COTSWOLD
DISTRICT COUNCIL

Council name	**COTSWOLD DISTRICT COUNCIL**
Name and date of Committee	**COUNCIL – 16 MARCH 2022**
Report Number	**AGENDA ITEM 07**
Subject	**CHANGES TO COTSWOLD DISTRICT COUNCIL'S OFFICES AT TRINITY ROAD, CIRENCESTER TO FACILITATE AGILE WORKING AND INCREASE COMMERCIAL INCOME**
Wards affected	Watermoor
Accountable member	Cllr Mike Evemy – Deputy Leader Email: mike.evemy@cotswold.gov.uk
Accountable officer	Claire Locke Group Manager Email: claire.locke@publicagroup.uk
Summary/Purpose	To seek agreement to the changes to Cotswold District Council's Offices at Trinity Road, Cirencester to facilitate implementation of the Agile Working Strategy, reducing costs and carbon impact of the Council's operations and creating lettable space within the building to provide income to the Council.
Annexes	Annex A - Plans of proposed office layout Annex B - Business case
Recommendation(s)	*That Council agrees:* *(a) to support the proposed changes to office layout;* *(b) to seek tenants to occupy space that will be created in the West wing of the building;* *(c) to delegate authority to the Deputy Chief Executive to agree lease arrangements in consultation with the Interim Head of Legal Services and the Deputy Leader and Cabinet Member for Finance.*

	(d) allocate funding of up to £975,000 from the Recovery Investment Strategy budget in the Capital Programme to facilitate the changes to the Trinity Road offices and fund structure repairs identified in the building condition survey; *(e) The detailed costs to be agreed by the Chief Executive in consultation with the Deputy Chief Executive and the Deputy Leader and Cabinet Member for Finance.* *(f) To note that the gross revenue savings of £202,000 will contribute towards the savings from the Recovery Investment Strategy.*
Corporate priorities	● Delivering our services to the highest standards ● Responding to the challenges presented by the climate crisis
Key Decision	YES
Exempt	NO
Consultees/ Consultation	Cabinet Members Business Managers have informed the agile working proposals and all staff are being consulted.

COTSWOLD
DISTRICT COUNCIL

1. BACKGROUND

1.1. 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). 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.

1.2. The Agile Working Strategy ('the Strategy') was adopted in August 2020 and will result in 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. Whilst the Strategy provides an overarching framework, further work has been undertaken to ensure a working environment is provided that facilitates a more agile, collaborative approach to working. As a result of this shift in approach to working, the Council has the opportunity to reduce the occupied footprint of the Council offices, and provide around 35% of office space which can be repurposed.

1.3. In considering the future use of the offices, opportunities have been explored to better use space, maximise the use of meeting rooms and Civic space, reduce costs and carbon usage from the Council's occupation of buildings and utilise spare office capacity to achieve against Council priorities.

1.4. The Council considered a report in December 2021 and determined that spare capacity within the building would be utilised for commercial tenants and that investment would be made in carbon reduction measures. That report was based on high level indicative figures only.

1.5. This report now builds on that decision, providing an additional layer of detail and considers the costs involved in freeing up the office space to facilitate new tenants. If the decision had been taken to develop housing then a different location or configuration of office space would have been needed and costs to provide that would have been significantly higher. Whilst some figures have changed as more detailed cost appraisal has been undertaken on the selected option, the decision to attract commercial tenants still remains the most financially viable for the Council.

1.6. This report was agreed by Cabinet on 7th March 2022, with a recommendation that the report be submitted for a Full Council decision.

2. KEY CONSIDERATIONS

2.1. The Covid 19 Pandemic and the required move to large scale home working in 2020 accelerated work to consider a more agile approach to working. This homeworking highlighted the financial and carbon benefits which could be achieved if the majority of staff spend a proportion of time working remotely. It also demonstrated that the business needs of the Council could still be met.

2.2. The majority of staff have indicated that they support some home working, it reduces time spent commuting and provides a better work and home life balance. It is likely to aid recruitment and retention, as people seek more flexibility and it widens the pool of potential employees as applicants may consider roles further afield if they do not have to travel into the office daily to work.

2.3. In the spring of 2021, a detailed information gathering exercise was undertaken, to capture the Agile Working requirements of each Council service. This was to establish numbers of desks required (hot desks and dedicated desks), meeting room and storage space requirements, any service specific needs (e.g. confidential interview rooms) and the Members' Civic requirements.

