

CABINET	AGENDA ITEM No. 3
7 MARCH 2016	PUBLIC REPORT This report contains an exempt Annex, not for publication, by virtue of Paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

Cabinet Member(s) responsible:	David Seaton, Cabinet Member for Resources	
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COUNCIL OFFICE CONSOLIDATION

R E C O M M E N D A T I O N S	
FROM : Corporate Director: Resources	Deadline date : N/A
<ol style="list-style-type: none"> 1. That Cabinet approve the Office Consolidation outline business case, confirming the move to Fletton Quays and retention of the civic core to ensure that the Town Hall continues as the heart of democracy in Peterborough 2. To delegate to the Corporate Director: Resources authority to conclude and sign an agreement for lease and lease for the new office development and associated car parking on Fletton Quays in conjunction with the Director of Governance. 3. To agree the principle of letting Bayard Place for commercial use as part of the Council's office consolidation plans, and delegate authority to the Corporate Director: Resources in conjunction with Director of Governance to progress legal agreements pertaining to these at the appropriate time in consultation with the Cabinet Member for Resources under paragraph 3.4.3 of Part 3 of the Constitution in accordance with the terms of his portfolio at paragraphs (j) in consultation with the Leader if appropriate and (m) 4. To agree the principle of letting the non-civic core areas of the town hall for suitable alternative commercial uses, and to delegate authority to the Corporate Director: Resources and Director of Governance to progress legal agreements pertaining to these at the appropriate time in consultation with the Cabinet Member for Resources under paragraph 3.4.3 of Part 3 of the Constitution in accordance with the terms of his portfolio at paragraphs (j) in consultation with the Leader if appropriate and (m) 5. To delegate to the Corporate Director: Resources authority to agree short term extensions to the lease for Manor Drive to support the timing of office moves, and the subsequent termination following those moves in conjunction with the Director of Governance. 6. Delegate authority to the Corporate Director: Resources, in consultation with Director of Governance, to take forward contracts and arrangements as necessary to deliver the office consolidation as outlined in the report, including project delivery and capital works to buildings. 7. Delegate authority to the Corporate Director: Resources, in consultation with the Corporate Director: Growth and Regeneration to further develop the business case, including reviewing options for commercial lettings of Council buildings, developing energy efficiency business cases and maximising income. 	

1. ORIGIN OF REPORT

- 1.1 In February 2014, Cabinet approved a report entitled 'Funding Peterborough's Future Growth'. This approved work to establish a new Joint Venture (JV) with the aim of securing regeneration of key city centre sites, and included a plan for Council office consolidation that would move office based functions to Fletton Quays if it was financially beneficial to do so. This report provides detail for how that consolidation would work in practice, and explains the business case for the move being financially beneficial.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to seek Cabinet's approval to:
- a) Proceed with consolidating the Council's back-office functions to Fletton Quays, authorising signing an appropriate agreement for lease and lease accordingly, and
 - b) Agree the principles of subsequently letting Bayard Place and the non-civic parts of the Town Hall (which will remain in Council ownership) for commercial use
 - c) Associated decisions to deliver the project
- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.6 'to lead the delivery of Business Transformation within the Council' and 3.2.7 'To be responsible for the Council's overall budget and determine action required to ensure that the overall budget remains within the total cash limit'.
- 2.3 There is an exempt annex attached to this report that is NOT FOR PUBLICATION by reason of paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 because it contains information that is part of a current confidential commercial negotiation, and also information for which disclosure would potentially prejudice the Council's commercial interests in future commercial negotiations on future lettings it undertakes. The public interest test has been applied to the information contained within this exempt annex and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	
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4. THE COUNCIL'S OFFICE CONSOLIDATION

4.1 The Journey to Date

- 4.1.1 In February 2014, Cabinet approved a report 'Funding Peterborough's Future Growth', which set out a bold and ambitious approach for regenerating parts of the city centre and attracting new inward investment. It included a description of a project pipeline for a new development company, including the potential for new offices for the Council's office functions to be located at Fletton Quays. This report was subsequently taken to and discussed at Full Council in March 2014, with Council approving the elements of the decision reserved for it.
- 4.1.2 Work leading on from this approval led to a Cabinet Member Decision Notice (CMDN) in December 2014 ('Progressing Funding for Peterborough's Future Growth') that provided additional detail for how the development company would work, reconfirmed the sites the Council would sell to the company, and reiterated the Council's intentions to move its back office functions to Fletton Quays, subject to an appropriate financial case. The approval of this CMDN led to the signing of the legal agreements to create the Peterborough Investment Partnership on the 24th of December 2014.

