space to a tenant will save the Council the share of the building running costs (service charge) apportioned to that area £75 per m<sup>2</sup> (£7 per sq ft) and business rates £65 per m<sup>2</sup> (£6 per sq ft).
10. Leasing terms would be in line normal market bases. A likely basis for leases would be to grant a 10 year lease with the tenant only having the right to terminate the lease after the first five years. The tenant is responsible for internal repairs and paying their costs for

electricity and a proportion of the cost of insuring the building. Maintenance of the common areas and exterior is by the landlord but contributions to costs recovered via the service charge.

11. The building provides a good standard of office accommodation in a central location for which there is considerable demand. As such, the space should be readily lettable in good property market conditions.

### Consultation and scrutiny input:

- a. **Internal consultation:**  
Business Change and Resources Scrutiny Commission has recently considered a progress review on Bristol Workplace Programme.
- b. **External consultation:**  
Not applicable

### Other options considered:

1. Retaining all office space for Council occupation – this would fail to release the benefit and cost saving from the improved efficiency of the design delivered and the saving from reductions in the numbers of staff employed by the Council.
2. Releasing more space – the final staff moves in the Bristol Workplace Programme have yet to be implemented. The monitoring of occupancy will be more reliable after this has been achieved. It may be possible to release further accommodation.
3. Release space in a different building – a number of other buildings were already identified for closure and disposal as part of the Bristol Workplace programme. This is in the course of delivery. The additional scope to release space described in this report needed to apply to one of the buildings planned to be retained. City Hall is less suitable for the release of surplus space – the management of the building is set up for Council occupancy and public engagement. 100 Temple Street is a purpose built modern office building that is already established for multi-occupier use.

### Risk management / assessment:

<b>FIGURE 1</b>							
<b>The risks associated with the implementation of the (subject) decision :</b>							
No.	RISK	INHERENT RISK		RISK CONTROL MEASURES	CURRENT RISK		RISK OWNER
		(Before controls)			(After controls)		
	Threat to achievement of the key objectives of the report	Impact	Probability	Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation).	Impact	Probability	
1	Accommodation needed by the Council	Medium	Medium	Updated assessments of Council office needs have been carried out	Low	Low	Property
2	Surplus accommodation cannot be let	Medium	Medium	Advice from commercial office agents; re-fit to market standards; market terms being proposed	Low	Low	Property
3	Occupation of space at Temple Street by external parties conflicts with Council use	High	Low	The building has previous been used by multiple occupiers without disruption. Layout revision to	Low	Low	Property

				entrance lobby will protect Council uses.			
4	More space could be released achieving additional savings	Medium	High	The capacity will be re-assessed as staff move are completed and actual occupancy is monitored.	Low	Low	Bristol Workplace

**FIGURE 2**

The risks associated with **not** implementing the *(subject) decision*:

No.	RISK  Threat to achievement of the key objectives of the report	INHERENT RISK (Before controls)		RISK CONTROL MEASURES  Mitigation (ie controls) and Evaluation (ie effectiveness of	CURRENT RISK (After controls)		RISK OWNER
		Impact	Probability		Impact	Probability	
1	Savings to revenue not delivered	Medium	High	This proposal will enable action intended to achieve revenue savings	Low	Low	Property

### Public sector equality duties:

Before making a decision, section 149 of the Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

- i) eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
- ii) advance equality of opportunity between persons who share a relevant protected characteristic and those do not share it. This involves having due regard, in particular, to the need to:
  - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic.
  - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
  - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- iii) foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to tackle prejudice and promote understanding.

The letting of space in Temple Street has low relevance for the Public Sector Equality Duty. Staff are unaffected because in using the space at Temple Street and City Hall, we have increased the staff numbers the buildings can host by more than expected, and also staff numbers have reduced and will continue to reduce. Accordingly we are satisfied we can release this space without impacting staff.

The Council and any occupiers of accommodation at this building will maintain their separate identities and all arrangements for management of their activities.

Anne James - Equalities and Community Cohesion Team Leader, Strategic Planning

### Eco impact assessment

Leasing part of 100 Temple Street as office space to a third party will have no significant direct environmental impacts, although there may be a slight increase in impacts if the proposal increased energy consumption beyond that of a typical office. Page 7

lifts to the first floor. Even if the number of visitors travelling to the building increased, it is central and close to public transport links, so is unlikely to encourage many additional car journeys through an area known for traffic congestion, although there might be a need to increase the amount of publically accessible cycle parking. If the staff of tenants need to travel for work locally on a regular basis, it may be possible to arrange joint use of the Car Share scheme.