2.4. This information indicated that the 282 desks currently provided within the Cotswold District Council office building could be reduced to 165 desks freeing up some of the existing office space. Consultants were then commissioned to produce draft office layouts within the reduced footprint. Consideration of space that would continue to be occupied by Council/Publica staff and Members and that which would be freed up has been influenced by a number of key factors:

- Ability clearly to separate Council and tenant areas, with security doors and separate access where feasible:
- Creating tenant areas that will be attractive to prospective tenants and meet their business needs:
- Location of specialist ICT and Strong Rooms which would be disproportionately expensive to relocate.

2.5. A key constraint has been the existing building layout and design, with mezzanine corridors at first floor level above the atriums. Practical sub-division, particularly with the need to secure office areas from tenants and ensure confidential conversations cannot be overheard, is challenging. It is therefore not possible to free up as much space as it would be if you had modern offices in regular office blocks

2.6. Lead officers, who are familiar with the Council offices, have supported refinement of plans before staff were also consulted to ensure space requirements and business needs can still be met for each service.

2.7. The staff consultation led to some further revision of plans, addressing issues such as the need for additional meeting room space to enable whole teams to come together on occasion, concerns regarding the condensed nature of desk provision in the atrium, the specific location of some teams and in some cases the need for them to be co-located with other teams with whom they work closely. Changes were made which included the loss of some space initially earmarked for tenant occupation. The amendments made have been discussed and agreed with the teams affected. Revised plans have now been produced and refreshed costs and savings obtained based on the new office footprint. The revised plans include:

- A reduction in the proposed space for tenants from 43% to 35% to enable more space to be retained for Council use and specifically meeting rooms.

- Relocation of Customer Services from the proposed south wing location to side offices in the east atrium; this is to bring the service closer to colleagues in Resident Services, with whom Customer Services work closely.
- HR to remain in the existing location, rather than being located in the south wing;
- Assets service to be located in the south wing and removed from the proposed location in the open office area in the east atrium; this is to provide Resident Services with additional desks to match recent growth in staff numbers, and to ensure close proximity with Customer Services colleagues

2.8. Some minimal refurbishment of the new tenanted areas is required to make the area more attractive to prospective tenants. If Electric Vehicle Charging points are installed (see separate Cabinet report to be considered on 7 March 2022) then this will also help attract tenants into the building.

2.9. Agile, collaborative working places a premium on the provision of break-out areas and meeting spaces, particularly as teams will not have desk space to accommodate all their staff at one time. Six meeting spaces have been identified in the following rooms: Akeman, Ermin, Fosseway, Whiteway and Committee rooms, new provision in the existing Property Services and Finance offices, which will be knocked through to create a large meeting room and increased usage of the Member rooms, specifically the Blue room and the Green room. A 'breakout zone' will also be created on the ground floor and first floor landing. The designs for these will be detailed at the developed/technical design stage, but this provides an opportunity to create innovative spaces that promote collaborative, agile working.

2.10. The proposed layouts meet services' desk requirements on the whole and it is anticipated that with a systematic de-cluttering ahead of the implementation of the new layouts that storage requirements can also be met. Planning files will remain in the same location but will eventually be digitised, which will release additional office space, which could lead to an additional new tenanted area or break out space. Costs of digitising records and any additional Lease income that may be generated have not been included in the business case at this stage. However, £200,000 is identified in the Capital Programme for a Planning document and scanning solution and options for this are being explored.

2.11. Welfare of staff remains a priority and managers will continue to support staff who work from home to ensure they do not become isolated and welfare issues are managed. There is a particular focus on staff who may live on their own or face particular challenges if they work from home. Staff who are unable to work safely from home and need to come into the office for their physical or mental wellbeing will be supported to do so.

3. FINANCIAL IMPLICATIONS

3.1. The changes to offices, updates to security equipment and replacement furniture and equipment will incur costs. However, this needs to be set against the long term benefits of a more suitable and adaptable workspace, a reduction in building operating costs, improved carbon efficiency and an increased income from tenants.

3.2. In December 2021, Cabinet approved the inclusion of funding of up to £370,000 for investment in carbon reduction measures within the Council's Capital Programme. The one-off costs of changes to the Trinity Road offices and replacement furniture and equipment has been estimated at £675,000. A recent building condition survey of the offices has indicated that investment of £1.24 million is required over the next three to five years. It is sensible to complete the most urgent of these works, such as repairs to the roof, as part of the refurbishment project and funding of up to £300,000 has been included for these works. The remainder of the works identified within the building condition survey will be funded through the building maintenance fund and will not require additional funding.

3.3. The indicative high level income, savings and costs are set out in Annex B. These capital and revenue figures may be subject to change but indicate gross annual revenue savings of £202,000. Once the cost of Minimum Revenue Provision, to fund repayment of borrowing, and Interest payable on borrowing is taken into account, the net revenue saving is £166,000. The provides a gross return on investment of 15.0% and a net return on investment is 12.3%. The payback period for the investment is 8.1 years.