- 4.1.3 The Peterborough Investment Partnership LLP (PIP), a 50/50 joint venture between the Council and a subsidiary of the Lucent Strategic Land Fund, was formally created as a company in early January 2015 and focused in its first year of operation on bringing forward a scheme for the comprehensive regeneration of Fletton Quays.
- 4.1.4 The regeneration of Fletton Quays has been a long-term ambition for the city, and formed a key part of the Council's City Centre Development Plan Document, approved in December 2013. It has been a problematic site, with a history of complex land assembly, a variety of technical challenges to overcome and derelict heritage buildings requiring restoration that together make regeneration difficult. An important part of facilitating the site's delivery would be having an anchor tenant commit to taking part of the site; this would help provide confidence in the site for both developers and other future tenants alike. That the Council was reviewing its office accommodation to ensure it was fit-for-purpose for the future offered the opportunity for the Council to take office space on Fletton Quays, if it came forward as part of regeneration proposals, and to serve in that role as anchor tenant.
- 4.1.5 The Fletton Quays site was transferred to PIP in 2015, and – following extensive commercial appraisal work and public consultation – an outline planning application was submitted to the Council as Local Planning Authority by PIP at the end of September 2015. This was approved unanimously by the Council's Planning Committee on the 8th of December.
- 4.1.6 The Fletton Quays approved scheme includes plans for a new quality hotel of up to 160 bedrooms, 280 apartments overlooking the embankment and Cathedral, a mix of retail and leisure uses along the river frontage, two new office developments totalling 166,000 square feet and new multi-storey and surface car parks. The scheme was designed to protect Cathedral views and bring back into use the two Grade II Listed railway sheds on the site that have been derelict and unused for many years.
- 4.1.7 The development will also see the reuse of the mural from the front elevation of the former Bridge House building, with it being professionally restored and then relocated to a new home in a prominent location in the heart of the scheme. The mural was designed by sculptor Arthur J J Ayres and when it was erected in 1956 it was believed to be (at 50 feet by 20 feet) the largest bas-relief in England at the time.

4.2 Office Consolidation in Context

- 4.2.1 The decision the Council made to take forward its office consolidation project was based on the need to regenerate Fletton Quays as well as a recognition that changes to the Council over the last decade (through significant reductions in funding, the move to a commissioning council model, and through new ways of working) demanded a review of the Council's accommodation needs. The Council's office portfolio has not kept pace with the needs of the Council.
- 4.2.2 Many of the benefits within the Council's new and innovative customer experience programme rely on flexible and agile working approaches that are incompatible with the way our existing major offices operate, being split across multiple sites and having dated layouts that are difficult and costly to change.

4.3 What Office Consolidation Means

- 4.3.1 It is important to be clear that the practical scope of what would change remains the same as discussed in the previous Cabinet and Cabinet Member reports mentioned above. In brief, this will involve:
- a. Consolidation of office functions from Bayard Place, the Town Hall and Manor Drive into a new, single location on Fletton Quays, helping secure not only fit-for-purpose, modern accommodation, but also the delivery of a key and long-delayed development site in the city centre

- b. The Town Hall remaining in the Council's ownership and with the civic core retained to ensure that the Town Hall continues as the heart of democracy in Peterborough
- c. The vacated areas of the Town Hall being used for commercial purposes, providing an income to the Council
- d. The retention of Bayard Place within the Council's ownership, with plans to refurbish and re-let the space
- e. The relocation of the customer access centre to the Town Hall
- f. Utilising the existing 'Game' and 'Art in the Heart' units along Bridge Street to provide a necessary new entrance to the refurbished accommodation in the Town Hall's southern wing, as a technical appraisal of the units have identified those shops as the best location for this

