

PLYMOUTH CITY COUNCIL

Subject: Future of Civic Centre
Committee: Cabinet
Date: 23 August 2011
Cabinet Member: Councillor Bowyer
CMT Member: Director for Corporate Support/Director for Development and Regeneration
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Ref: CT/I
Key Decision: Yes
Part: I

Executive Summary:

This report provides an update on the options regarding the future of the Civic Centre following the soft marketing testing undertaken earlier this year.

The report gives the background to the issues around the Civic Centre site, details the assumptions that have been made, the options that are available and evaluates those options to give a recommended way forward.

Corporate Plan 2011-2014:

The resolution on the future of the Civic Centre site will contribute to the growth agenda and provides value for money for communities by supporting other corporate priorities in reducing the cost of the property estate to the council and thus freeing up finances for front line services.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

The resolution of the Civic Centre site links to the Accommodation Strategy and forms part of the Council budgetary delivery plans for the next three years

Other Implications: e.g. Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:

Resolution of the Civic Centre site removes one of the biggest financial risks to the council. This has featured on the strategic risk register since the listing of the buildings in 2007. Doing nothing and maintaining the building in its current status represents a serious Health & Safety risk as significant investment is required to ensure structural stability and builds up increased liability for the future.

Recommendations & Reasons for recommended action:

To approve the recommended action, to put the Civic Centre out to an OJEU procurement with a view to the council taking a leaseback of reduced space in a refurbished building. Prior to OJEU, we will continue to explore the opportunity for Freehold disposal.

Alternative options considered and reasons for recommended action:

Alternative options include;-

1. preparing a planning application for re-development of the site requiring consent for demolition of a listed building
2. carry out full refurbishment of the buildings by the Council
3. sale and leaseback of the whole building
4. continue with existing maintenance regime until major refurbishment is required

All of these options were rejected either in terms of cost, risk of delivery or not meeting the needs of the service

Background papers:

None

Sign off:

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Originating SMT Member Malcolm Coe											

Resolution of the Civic Centre site

1.0 Background

- 1.1 The Civic Centre and Council House were listed in 2007 by the Department of Culture Media & Sport.
- 1.2 A feasibility was commissioned jointly with English Heritage to look at the options for the building given its listed status. This was completed in April 2010 and resolved that the building could be sufficiently repaired to give a further 50 years life, but at considerable cost. It also concluded that there were alternative uses for the buildings as either office, a hotel or residential use. These options are supported in planning terms.
- 1.3 As part of the Accommodation Strategy the council has established its current and future office accommodation requirements and has concluded that it does not need the full current office capacity provided by the Civic Centre alongside its other freehold owned office estate.
- 1.4 Therefore the conclusion was reached to soft market test the Civic Centre site in October 2010 for freehold disposal.
- 1.5 Expressions of interest were requested by January 2011. There were several expressions of interest from a variety of developers with a range of alternative uses. Each of the interested parties required the City Council to take out long leasehold interest in new or refurbished accommodation. None of the proposals matched the council's projected requirements in terms of office accommodation, all wanting the council to take a larger space than that defined by the accommodation strategy.
- 1.6 At this stage, there is no formal offer to take the Freehold of the site without the council leasing back space. Therefore, a review of the options now available to resolve the long term future of the site has been carried out. The opportunity to obtain a Freehold disposal will continue to be explored alongside the recommended option within this report.

2.0 Option appraisal

- 2.1 The council requires reduced accommodation due to its changed working practices as a result of the accommodation strategy and a reducing workforce. Ideally this needs to include a city centre and out of town base including a city centre first stop for customers. The out of city base would preferably be close to public sector partners in the Derriford area and Windsor House performs this function.
- 2.2 There would also be a desire to support the City Centre regeneration as part of the re-use of the Civic site. The cost of city centre office space is more expensive than office space on the outskirts of the city. We therefore are seeking a solution for a reduced city centre office requirement with Windsor House performing the out of town function.
- 2.3 A thorough appraisal has been carried out on five different options considering financial benefit, risk of delivery and best match with service and accommodation needs. A summary of the options and outcomes are as follows:

- a) Preparing a planning application for **re-development of the site requiring consent for demolition** of a listed building. This is a high risk option that would take 3 to 5 years to gain consent, would be costly in terms of preparation and planning costs with no guarantee of success. In terms of the soft market testing there was only one response that proposed this, all other respondents were of the view that this was both costly and had a high risk of failure.
- b) **Carry out full refurbishment of the buildings by the Council.** This would carry significant cost, would leave the council with too much accommodation for its projected needs and with little chance of letting in the current market. The council would still be left with the liability of the listed building in the future when further refurbishment would be required.
- c) **Sale and leaseback of the whole building.** Although the least risky to deliver and removes the long term liability, the council would be left with surplus accommodation and the responsibility to sub-let. The cost of this accommodation will be at city centre premium rates.
- d) **Sale and leaseback of part of the building** to meet the council's current projected accommodation requirements. The responsibility in this option of finding alternative occupiers for the remainder of the building, would rest with the developer, who would be better placed to use their expertise to find the appropriate tenant. From the council's perspective this would meet the council's needs and remove the longer term liability.
- e) **Continue with existing maintenance** regime until major refurbishment is required, in no more than 8 years time. This option still leaves the council with surplus accommodation and with escalating condition and safety issues. The costs to continue in occupation for a further 8 years maximum would be in the order of £10 million. There would then still be the need to resolve the current issues with the full cost of refurbishment.

2.5 All of the options include keeping the Council Chamber as freehold owned as there was clear indication from the marketing exercise that an alternative use for the building is not practical.

2.6 The high level results from the option appraisal on a risk (red, amber & green) basis were as follows

Option	Service Need	Risk of Delivery	Value for Money
Demolition	Amber	Red	Amber
PCC Refurbishment	Amber	Amber	Red
Sale & lease whole	Amber	Green	Amber
Sale & lease part	Green	Amber	Green
Do nothing	Red	Green	Red

2.7 The two leaseback options are within the current budget provision. However the requirement to resolve a long term solution for the civic centre is reflected in the council's budget delivery plans which requires reduction in revenue costs by better use of office space.

3.0 Conclusion and Recommendation

It is recommended that: Sale and leaseback part of the Civic Centre tower is the most cost effective solution as this gives the best balance between need, risk and value for money.

- 3.1 The proposal would be to post the relevant OJEU notices for a freehold disposal of the tower and leaseback of office space to suit the council's needs. The competitive dialogue process could be used to arrive at the most viable level of space leased back given the council's and the developer's requirements, though this would add time to the procurement process. This would keep the council's requirement flexible to give the best opportunity for concluding a deal.
- 3.2 The proposed timescale for this would be to commence the marketing and procurement in September 2011. This could take up to 12 months dependant upon the procurement route chosen.
- 3.4 Contracts would be drawn up and arrangements made to vacate the building for refurbishment by October 2012.
- 3.5 Refurbishment could be from November 2012 until March 2014, which would allow occupation in line with the vacation of Ballard House at the expiry of the current lease there.
- 3.6 In advance of implementing this solution, and commencing the marketing in September, we will continue to explore any opportunity for Freehold disposal of the Civic Centre.