



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	CABINET 6 DECEMBER 2021
Report Number	AGENDA ITEM 13
Subject	THE FUTURE USE OF COTSWOLD DISTRICT COUNCIL'S OFFICES AT TRINITY ROAD, CIRENCESTER
Wards affected	Watermoor
Accountable member	Councillor Mike Evemy – Deputy Leader and Cabinet Member for Finance Email: mike.evemy@cotswold.gov.uk
Accountable officer	Claire Locke Group Manager Email: claire.locke@publicagroup.uk
Summary/Purpose	To consider high level options and agree the future use of the Cotswold District Council's Offices at Trinity Road, Cirencester
Annexes	Annex A- Financial appraisal of options Annex B – Net Zero Carbon feasibility Report
Recommendation(s)	<p><i>That Cabinet agrees that:</i></p> <ul style="list-style-type: none"><i>a) Based on the high level option appraisal, the Council reduces its occupation of the Offices and actively markets the estimated 30 - 40% spare space generated for commercial tenants, providing both revenue savings and a revenue return for the Council.</i><i>b) A further report setting out capital costs to make changes to building configuration, access, security etc. will be presented to the Cabinet once the final allocation of Council services to specific space within the building is agreed.</i><i>c) Funding of up to £13,000 is allocated from the Council Priorities Fund earmarked reserve to fund a feasibility study to assess options for roof repairs or replacement, incorporating options for insulation and reduction in heat loss, and that a further report is brought back to the Cabinet.</i>



	<p><i>d) To support implementation of option 2a, £308,000 of capital funding is included as part of the forthcoming budget setting process to fund works to install solar PV, lighting and smaller measures in the Office buildings which should achieve a reduction in Carbon emissions of approximately 59CO₂t per year (20%).</i></p> <p><i>e) A 20% contingency sum is allocated for recommendation (d) £62,000 to allow for equipment or installation costs above estimates or unforeseen works with authority delegated to the Deputy Chief Executive in consultation with the Deputy Leader and Cabinet Member for Finance to draw on that funding.</i></p>
Corporate priorities	<ul style="list-style-type: none">● Delivering our services to the highest standards● Responding to the challenges presented by the climate crisis
Key Decision	YES
Exempt	NO
Consultees/ Consultation	Forward Planning Manager Head of Climate Action Group Finance Director – Publica Group Ltd Portfolio Holders and Local Management Team



I. BACKGROUND

- I.1. The Council owns the freehold of the Council offices at Trinity Road, which comprises 5,222 square metres over 2 floors with 143 parking spaces. The Council occupies the majority of the building, with only the Southern wing currently let in part to commercial tenants (12% of total building).
- I.2. The Covid-19 Pandemic accelerated work to reduce the Council's and Publica's office footprint with around 75% of staff home working during the height of the lockdowns supported by an urgent rollout of laptops and the increased usage of video conferencing. An Agile Working Strategy has now been adopted which means there will be a permanent shift to a hybrid way of working with most staff working remotely for 2 - 3 days a week and being office based the remainder of the week. This change to working arrangements is focussed on ensuring business needs can still be met and therefore some roles will require staff to be office based for a higher proportion of the time.
- I.3. This agile working approach is welcomed by the vast majority of staff and reduces time lost to travel and the carbon impact of commuting. It is considered it can aid productivity and help staff balance their work and home lives. It is acknowledged that it will not suit everyone's personal circumstances and therefore measures are in place to enable staff to work from the office if they need to, as well as providing welfare support to those who work remotely and have less face to face contact with their managers.
- I.4. Work to map business and employee future office needs is now nearing completion. A review of existing occupation, desk requirements, storage needs, meeting space, welfare provision and Member and civic room requirements has been completed and the reduction in space needed has been mapped against the building to identify which atria and offices are required and what space can be freed up. This new 'footprint' results in a reduction from 200 to 120 desks and can be modelled against different sections of the building, so if, for example, the decision was made to convert the building for different uses, the Council occupation could be moved to different areas. This information would also form the basis of an off-site requirement if the decision was made to rent or build office space elsewhere.
- I.5. Detailed proposals showing revised allocation of office space have been shared with Cabinet Members for agreement and wider staff and member consultation is now underway.
- I.6. Based on the modelling it is likely nearly 40% of the existing space occupied by the Council can be released for alternative use. Options have therefore been considered for repurposing this space or relocating the offices to free up the whole site for redevelopment. Options considered have focussed on how the Council may use this asset to deliver against its priorities, specifically carbon reduction, commercial investment to underpin the financial sustainability of the Council and delivery of affordable housing.