4.3.2 It is expected that the civic core retained for Council use will include:

- The Council Chamber
- The Reception Room
- The Mayors Parlour and office
- The Member's Lounge
- The main meeting rooms (Forli, Bourges, Viersen and Vinnitsa)
- The Group Rooms
- The office space occupied by democratic services
- The space associated with the Chief Executive and the Leader and Deputy Leader
- The office space occupied by the Elections team

4.3.3 One thing that office consolidation does mean is flexibility for the future. Property choices are inherently long-term yet it is increasingly challenging to assess what the shape the Council will be and the range of functions it will provide into that long-term future. It is only necessary to compare the Council now to ten years ago to appreciate just what can change and how problematic predicting that could be.

4.3.4 With this in mind – and integrated with supporting the customer experience agenda – building in as much flexibility for the future as possible was core to the consolidation approach. A modern office will provide not only a much more suitable environment for an agile working Council today, but the flexibility to adapt to future changes far more easily and efficiently than our existing, constrained portfolio allows.

4.4 The Business Case for Consolidation

4.4.1 Quite apart from the aspects of Council strategy that are supported and underpinned by office consolidation, it has always been the situation that the case for office consolidation would need to be financially beneficial for the Council and the city over the long term. Extensive work has been carried out by finance and property officers to assess the overarching business case, and assumptions and assessments from this have been verified and validated.

4.4.2 As well as benefits to the city, the development of Fletton Quays and the move to new offices there will provide a number of direct financial benefits to the Council. These include:

- Business Rates
- Rental income from the Town Hall / Bayard Place
- Running costs from Town Hall / Bayard Place freed up (small elements will remain)
- Rental costs at Manor Drive cease
- Reduced maintenance costs from the Town Hall / Bayard Place (as tenants will pick up an element of these)
- Car park income from new Fletton Quays car parks
- Proceeds from sale of site (with the post-planning uplift)

4.4.3 Council tax will also be raised from the 280 apartments that will be built on the site (likely to be in excess of £250k per annum). As this housing growth has effectively already been built

into MTFS assumptions as part of general housing growth, it is not included again in this business case. The project in effect de-risks the MTFS growth assumption in those years.

4.4.4 In turn, the Council will have a number of costs to cover arising from the move. These include the following:

- On Fletton Quays – Offices and car parks (rental, rates and running costs)
- Capital investment:
 - Fletton Quays fit-out
 - Town Hall adaptations (ready for letting, plus civic areas refurbishment. The latter will enable the Council to tackle potential joint access issues, ensure meeting rooms are flexible and ensure the space for the democratic functions is fit for future use and public access)
 - Bayard Place adaptations
- Residual costs with Town Hall (mainly the civic suite)
- Project costs arising from the move, including stamp duty

4.4.5 The costs and income are combined in the business case. Further information in this can be seen in the supporting appendices as follows:

- Appendix 1 – contains an explanation of each element and assumption in the business case, along with how the Council has sought external validation on the estimates within the business case
- Appendix 2 - contains a summary version of the business case
- Appendix 3 – contains the revised spend profile against the Council’s capital budget for Council building spend (see para 4.4.9 below)
- Exempt Annex 4 contains a more detailed version of the business case, including a breakdown of items considered to be commercially confidential

4.4.6 The business case is based on a 27 year financial model (based on the next two years and the 25 year lease from July 2018). The assumptions in the core model are outlined in Appendix 1, and includes the assumption that inflation is 2% each year. In summary, the proposed consolidation would save the Council an estimated £7.6m over the 27 year period. This can be summarised as follows:

	£m
Total 27 year income/savings from proposed consolidation	121.3
Total 27 year costs from proposed consolidation	113.7
Net 27 year savings	7.6

Whilst the model indicates potential net costs in the last few years of the 27 year model, this is mainly due to the inflation assumptions of how costs increase over that period. It should also be noted that if inflation runs at 2% for 27 years (as per model assumptions), then the Council has a financial pressure if it stayed in the existing office accommodation as the MTFS assumes a lower increase for accommodation costs. This pressure would be significantly larger than the potential additional costs at that stage

4.4.7 The Council has undertaken some sensitivity analysis with differing levels of inflation. Assuming inflation runs at 4% each year for the next 27 years, then the Council would face net costs over the 27 years if it moved to Fletton Quays. However, these costs would be lower than the pressure faced if it stayed in the existing office accommodation (for the reasons outlined in para 4.4.6 above).