3.4. The table below summarises the capital expenditure, gross and net return for the investment.

		Return on Investment
Building Repairs	£300,000	
Carbon Reduction Measures	£370,000	
Building Changes	£675,000	
Total Capital Cost	**£1,345,000**	
Gross annual savings and tenant income	202,000	15.0%
Annual capital financing costs	£36,000	
Net annual savings and tenant income	£166,000	12.3%

3.5. If it is subsequently found that not all meeting space is required to support the provision of Council services then additional space can be released for use by tenants which would then further decrease costs and increase income.

3.6. These figures have been used to update the initial high level figures contained in the option appraisal for future uses of Trinity Road offices, considered by Cabinet in December 2021.

3.7. A permanent shift to agile working, will see many more staff return to the office at least part of the week, rather than be primarily home based. A significant quantity of ICT equipment such as monitors, and office chairs were taken home by staff to enable them to work. Whilst

laptops are portable, monitors and chairs cannot be brought back and forth daily and therefore some additional equipment will need to be purchased. The estimated cost for this is £15,000. There is some existing ICT budget for replacement equipment and there is also some contingency within the agile project figures quoted in Annex B, table 2, which should be able to cover these costs.

4. CONCLUSIONS

4.1. Investment in changes to office layout and a reduction in the space the Council occupies will free up space for commercial tenants generating a new income stream, as well as reducing the Councils revenue costs and carbon emissions. The costs and return on investment include £370,000 investment in carbon reduction measures and will create a more flexible and modern working environment.

5. LEGAL IMPLICATIONS

5.1. The Council is statutorily required to provide a safe and suitable workspace for its staff. The proposals set out here meet legal requirements.

5.2. If the Council agrees to the principle of letting the West atrium to tenants then the normal due diligence in checking the suitability of tenants will be carried out and a delegated decision process will be followed to allocate the conduct of the required legal transactions to Legal Services to progress.

5.3. Changes to the office space occupied by staff does not constitute a change to Terms and Conditions and there is not therefore a statutory consultation process however the Council wants to ensure staff are properly consulted and their feedback is embedded in proposals so that staff wellbeing is protected and workspace is suitable for the functions that the Council performs.

5.4. Save from the above, there are no other legal implications arising directly from this Report.

6. RISK ASSESSMENT

6.1. Staff consultation ended mid-December and options to address concerns regarding allocation of desk space and meeting space are still being considered in detail. There is a risk that additional space will need to be allocated for office accommodation which will reduce the space available to rent to new tenants and therefore the income. This will become clearer at the developed design and technical phase. If insufficient space is available for teams to meet, this may limit collaboration and impact on the business.

6.2. The effects of the pandemic on the buoyancy or otherwise of the office rental market are not yet clear. There is a risk tenants cannot be found for the new commercial office space, however there has been good interest to date.

6.3. The income projected is based on expected rental income and an assumption that there are no 'void' periods, where the tenanted areas are vacant. A reduction in the market value and periods of void will have an adverse effect on the payback periods.

6.4. Construction material costs are currently volatile as a result of post-Brexit conditions and the pandemic. As a result the proposed refits and refurbishment costs may be affected. However, the cost plans contain a 'risk' and 'inflation' sum to accommodate this unpredictability to a degree.

6.5. Costs are high level at this stage and will be refined through the developed design and technical design stage. This may result in adjustments up or down. A good example of where costs may reduce is the assumption that 50% of desks and chairs require replacing. This may be an overestimate.

6.6. The changes would see the Canteen area be used as shared rest/dining space for the Council staff and tenants. This space is used currently but is underutilised. The mezzanine above, which has been disused for some time, will be used as tenant office space.

6.7. Car parking for Council/Publica staff and Members and that allocated to tenants needs to be carefully considered. There may be a need to put plans in place to limit the number of staff on site during large meetings such as Planning Appeals which could see high numbers of additional visitors.

7. EQUALITIES IMPACT

7.1. Not applicable to this decision. The requirements of any staff with specific needs will be considered as part of the detailed planning stage.

8. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

Carbon reduction measures

8.1. The move to a more agile way of working significantly reduces the work related journeys that staff will do, reducing fuel consumption and carbon. A 40% reduction in staff mileage would achieve an 88,748 mile reduction, saving £37,000 for the Council per year and reducing by 26,053 KGC02e for the Council. The financial savings from this mileage reduction have already been included in budgets so are not included in this business case.