2. OPTIONS CONSIDERED

- 2.1. In Planning terms the site is likely to be suitable for housing or office accommodation, which is aligned with its current use. The uses considered have therefore focussed on a combination of housing, office accommodation and parking.
- 2.2. Whilst the building is not Listed (with the exception of the 'Lock Up' which is a small single storey Grade 2 Listed Building located to the southwest of the site) its location within the Conservation Area and the large number of trees to the perimeter and the "green" car park to the west of the site which is a Scheduled Ancient Monument, severely constrain the opportunities for redevelopment. Demolition of the office buildings has been considered as an option to assess the potential redevelopment and net carbon zero opportunities that this would provide. However, this may not be considered acceptable due to the setting and perceived historic value of the building.
- 2.3. The options set out in this report are high level. There are many further variations to these options that could be explored. For example, housing options (3, 4 and 5 below) have been modelled based on social housing provision. A mix of unit sizes has been used based on local housing need. However this could be changed to alter both the number and size of units. Different proportions of market housing could be included and various degrees of carbon reducing measures could be installed. Figures used are therefore indicative and the detailed proposals would be subject to further review and would require a detailed business case to be prepared. If option 2 is not agreed and an alternative option is selected, a revenue allocation will be required to enable detailed feasibility work on that option to produce a more detailed business case and development proposal.

Options		Office location	Use of surplus space
1	Baseline	As Existing - Trinity Road	Not applicable
1a	As Baseline but with <u>all</u> scoped carbon reduction measures	As Existing - Trinity Road	Not applicable
1b	As Baseline but with some carbon reduction measures	As Existing - Trinity Road	Not applicable
2	Reduction in office space and increased space let commercially with full carbon reduction measures	As Existing - Trinity Road	Commercial tenants
2a	Reduction in office space and increased space let commercially with some carbon reduction measures	As Existing - Trinity Road	Commercial tenants



Options		Office location	Use of surplus space
3	Reduction in office space and partial conversion to housing	As Existing - Trinity Road	Affordable housing
4	Relocation of offices, full conversion to housing	Alternative site - not yet identified	Affordable housing
5	Relocation of offices, demolition of buildings, new build social housing	Alternative site - not yet identified	Social housing
6	Relocation of offices. Sell site.	Alternative site - not yet identified	Site sold - control limited to planning process
7	Relocation of offices, demolition of buildings, new build social and market housing	Alternative site - not yet identified	Social and Market housing
8	Relocation of offices, demolition of buildings, public car park provision	Alternative site - not yet identified	Public car park

3. FINANCIAL IMPLICATIONS

- 3.1. Officers have looked at current costs to occupy the building, the existing income it generates from tenants and the opportunities and costs presented by different options for future use. In considering continued occupation of the site the ongoing costs to maintain and repair the building, which are identified at a high level in a condition survey, have been reviewed. This is therefore set against costs of relocating and either leasing, buying or building new office accommodation.
- 3.2. Reducing the Council's office footprint will decrease annual revenue costs from utilities, business rates etc. This is a positive change irrespective of whether the Council/Publica remains at the existing offices or relocates.
- 3.3. Option 1 is the baseline position so does not include any changes. Option 1a has been provided to show a cost comparison with the other options of the Council remaining in occupation of the building as it does now but with the installation of the full suite of carbon reducing measures. Option 1b provides a comparison with the installation of some carbon reduction measures with the shortest payback periods. The insulation of the atrium roofs and the insulation of the solid walls have been excluded as they have payback periods of 80 and 150 years respectively.