4.4.8 Paragraph 4.4.5 above outlined the need for capital investment in both the new site and existing sites. The current capital programme includes budgets for such expenditure in council buildings. In summary the revised profile of spend will be as follows:

- Current 10 year MTFS budget is £25.308m
- A revised profile of net spend across council buildings (including a 25 year profile for Fletton Quays, Bayard Place and Town hall) is £23.209m. This assumes a level of payment from tenants through the service charge

The savings are factored into the business case. A full profile of proposed capital spend is included in Appendix 3. The Council will need to set capital budgets for council buildings other than Fletton Quays, Bayard Place and Town hall from 2026/27, but this will be part of the annual process of rolling forward the MTFS.

- 4.4.9 The business case included the current forecast of the Council's share of proceeds from the site. A key element of the JV partnership is that the Council benefits from the uplift in site value from planning permission being achieved. The changes to the Council's MRP policy that will be considered at Council as part of the budget on March 9th would enable all this benefit to be treated as revenue income. The business case assumes this is in place. If this is not the case, then a proportion of the business case benefit will need to be treated as capital income.
- 4.4.10 With regards to assumptions on income, the Council has taken advice on the nature of the market for the commercial space, providing it with confidence that it will be able to let it at a commercial rent. The Council is already in advanced discussions with a party that could take a long-term tenancy of about half of the space in the Town Hall that will become available, and would look to conclude these relatively swiftly if this report's recommendations are approved.
- 4.4.11 It is important to stress that, whilst expert validation has been made of assumptions that market analysis underpinning this income to provide reassurance of its reasonableness, the time lag between now and when the Council would move means securing tenants for everything upfront is impractical; therefore, this income is predicted based on commercial demands and early discussion with potential tenants. Likewise, predicting costs over such a long period is challenging: expert validation provides reassurance that the estimates are reasonable and assumptions robust, but Cabinet should be aware that fluctuations (up or down) are possible.
- 4.4.12 The overall position is nonetheless predicted to be a positive one: that is, it is financially beneficial for the Council to complete the office consolidation it has planned. Furthermore, the project is critical to unlocking the regeneration potential of Fletton Quays. The PIP has significant commercial interest in all elements of the site but this is predicated on the Council using its covenant to act as the anchor tenant and stimulus to regeneration. Without this there is a very serious risk that commercial interest – and the site's wider regeneration – will fall away.
- 4.4.13 The business case does not remain static following Cabinet approval. Officers will continue refresh the business case as assumptions become firm, and to look for ways to further reduce cost and increase income, improving the savings position further. Examples of this would include:
- The business case assumes that the vacated space in the Town Hall and Bayard Place is let as office accommodation. The council will continue to look at all options to maximise commercial income
 - The running costs of the new offices will benefit from the much improved energy efficiency achieved in new buildings and for the new build Energy Performance Certificate will achieve a rating of B, which is a significant improvement on both the Town Hall & Bayard Place. The overall development is being designed to achieve a BREEAM Rating (the industry standard for sustainable buildings) of Very Good. The Council will, however, use its energy performance contract with Honeywell to see if further energy efficiency measures could be implemented. It will also look to implement energy efficiency measures in Town Hall and Bayard Place, something that has not been possible whilst the future uses of those buildings was uncertain.

- Reviewing the reception room and areas to see if more income could be generated by developing these facilities

4.4.14 In light of this, it is recommended that the financial position is not built into the 2016/17 MTFS to be considered by Council on 9th March (and indeed papers for the meeting will already have been released by the time Cabinet meet to consider this report). Rather it can be included in the 2017/18 MTFS.

4.5 What Would Happen Next

4.5.1 Should Cabinet approve the recommendations of this report, negotiations to secure a long-term lease on a new office on Fletton Quays will be progressed, and this will begin the process of planning for the changes highlighted in 4.3.1. For example, once we have signed an Agreement for Lease for the new offices, the Council would be in a position to advance the letting Bayard Place and the non-civic areas of the Town Hall in order to secure the associated income streams.