8.2. The reduction in office footprint will also reduce the utilities used to light, heat and power the building for Council purposes. This will achieve an estimated reduction of 41,712 t C02e per year based on current usage.

8.3. In addition to the CO2e savings for the Council, there will be savings for staff as well. Staff will reduce their commuting and the costs that they themselves incur. Whilst it's difficult to accurately calculate the carbon impact of staff commuting to and from work by vehicle - as vehicles will vary by size, fuel type, emissions and efficiency, not all staff work full time and some travel to different offices - a high level estimate based on distance from home address

to main office location (usually the Publica office closest to home) can be calculated. This indicates that if all Publica staff did one return journey it would equate to just over 10,000 miles which is equivalent to a total 3,480 kg/CO2e (based on an average for diesel and petrol vehicles). Allowing for some reduction based on a proportion of staff only working part time and therefore not travelling 5 days a week, a broad weekly estimate would be in the region of 15,000 kg/CO2e, which could equate to as much as 775t/CO2e each year, once staff leave is deducted. A move to agile working could see this figure reduced by 40 - 50%.

8.4. Alongside a reduction in Council energy consumption, comes a potential increase in energy bills for staff who are working remotely as they will need to heat and light the room that they work in at home. For many, any increase they see is likely to be offset by the CO2e and cost savings from reducing their travel distance to and from work. This is also hard to quantify as everyone's home, heating system and pattern of usage will be different. Staff will be signposted to further advice and guidance to help them minimise home energy costs, consider improving home heating systems, using renewables and any domestic grant funding that is available. Staff will have a degree of choice with agile working and no one will be required to work at home if they do not have suitable working conditions. However, the majority of staff have expressed a desire to work from home for part of their working week.

9. ALTERNATIVE OPTIONS

9.1. The Council could choose to continue to occupy all the space within the offices and not seek tenants but this would not achieve any cost reductions or attract any additional income.

10. BACKGROUND PAPERS

10.1. None

(END)

COTSWOLD DISTRICT COUNCIL

Annex B - Business Case

Table 1 showing baseline, modelled costs and revised proposals:

Capital and Revenue cost (£000)	(A) Baseline	(B) Assumptions in original Trinity Road report December 2021	(C) Revised proposals following staff consultation January 2022
Annual building running costs	490	460	460
Lease income and Service Charge	(100)	(400)	(223)
Business Rate Saving			(24)
Carbon Investment Revenue Savings		(25)	(25)
Net annual revenue position (A)	390	35	188
Gross Revenue Saving	N/A	355	202
Building repairs	1,240	1,240	300

Carbon reduction measures	0	300	370
Changes to office/tenant areas	0	0	675
Net Capital Spend	1240	1,540	1,345
Capital Financing Costs (B)	60	80	96
Overall Net Revenue Position (A+B)	450	115	284
Net Revenue Saving		335	166

In the original report on the future use of the Trinity Road offices, the option to lease space to tenants included an assumption on lease income and service charges based on 40% of the building being released. This high level figure was based on a gross figure not the net usable space that could actually be rented as that was not known at that time. These figures were compiled as part of the high level option on future use before detailed work on Agile working and relocation of office space and space that could be freed up for tenants had been completed.

COTSWOLD
DISTRICT COUNCIL

Table 2 - Detailed estimated costs for changes to Agile working office space and areas for commercial lease, showing cost changes following staff consultation which resulted in a reduction in commercial space that would be released.

	Estimated cost (£)
Cost Item	**Revised plans following staff consultation**
Removals/Reposition/Disposal	41,817
Furniture – up to 50% replacement of existing	66,960
Breakout zone furniture/enhancements to 3 x meeting rooms and booths/pods	65,500
Fit out/office alterations	40,245
Services e.g. access control, power supply to desks etc.	71,298
Security alterations to separate the offices and new tenant areas i.e. security doors and glazing	33,300
Preliminaries (sundry contractor costs), overheads and profit	83,801
Professional fees e.g. architectural fees, structural & technical design, design development etc.	86,528
Risk allowance and inflation	71,173
Refurb of new tenanted areas	112,946
Sub -total	**£673,568**

COTSWOLD
DISTRICT COUNCIL

Table 3 - Income/Savings

Income from rent, rate reduction and service charges has now been refined based on the actual usable space that can be freed up. This reduces the net income from £400,000 (includes £100,000 income from existing tenants) in table 1 column B to a net income of £246,768.

Income/Savings Item	**Revised plans following staff consultation**
Existing tenant income	£100,000
Additional Annual Income (£120 sq. m.)	£91,800
Business Rate Reduction	£24,268
Service Recharge/Management Charge (utility bills, cleaning etc.)	£30,700
Total	**£246,768**