- 3.4. Options 2 and 2a are the most attractive financial options as each option results in additional rental income but with little capital outlay. Both options deliver savings of around £300,000 each year over the comparator Baseline option. While the decision on whether to invest in the full suite of carbon reduction measures or those with the shortest payback period (as shown in option 2a) have the same revenue impact, the full suite of carbon reduction measures will require £720,000 of capital compared with £300,000 without insulation of the atrium and the walls. Minimising the cost of carbon reduction measures provides an additional saving of £20,000 as there are lower capital financing costs.
- 3.5. A recent building condition survey of the Trinity Road Offices has identified building repairs of £1,240,000 which need to be carried out over the next 3-5 years. There have been long standing issues with the roofs at Trinity Road and leaks frequently occur. There has been significant expenditure over time (£118,000 in last 10 years) in repairing the roofs and the Condition Survey identified the need to invest a further £235,000 within the next 3 years as a number of atrium glazed panels have failed and flat roofs are repeatedly leaking. The Energy Audit identifies an estimated cost of £168,000 (including contractor and professional fees) for works to replace the north side glazed atrium with an insulated panel roof.
- 3.6. With a payback period of 150 years for the insulated panel roof and a need to consider the most cost effective roofing system to reduce ongoing repair costs, it is recommended a feasibility study is commissioned to explore roofing options for Trinity Road offices before any further investment is made (noting emergency repairs may be required if leaks occur during the winter period). A report will then be brought back to the Council for a decision on the structural solution and opportunities for carbon reduction as part of any significant roofing changes.
- 3.7. Annex A provides a business case which sets out a high level comparison and the net position for each option.
- 3.8. Options 4 - 8 require relocation of the Council. Within Annex A costs have been based on the Council leasing alternative premises. There are alternative options with the council buying existing premises (£8-9M) or purpose building offices (£11M) but these options are also high cost, so do not provide financially viable alternatives.
- 3.9. There is uncertainty around future revenue costs if the council relocates to existing buildings. Whilst a reduction in footprint should reduce costs from the baseline position, the Council may have limited ability to control the efficiency of the building or install carbon reducing measures if it is a tenant, although new legal requirements



will ensure rented accommodation reaches certain energy efficiency standards (see 7.7 below). If the Council built new offices they could be constructed as zero carbon.

- 3.10.** The Council could lease existing offices or build new premises either on land it already owns or on land it acquires. If new build offices are considered it is anticipated this would form part of a more strategic development which could incorporate accommodation for other public sector partners or provide for other community uses. Development of purpose built offices with public sector partners could be a two stage process. The Council could complete option 2 first and then develop alternative accommodation and move into purpose built offices with partners if this becomes viable longer term.
- 3.11.** No cost has been included for purchase of land as the Council does own some sites in Cirencester which could, in principle, be utilised. However, the Council may decide to look at other sites district wide, in which case land purchase costs would need to be included.
- 3.12.** Officers have looked at the availability of alternative office accommodation district wide but at the time of review (Summer 2021) no suitable alternative accommodation was identified. Lease costs are therefore based on an average cost per square metre. Should the Council wish to pursue option 4, 5, 6 or 7 then further work would be needed to identify a suitable alternative site. With more and more businesses shifting permanently to agile working, it is likely that more office space will become available in the short-medium term.
- 3.13.** One of the key factors in the financial comparison is the significant net cost in relocating to alternative premises. The existing offices are a depreciated asset with no rent or capital financing requirement. The only cost to occupy the building currently is insurance, business rates, running, maintenance and repair costs etc. however to lease a new building would result in rent payments and a new build would include capital build costs and the cost of borrowing, thereby increasing the Councils revenue costs considerably.
- 3.14.** The Council could apply for any available funding from Homes England to support housing development. However, the current grant levels of between £10,000 and £15,000 per unit will not balance the shortfall between build costs and resulting value. Other grant opportunities may become available in the future as Homes England focus on rapid homes delivery. One Public Estate may also provide some funding opportunities subject to the proposed development involving multiple public sector



partners. However, funding would not bridge the gaps in viability for conversion to housing.