4.5.2 In broad terms, the principle timeline going forward would be:

- Finalise the Agreement for Lease and Lease, and sign: March 2016
- Progress letting opportunities for Bayard Place and non-civic core parts of the Town Hall: April 2016
- Occupancy of new offices: July 2018

5. CONSULTATION

5.1 Consultation has been undertaken with senior offices (including representatives from legal, finance and property services) as well as key Members, including the Cabinet Member for Resources.

6. ANTICIPATED OUTCOMES

6.1 The Council will conclude negotiations on an Agreement for Lease and Lease for offices on Fletton Quays, taking occupation of those offices in mid-2018.

7. REASONS FOR RECOMMENDATIONS

7.1 The Council, in the previous decisions mentioned earlier, has made its intention to consolidate back office functions to Fletton Quays clear, subject to the financial case being beneficial to the Council and the city. Taking this forward helps facilitate a landmark regeneration site, provides the Council with much-needed flexibility in its office portfolio, aligns to its current programmes for flexible working, and is financially beneficial over the long-term.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 Do Nothing

8.1.1 The Council's existing office estate is poorly suited to its current needs, something that is unlikely to improve as those needs evolve further over the short and medium term. Financially, the costs of operation and maintenance of these buildings would continue to rest with the Council, costs that are predicted to be substantial over the coming twenty-five years. Coupled with the facilitation of the Council's long-term goal of regenerating Fletton Quays, these reasons make a compelling case for office consolidation, and so the option of doing nothing was rejected.

8.2 Consolidate Somewhere Other Than Fletton Quays

8.2.1 The Council has made its intention to consolidate to Fletton Quays clear in previous decisions and statements. Moving to a new office on that site is critical for ensuring the

comprehensive regeneration of a landmark and all-too-long derelict city centre site, a regeneration highly unlikely to happen without the Council as a key anchor-tenant. This is because the work required to bring the Grade II Listed Engine Shed back into use is substantial, and a long-term pre-let provides the commercial confidence to make that commitment. Whilst other parts of the site could come forward without the Council's involvement, it would risk being a piecemeal and non-planning compliant regeneration, with the rear of the site likely to languish untouched.

- 8.2.2 Even were the Council to set this compelling commitment aside, there is a practical issue in that there is limited office space of the scale the Council needs – in the order of 90,000 square feet – available or likely to become available in the city, and especially in the city centre. Consolidating back-office functions in one location aligns with the Council's wider agenda on Customer Experience and flexible working, and requires modern, adaptable office space to be successful.
- 8.2.3 Taking the lease on a new office that is being built as part of the Fletton Quays development provides the right office, in the right location, at the right time. This alternative was therefore rejected.

9. IMPLICATIONS

9.1 Financial Implications

- 9.1.1 This report outlines the financial implications of the office consolidation and the proposed move to Fletton Quays. The business case is specifically covered in section 4.4 of this report (plus supporting appendices).

9.2 Legal Implications

- 9.2.1 s1 Localism Act 2011 provides that a Local Authority has power to do anything that individuals generally may do.
- 9.2.2 To secure the office accommodation that the Council intends to lease at Fletton Quays, the Council will need to agree and sign an agreement for lease. By signing an agreement for lease the land owner will be contractually bound to grant a lease for the office accommodation once the offices have been built. The Council will agree the form of lease as part of the negotiations for the agreement for lease so will know the terms from the date the agreement for lease is signed.
- 9.2.3 It is standard commercial practice to enter into an agreement for lease in circumstances such as this as it allows the tenant to secure premises before they are available. The alternative would be to wait until the office accommodation was built and at that point enter into lease negotiations. This approach would inevitably cause a delay in the lease being completed and more importantly the land owner would be under no obligation to grant the lease to the Council at that time, and could instead grant a lease to a third party. This uncertainty would limit the Council's ability to make arrangements for its existing office space as there would be no certainty that the new office accommodation would be available
- 9.2.4 It is important for Cabinet to be clear that by entering into an agreement for lease the Council will be obliged to enter into a lease of the office space when it is built making a legal commitment for the long-term.