Verified by Giles Liddell, Environmental Performance Team.

Resource and legal implications:

Finance

a. Financial (revenue) implications:

It is proposed to invest an estimated £1.7m additional capital costs in 2017/18 to facilitate leasing of ground and first floor accommodation at 100 Temple Street. It is expected that the lease would be for 10 years with a 5 year break clause. It is assumed that vacation of this space can be accommodated within the Bristol Workplace programme without any additional costs to other operational sites, outside those already factored into the business plan.

The proposal will generate rental income to the Council, plus service charges, and facilitate a reduction in other budgeted costs primarily business rates for that part of the building proposed to be leased out. If let at market rent, as indicated in the body of the report, the proposal could generate a net revenue saving to the medium term financial plan of £700k per annum from 2018/19 onwards.

Advice given by Chris Holme - Interim Head of Corporate Finance  
Date 02/01/2017

b. Financial (capital) implications:

The proposal assumes no other significant changes to the capital assumptions underpinning the Bristol Workplace business plan. The £1.7m estimated capital cost could be funded from prudential borrowing, generating additional capital financing costs of some £70k per annum. Based on estimated achievable rental streams, payback of the investment would be within four years. Cabinet will need to be assured that the lease terms provide sufficient safeguards should the risk of an early break in the lease be invoked by the tenant, which could negate the financial benefit of the proposal.

Advice given by Chris Holme – Interim Head of Corporate Finance  
Date 02/01/2017

Comments from the Corporate Capital Programme Board:  
None

c. Legal implications:

The Landlord and Tenant Act 1954 (“the 1954 Act”) gives a tenant of business property the right to remain in occupation after his lease expires and to apply for the grant of a new lease on broadly similar terms, subject to limited exceptions. This can result in a situation in which the property owner is unable to recover possession of space which it has leased even after the lease has expired, as long as the tenant is complying with the lease terms.

It is possible for the landlord and tenant to “contract out” of the 1954 Act, provided both parties agree to do this before the lease is granted and follow a prescribed procedure. It will be for Property Services

to consider and decide whether or not the proposed lease(s) of the excess space which has been identified should be “contracted out” of the 1954 Act and to instruct Legal Services accordingly. If Property Services decide:

- a) that the Council is unlikely to require the excess space for its own occupation after the end of the proposed 10 year lease term; and either
- b) that the space will be more readily lettable if the lease is not “contracted out”; or
- c) that the rent achievable will be significantly reduced if the lease is “contracted out”;

then we would expect the proposed lease(s) to be subject to the security of tenure provisions in the 1954 Act as summarised above. In that case the Council runs the risk that it may be unable to recover possession of the leased areas after the lease expires.

Apart from the application of the 1954 Act there are risks to the Council in letting part of a building of which it is currently the main occupier, for example in terms of information security within the building and the possibility of claims arising from accident/injury occurring within the common parts. We would expect those risks to be managed and addressed by means both of the lease terms and the Council’s insurance cover. As mentioned elsewhere in this report, parts of this building were previously occupied by external tenants so this is not an entirely new situation.

Advice given by      Kevin Froud / Solicitor – Property Team, Legal Services  
Date                      3 January 2016

**d. Land / property implications:**

This proposal delivers savings from more efficient occupation of Council buildings. The arrangement of the building is suitable for occupation by more than one organisation in separate areas. Layout alterations to the ground floor lobby area will support effective operation of the Council’s Citizen Service Point, whilst providing a specific entrance for the main offices. The standard of works being proposed is consistent with requirements normally followed in the commercial office market.

Advice given by      Robert Orrett / Service Director, Place - Property  
Date                      30 December 2016

**e. Human resources implications:**

Any new occupiers at the building and the City Council will need to agree the arrangements for the management of health and safety at 100 Temple Street. This will also require detailed consultation and agreement with Accredited Safety Representatives before the new service provision opens.

Advice given by      Mark Williams / HR Business Partner  
Date                      23 December 2016

**Appendices:**

None