4. CONCLUSIONS

- 4.1.** A significant subsidy would be needed to fill the viability gap between the market value and the costs of refurbishing/redeveloping the offices into residential accommodation. The most financially viable option (2) is therefore to reduce the Council's office footprint and let the spare space generated to commercial tenants. This would reduce the Council's running costs and also generate an additional income. It would not prevent the Council moving to alternative premises in the future if the right opportunity arose.
- 4.2.** Included within option 2 is investment in carbon reduction measures which would reduce the Council's gas and electricity usage and therefore the tonnes of carbon emitted. Option 2 includes costing for all measures identified during an energy audit. However, some measures have a long payback period so Option 2a has been provided should the Council wish to focus its investment on measures which have a shorter payback period.
- 4.3.** The atrium roof presents particular challenges both in terms of repair and heat loss. If the Council is to remain in the building it is recommended that a further feasibility study is commissioned to explore options for repairing or reroofing sections of the building. This study could then incorporate both the lifespan of products and repairs to maintain the roofs, the costs of repair or replacement and the opportunities to enhance the thermal properties of the structure and/or insulation. This would complement carbon reduction measures taken forward under option 2a which is the recommended option.

5. LEGAL IMPLICATIONS

- 5.1.** Whilst the building is not Listed (except the Lock Up) its location within the Conservation Area and the large number of trees to the perimeter and the "green" car park to the west of the site which is a Scheduled Ancient Monument, severely constrain the opportunities for redevelopment.

6. RISK ASSESSMENT

- 6.1.** There would be significant reputational risk if the Council considered demolishing the existing Council offices, due to its location in a Conservation Area and the historic nature of the buildings.



- 6.2. Continuing to occupy the existing building without significant improvements being made to its carbon efficiency presents reputational risk, particularly in light of the Council commitment to achieving carbon zero in Council operations.
- 6.3. As a result of a changing economic picture, post Brexit and following the impacts of the Covid 19 Pandemic, build costs are quite volatile. The last 12 months has seen material costs rise steeply and the availability of materials also makes construction challenging. There is continuing uncertainty regarding these factors which present considerable risks to the Council with the financial risk increased by the value of works proposed.
- 6.4. Rental income is not guaranteed. However, use would remain flexible and there would be limited costs involved in adapting the building to provide space for tenants.
- 6.5. Post Pandemic there may be excess office space on the market impacting on the Council's ability to sell a large office site with limited development potential.
- 6.6. If the Council develops housing it would need to identify a suitable mechanism for renting the properties. The Housing Act 1985 provides that a Local Authority tenant has the right to buy the property at a discount after 2 years occupation. In order that the housing stock is retained as affordable accommodation the Council could lease or sell the properties to a Registered Provider. However, this reduces the net return on the property the Council receives. Options for direct management have been explored but are not viable with relatively small numbers of properties.
- 6.7. There is a risk the Council cannot identify a suitable alternative site to lease, buy or build on which is of a suitable size and in a suitability accessible location.

7. EQUALITIES IMPACT

- 7.1. Not applicable to this decision.

8. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

Carbon reduction measures

- 8.1. The Council has firm commitments to carbon reduction which are embedded in its Council Priorities, Climate Emergency declaration, Climate Strategy and the Motion adopted in September 2019 regarding carbon zero developments.