9.3 Property Implications

- 9.3.1 There are clear property implications from these decisions. The Council will be changing how it houses its office functions substantially, moving its front of house service centre to the Town Hall, and putting into alternative (revenue-generating) uses Bayard Place and parts of the Town Hall. It will need to move staff from Manor Drive, Bayard Place and the

Town Hall to a new office, and it will need to progress alternative uses for vacated space to secure commercial interest the Council is aware of.

- 9.3.2 It is important to be clear that the Council has taken extensive advice on the arrangements proposed in this report, including external validation and assessment of key aspects of the commercials in the business case and the underlying assumptions. This advice includes assessment of the future demand for space the Council will be looking to refurbish and let, and the likely rates that will be achievable.
- 9.3.3 For the avoidance of doubt, the Council will retain ownership of both Bayard Place and the Town Hall as a whole, providing the Council with long-term assets in the city centre and control of what might happen on these sites into the future.
- 9.3.4 The proposals will also see a reduction of two commercial units in Bridge Street. The income reduction to the Council is factored into the business case.

9.4 Environment Capital implications

- 9.4.1 The running costs of the new offices will benefit from the much improved energy efficiency achieved in new buildings and for the new build Energy Performance Certificate will achieve a rating of B, which is a significant improvement on both the Town Hall & Bayard Place. The overall development is being designed to achieve a BREEAM Rating (the industry standard for sustainable buildings) of Very Good.
- 9.4.2 The Council will, however, use its energy performance contract with Honeywell to see if further energy efficiency measures could be implemented. It will also look to implement energy efficiency measures in Town Hall and Bayard Place, something that has not been possible whilst the future uses of those buildings was uncertain.
- 9.4.3 The site makes extensive provision for cycling, with routes through the site. The new offices will also have bike spaces and there will be showers for cyclists.

9.5 HR Implications

- 9.5.1 Further to paragraphs 4.2 & 4.3 above, it is recognised that the move to Fletton Quays accompanied by the introduction of flexible and agile working practices will affect the majority of staff. Hot desking will be an important element of this approach, with many local authorities having typically already adopted a ratio of 7 desks for 10 staff. In the case of Fletton Quays this would broadly mean that 1000 desks will provide space for 1430 staff. Consultations will therefore take place, in accordance with the Council's employment policies and procedures, having regard where necessary to policies and practices that have been successfully adopted by other local authorities. This process will involve staff and the trade unions and consolidation of staff from disparate locations will be subject to the appropriate consultation where this will impact on the terms and conditions of staff. Similar discussions will also be taking place within partner organisations where co location is being proposed or already in place.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

None.

Appendix 1 – outline of business case assumptions

Business Case Item	Assumption	Validation – plus residual issues/risk
Benefits:		
Additional Business Rates retained by PCC from development	<p>The commercial properties on Fletton Quays will pay business rates. The Council will retain a proportion of this.</p> <p>The business case assumes that the council retains 42%. This is the level prior to the Council's pilot with Treasury (where extra sums are retained).</p> <p>Most commercial premises will be completed in 2018/19, prior to the planned full localisation of business rates</p>	<p>The likely rateable values, and business rate costs, for each commercial property have been estimated by Serco.</p> <p>The actual valuations will be undertaken by the Valuation Office Agency when they are complete and in use.</p> <p>The Council continues to lobby for a greater share of business rates to be retained in 2018/19, but at this stage a prudent view has been taken</p>
Income from letting of current premises	<p>The Council plans to lease space in Town Hall, and for the whole of Bayard place.</p> <p>The model currently assumes this is let as office space.</p>	<p>BSM have reviewed the proposals and provided assurance on the following:</p> <ul style="list-style-type: none"> • The rental levels assumed in the model • The level of demand in Peterborough for office space <p>The Council will continue to review whether any other uses would provide better value for money for the Council.</p> <p>Whilst discussions are underway with potential tenants, there are no agreements in place at the time of writing (indeed there is no authority to do so). These discussions will be followed up and the properties will need to be marketed following Cabinet approval.</p>
Reduction in Revenue expenditure at current sites	As the Council vacates space in Town Hall, Bayard and Manor Drive, it will free up running costs on those sites (as Manor Drive will be completely vacated all costs will cease)	<p>Internal property and Finance teams have reviewed to confirm costs are freed up.</p> <p>If the council is unable to let the premises, then it would also face continued costs on those sites.</p>

