

## Cabinet (Resources) Panel

23 March 2022

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| <b>Report title</b>                            | Civic Centre Lease – Black Country Healthcare NHS Foundation Trust |  |
| <b>Decision designation</b>                    | AMBER  |  |
| <b>Cabinet member with lead responsibility</b> | Councillor Bhupinder Gakhal<br>City Assets and Housing             |  |
| <b>Key decision</b>                            | Yes  |  |
| <b>In forward plan</b>                         | Yes  |  |
| <b>Wards affected</b>                          | St Peters  |  |
| <b>Accountable Director</b>                    | Julia Nock, Deputy Director Assets                                 |  |
| <b>Originating service</b>                     | City Assets  |  |
| <b>Accountable employee</b>                    | Luke Dove<br>Tel<br>Email  | Head of Assets, Assets<br>01902 557121<br>Luke.Dove@wolverhampton.gov.uk |
| <b>Report to be/has been considered by</b>     | City Assets Leadership Team<br>Asset Management Board              | 23 January 2022<br>9 March 2022  |

### Recommendations for decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve the partial utilisation of the Civic Centre by way of lease for third party occupation by the Black Country Healthcare NHS Foundation Trust (BCHFT) on commercial terms.
2. Delegate authority to the Cabinet Member for City Assets and Housing in consultation with the Deputy Director Assets to approve the Head of Terms (including rental and occupational) for the BCHFT's occupation of the Civic Centre and enter into a lease.
3. Delegate authority to the Cabinet Member for City Assets and Housing in consultation with the Deputy Director Assets to approve any changes in accommodation design due to the BCHFT's occupation.

**Recommendation for noting:**

The Cabinet (Resources) Panel is asked to note:

1. That the leasing of the Civic Centre to selected third parties will allow business cases to be developed for the investment into the Civic Centre and other Council property assets.

## **1.0 Purpose**

- 1.1 As part of supporting the delivery of Our Assets under the Council Plan, the partial utilisation of the Civic Centre is being recommended for third party occupation by the Black Country Healthcare NHS Foundation Trust (BCHFT) on a leasehold basis for their newly established headquarters.
- 1.2 To seek approval from the Cabinet (Resources) Panel to enter into a leasehold agreement with the BCHFT for a 10-year period generating a revenue income stream for the Council.

## **2.0 Background**

- 2.1 The Council as part of the delivery of Our Assets workstream under the Council Plan continues to review the utilisation and occupation of the Civic Centre. The increased adoption of modern ways of working (e.g. agile and remote working) together with the impact of and necessary response to Covid, has presented a further opportunity to explore how the Civic Centre could be part utilised by partners co-locating with the Council.
- 2.2 Over the last four years, the Council has built up an excellent relationship with BCHFT through the delivery of the One Public Estate Programme. Following the recent successful leasing of part of the Civic Centre to the NHS Black Country and West Birmingham Clinical Commissioning Group (CCG), the Council have subsequently been in discussion with the BCHFT in relation to their future accommodation requirements.
- 2.3 BCHFT are seeking suitable office accommodation for 350 corporate staff across four hubs to be located within the Black Country and following a property search option appraisal (including with neighbouring authorities) have identified the Civic Centre as being their preferred option for their headquarters, which will also house their executive team.
- 2.4 The outline accommodation requirement is for provision of 60 desks to accommodate the executive team as a fixed location and the remainder to be provided on a bookable basis. This is to be supported through provision of dedicated meeting rooms alongside breakout, relaxation and development areas. The BCHFT have also requested a dedicated entrance/exit for staff access with the ability to utilise the main Civic Centre reception for greeting of external clients and that being located adjacent to the CCG would be preferable to offer potential for space sharing and improved co-working.
- 2.5 BCHFT have indicated that normal operating hours are Monday-Friday between 7am-7pm with weekend works being ad-hoc and infrequent. However, in light of the current climate this has been increased to 7 days per week, sometimes on a 24-hour basis. Their proposed main entrance will be accessed directly off the Piazza with the proposed office not being utilised for frontline business open to the general public.

- 2.6 Following evaluation of the options available, it became evident that locating the BCHFT on the First or Second Floor was not feasible for several reasons as detailed below.
- The location on the first and second floors would not provide the adjacent working proximity to the CCG as required.
  - Division of the current open plan design within these areas would prove problematic due to the extensive reconfiguration of the ventilation system that would be required.
  - The open plan nature of these areas would present operational difficulties and potential confidentiality issues and again would not provide the self-contained premises that the Trust are requiring for their flagship regional base.
  - There would be no opportunity for a dedicated access and egress point.
- 2.7 As with a number of services located within the Civic Centre, the MASH team are currently working in an agile manner. From extensive discussions with the Service leads and partner services it was identified that a City Centre location was no longer required to meet service demand. Following this it has been agreed that the MASH will be relocated to the Council's Priory Green Office moving forward as part of the new collaborative facility being developed in conjunction with the Families Services which forms part of the Council's wider asset rationalisation programme. The Priory Green Office is currently subject to remedial works to ensure it meets the requirements for the MASH service, with occupation to be undertaken following completion of the same in April 2022.
- 2.8 This proposal will have no detrimental impact on the delivery of Council services, with the Civic Centre still viewed as the Council's HQ with discussions having already taken place with the Unions.
- 2.9 This was seen as an opportunity to collaborate with a key NHS partner and following further discussions, the current MASH area was seen to meet all BCHFT specification requirements to meet their accommodation needs. Following this a proposal was issued to the BCHFT for the partial occupation of the Civic Centre ground floor as detailed edged in red in appendix 1, being the current MASH offices.
- 2.10 As this area will not be re-occupied by the MASH service moving forward, this proposal showcases the benefits available through public sector partnering and collaboration opportunities with the Council and in addition supporting the Integrated Care Systems (ICS's) between the BCHFT and CCG.
- 3.0 Proposed Lease Terms for the BCHFT**
- 3.1 Since January 2021 detailed discussions have been taking place to develop the Heads of Terms, the latest draft as detailed within the exempt version of this report, which would see a lease granted for an initial 10-year term for the demise as edged red in appendix 1 and further detailed in 3-D in appendix 2. This would also incorporate the shared use of the toilet facilities with the Council as edged blue in appendix 1 and a dedicated entrance/exit directly onto the Piazza.
- 3.2 The proposed lease terms are detailed within the exempt version of this report.