- 8.2.** Approximately 32% of the Council's emitted CO₂t results from the Trinity Road offices. 29% is from Cirencester Leisure Centre and 10% from Bourton-on-the-Water Leisure Centre with a further 10% from staff mileage. The Council is currently delivering major improvements to the carbon impact of Cirencester and Bourton-on-the-Water Leisure Centres through the Public Sector Decarbonisation Scheme funding and a permanent move to agile working will reduce staff mileage long term.
- 8.3.** The Council has the opportunity to improve the energy efficiency and carbon emissions from the existing Trinity Road office building if it remains in use as offices or to install carbon reduction measures as part of any conversion to housing. Carbon zero is extremely difficult to achieve unless it is planned and designed into new build developments. It has been assessed that only option 5 can achieve carbon zero by adding sufficient PV panels and insulating the new residential units within the redevelopment to the highest standard. Conversion of the existing building does not achieve the zero carbon target. However, an assessment has been made of feasible carbon reduction measures that could be retrofitted based on an Energy Audit and Survey conducted by energy consultants Inspired Efficiency in April 2020.
- 8.4.** Assumptions have been made regarding energy efficiency based upon pre-Pandemic energy usage and consultant's estimates for projected energy usage and the cost for improvement. Currently the building has a Display Energy Certificate for the South Wing which has had previous building improvements of C-61. Current (2018/19 pre-pandemic) annual CO₂ emissions are estimated as 142 tonnes from electricity and 219 tonnes from gas. The energy use averages 289 Kilowatt hours per square metre per annum over the 5,222 square metre building. This level of usage is above the benchmark for buildings of this size and type with electricity usage 3% below the norm but gas 33% above average. This is as a result of the inefficient external walls and atrium roof coverings. The main ways in which the DEC of the existing building can be improved and CO₂ emissions reduced are shown in the Table overleaf.



Measure	Total cost including capital costs for materials, contractor costs and professional fees (excludes borrowing)	Annual savings	Payback	Carbon savings tCO ₂ e/yr
Changing light fitting	£70,000	£6523	11 years	14.65
Installing PV panels	£224,000	£15688	14 years	36.38
Insulating atrium roofs	£168,000	£2092	80 years	13.08
Insulating solid walls	£252,000	£1674	150 years	10.46
Minor activities (see Annex B - Page 9)	£14000	£3550	4 years	8.24
Total	£728,000	£29,527	25 years (Avg)	82.81 (27%)



- 8.5.** The overall CO₂ savings from implementing these energy saving actions would be in the order of 82 tonnes, a 27% reduction from the 301 CO₂t currently emitted.
- 8.6.** Annex B sets out detail on carbon emissions for partial conversion to housing (option 1), full conversion (option 2) and demolition and new build (option 3). Please note that these represent options 3, 4 and 5 respectively within this Cabinet report. They show that, of the three options, only demolition and new build represents a scheme that has the potential to be net carbon zero in operation, based on the offset of CO₂ emissions provided by the PV array proposals outlined in the Energy Audit & Survey Report. This option actually offers the possibility of offsetting some additional carbon as the estimates show it would be carbon negative in operation (i.e., annual PV generation energy exceeds the annual operational energy requirements). However, this option also has the highest embodied carbon in construction of any of the options. Over a 60-year period the demolition and new build option still presents the lowest whole life carbon use (see table and graph on pages 4 and 5 of Annex B) as the carbon impact of demolition and new build is high over the initial build period but over the lifetime of the development the carbon impact would be positive as the constructed buildings would be carbon negative.
- 8.7.** It should be noted that in April 2016, the Private Rented Sector (PRS) Regulations established the Minimum Energy Efficiency Standards (MEES) which require that from 1 April 2023, all non-domestic properties with new, renewing or existing leases must have an EPC of E or above to continue leasing the property. In 2020, the Energy White Paper confirmed that the MEES will be tightened for non-domestic properties and require EPC B by 2030, where it is cost effective to do so (payback within 7 years). In 2021, a consultation on how best to implement the 2030 target of EPC B was launched and feedback will be published by the end of the year. The subsequent amendments to the Regulations will come into force on 1 April 2025. The Council should therefore bear in mind that it will need to undertake carbon reduction improvements by 2030 for areas of the building which are leased to tenants.

9. ALTERNATIVE OPTIONS

- 9.1.** The Council could decide to select a different option as set out above. However, other options will place the Council at financial risk.
- 9.2.** The Council could transfer the site to a Registered Provider to achieve against affordable housing priorities however any RP will be faced with the same financial constraints as the Council with demolition and site clearance costs challenging the feasibility of a development even if they acquired the site at little or no value.



COTSWOLD
DISTRICT COUNCIL

10. BACKGROUND PAPERS

None

(END)