Income from Fletton Quays	The Council will receive income from the car parks on FQ, and from the commercial units within the office complex. Income from staff parking is already factored into the budget, and so is excluded from the business case	The likely level of parking income has been reviewed by the internal car parking team. Commercial rents have been assessed by the property team.
Reduction in existing Capital expenditure requirements on current sites	The Council has a budget allocation for works to council buildings within the current 10 year MTFS programme.	Schedule of capital works for 25 years for Town Hall and Bayard Place has been provided by Norse Property Services (NPS). BSM have provided assurance regarding the assumptions as to how much of these costs can be recovered from tenants.
Costs:		
Revenue costs at Fletton Quays site	This includes: <ul style="list-style-type: none"> • Rental costs for offices and car parks • Running costs for offices and car parks, including business rates 	Running costs have been reviewed by NPS. The likely rateable values, and business rate costs, have been estimated by Serco. The likely level of parking costs has been reviewed by the internal car parking team
Costs of funding Capital expenditure for development at current sites	The Council plans to lease space in Town Hall, and for the whole of Bayard Place. The model currently assumes this is let as office space. Works will need to be undertaken before these can be leased e.g. adapting the customer contact centre in Bayard Place. Costs are also included for a refurbishment of the civic areas.	This has been verified by the internal property team, by way, in the absence of any design, reference to normal industry allowances for refurbishing out dated office accommodation
Costs of Capital expenditure at Fletton Quays site (revenue impact)	The new offices will require fit-out, including portioning, cabling and other requirements.	This has been verified internally by the internal property team, by way, in the absence of any design, reference to normal industry allowances for refurbishing out dated office accommodation

The business case is also based on the new office accommodation being available from July 2018.

APPENDIX 2 - SUMMARY BUSINESS CASE	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Benefits:												
Additional Business Rates retained by PCC from development			-0.205	-0.386	-0.604	-0.616	-0.629	-0.641	-0.654	-0.667	-0.680	-0.694
Income from letting of current premises		-0.056	-0.360	-0.873	-1.008	-1.008	-1.026	-1.038	-1.064	-1.071	-1.071	-1.091
Reduction in Revenue expenditure at current sites		-0.037	-0.617	-1.430	-1.628	-1.645	-1.661	-1.678	-1.694	-1.711	-1.728	-1.746
Income from Fletton Quays			-0.242	-0.402	-0.424	-0.432	-0.440	-0.449	-0.458	-0.467	-0.475	-0.484
Reduction in existing Capital expenditure requirements on current sites	-0.049	-0.177	-0.215	-0.308	-0.384	-0.432	-0.511	-0.597	-0.681	-0.761	-0.815	-0.792
sinking fund/sale proceeds	-0.408	-3.767										
Total	-0.457	-4.038	-1.639	-3.399	-4.048	-4.133	-4.267	-4.403	-4.552	-4.678	-4.770	-4.807
Costs:												
Revenue costs at Fletton Quays site			2.520	3.388	3.416	3.445	3.475	3.659	3.741	3.772	3.804	3.836
Costs of funding Capital expenditure for development at current sites	0.057	0.203	0.204	0.206	0.208	0.209	0.211	0.212	0.214	0.216	0.218	0.219
Costs of Capital expenditure at Fletton Quays site (revenue impact)		0.034	0.119	0.119	0.119	0.119	0.119	0.119	0.119	0.119	0.119	0.119
project costs, stamp duty etc	0.400	0.400	0.163									
Total	0.457	0.637	3.007	3.713	3.743	3.774	3.805	3.990	4.074	4.107	4.140	4.175
Net benefit of proposal	0.000	-3.401	1.368	0.315	-0.305	-0.359	-0.462	-0.413	-0.478	-0.571	-0.630	-0.632
Cumulative position	0.000	-3.400	-2.032	-1.718	-2.023	-2.382	-2.844	-3.257	-3.735	-4.305	-4.935	-5.568

2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43	TOTAL
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
-0.708	-0.722	-0.736	-0.751	-0.766	-0.782	-0.797	-0.813	-0.829	-0.846	-0.863	-0.880	-0.898	-0.916	-0.934	-18.017
-1.104	-1.132	-1.139	-1.139	-1.161	-1.175	-1.204	-1.212	-1.212	-1.235	-1.251	-1.282	-1.290	-1.290	-1.316	-27.810
-1.763	-1.781	-1.799	-1.817	-1.835	-1.853	-1.872	-1.890	-1.909	-1.928	-1.948	-1.967	-1.987	-2.007	-2.027	-43.958
-0.494	-0.504	-0.514	-0.523	-0.533	-0.544	-0.555	-0.565	-0.576	-0.587	-0.599	-0.611	-0.622	-0.634	-0.646	-12.780
-0.769	-0.750	-0.727	-0.697	-0.665	-0.650	-0.639	-0.622	-0.589	-0.543	-0.510	-0.484	-0.463	-0.451	-0.267	-14.550
															-4.175
-4.839	-4.889	-4.915	-4.928	-4.960	-5.004	-5.067	-5.102	-5.115	-5.140	-5.171	-5.224	-5.259	-5.297	-5.190	-121.291
4.040	4.130	4.165	4.200	4.236	4.460	4.560	4.598	4.637	4.677	4.924	5.035	5.077	5.120	5.163	104.078
0.221	0.223	0.225	0.227	0.229	0.231	0.233	0.235	0.237	0.239	0.242	0.244	0.246	0.249		5.660
0.119	0.119	0.119	0.119	0.119	0.119	0.119	0.118	0.118	0.118	0.118	0.118	0.118	0.118	0.118	3.001
															0.963
4.380	4.472	4.508	4.546	4.583	4.810	4.912	4.952	4.993	5.034	5.284	5.397	5.441	5.486	5.281	113.702
-0.459	-0.417	-0.407	-0.382	-0.377	-0.194	-0.155	-0.151	-0.123	-0.106	0.113	0.173	0.182	0.189	0.092	-7.589
-6.027	-6.444	-6.851	-7.233	-7.609	-7.803	-7.959	-8.109	-8.232	-8.337	-8.224	-8.051	-7.870	-7.680	-7.589	

APPENDIX 3 - REVISED CAPITAL PROFILE													
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Current capital budget 'Other council building spend'	4.550	1.580	2.805	2.480	1.580	2.321	2.498	2.498	2.498	2.498	0.000	0.000	
Proposed amendments	-2.895	-0.275	-1.555	-1.540	-0.615	-1.299	-1.440	-1.445	-1.328	-1.398	0.346	0.423	
Revised Capital budget for all PCC Buildings	1.655	1.305	1.250	0.940	0.965	1.022	1.058	1.053	1.170	1.100	0.346	0.423	
Capital budget for PCC Buildings exc. TH & BP	1.655	1.210	1.153	0.841	0.841	0.664	0.841	0.841	0.841	0.841	0.000	0.000	
Revised Capital spend for Office Accomodation	5.342	0.095	0.097	0.099	0.124	0.358	0.217	0.212	0.329	0.259	0.346	0.423	
Total requirement	6.997	1.305	1.250	0.940	0.965	1.022	1.058	1.053	1.170	1.100	0.346	0.423	
Proposed additional capital TH Civic	0.500												
Proposed additional capital TH North	1.342												
Proposed additional capital TH South	1.250												
Proposed additional capital BP	0.250												
Proposed additional capital FQ	2.000												
	5.342												

2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43	TOTAL
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-	25.308
0.294	0.355	0.447	0.629	0.300	0.152	0.230	0.436	0.822	0.600	0.423	0.445	0.149	0.299	-	-7.441
0.294	0.355	0.447	0.629	0.300	0.152	0.230	0.436	0.822	0.600	0.423	0.445	0.149	0.299	-	17.867
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-	9.728
0.294	0.355	0.447	0.629	0.300	0.152	0.230	0.436	0.822	0.600	0.423	0.445	0.149	0.299	-	13.481
0.294	0.355	0.447	0.629	0.300	0.152	0.230	0.436	0.822	0.600	0.423	0.445	0.149	0.299	-	23.209

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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