- 3.3 The proposed lease terms are detailed within the exempt version of this report.
- 3.4 No parking provision is included within the draft Heads of Terms, but should BCHFT require this function, the Council can advise on availability and cost.
- 3.5 The proposed lease terms are detailed within the exempt version of this report.

#### **4.0 Next Steps**

- 4.1 Subject to approval at Cabinet (Resources) Panel, both parties will instruct their respective legal representatives to complete on the 10-year lease subject to final agreement on terms.
- 4.2 The BCHFT have appointed an architect to design the layout for their demise which will include hot desking, use of the current meeting rooms and kitchen facilities, breakout areas and relaxation areas, shared welfare facilities (with the Council) along with a reconfigured entrance/exit directly onto the Piazza. This is still to be finalised and will be subject to the Council's approval prior to any works being undertaken.
- 4.3 City Assets will continue to liaise with the BCHFT and other services occupying the Civic Centre to ensure any proposed works that are completed are done so with minimal disruption.
- 4.4 To allow the letting of the current MASH offices to the BCHFT, the shared toilet facilities located adjacent to this area, as detailed on appendix 1 edged blue, will need to be refurbished to a suitable standard in line with the process undertaken when completing the lease with the CCG for their respective demise. Once costs have been confirmed a request to approve allocation of capital funding will be undertaken through an Individual Executive Decision Notice (IEDN) in line with the Council's governance process.

#### **5.0 Supporting Delivery of the Strategic Asset Plan**

- 5.1 City Assets have developed a Strategic Asset Plan that was completed and approved by Cabinet on 17 October 2018. This provides the structure and management of the Council's land and property portfolio over the following five years, to 2023, and incorporates the Our Assets principle. The plan is structured into three parts:
- Asset Management Policy
  - Asset Management Strategy
  - Asset Management Action Plan
- 5.2 The Asset Management Policy establishes a clear mission with supporting principles for the management of land and buildings, ensuring it is fit for purpose and benefits the people of the City of Wolverhampton and to use land and buildings following rationalisation and disposal of land and buildings, that will enable a financial return to stimulate development and growth, support and encourage local businesses and promote joint-working.

- 5.3 The proposed leasing of the Civic Centre in part to BCHFT supports the policy as outlined and in particular delivery of items A2, A4 and A8 of the Action Plan.

## **6.0 Evaluation of alternative options**

- 6.1 The alternative option would be to not lease the Civic Centre in part to the BCHFT and continue to utilise for the provision of Council services.

## **7.0 Reasons for decision**

- 7.1 The Council see this as an excellent opportunity to increase collaborative partnership working across the Public Sector and to build from the current co-location that has been created in conjunction with the CCG.
- 7.2 Through increased agile working and service transformation, supported by the rationalisation and efficient usage of other Council assets, there is an opportunity for the improved utilisation of the Civic Centre.
- 7.3 The proposed lease will generate an additional income stream for the Council that will support the Medium Term Financial Strategy (MTFS). In addition to the income, there will be a net reduction in running costs payable by the Council.
- 7.4 The proposed leasing of the Civic Centre will demonstrate effective and considered commercial acumen that will support the wider City economy and showcase opportunities that Wolverhampton City can offer.

## **8.0 Financial implications**

- 8.1 Approval of the partial occupation of the Civic Centre ground floor on a leasehold basis to the BCHFT offers an opportunity for additional income revenue generation. This will support the Medium Term Financial Strategy (MTFS) and will be incorporated into future budget reports to Cabinet.
- 8.2 The proposed lease terms are detailed within the exempt version of this report.
- 8.3 In addition to additional revenue income, the proposed letting will also result in a reduction of Business Rates Payable by the Council for the Civic Centre. Business Rates are calculated and apportioned based on occupied floor area and as such the BCHFT will be responsible for the payment of rates with respect to their leased demise from lease commencement. A separate rating assessment will be sought from the Valuation Office Agency for the extent of building to be occupied by the Trust which will result in a further reduction of the Council's running costs for the property.
- [RT/02032022/S]

## **9.0 Legal implications**

- 9.1 In accordance with the Council's Constitution and pursuant to Section 123 Local Government Act 1972, the Council is able to dispose of its assets in any manner it wishes. The definition of a disposal includes a lease of more than seven years. In relation to the proposed lease the Council is seeking to agree a 10 year lease, which will fall within these provisions. In this respect, the Council is obliged to obtain the best consideration that can reasonably be obtained unless it has the consent of the Secretary of State.
- 9.2 The Council's Legal Services will draft and provide legal advice in accordance with conveyancing practices and the Council's Constitution.  
[JA/28022022/Z]

## **10.0 Equalities implications**

- 10.1 All development plans and designs will consider and meet the needs of all site users and an all-inclusive approach will be taken by BCHFT in conjunction with the Council for any proposed adaptations ensuring compliance with the Equality Act 2010.

## **11.0 All other implications**

- 11.1 Partnership and public sector collaborative working can create efficiencies in reducing carbon emissions as a result of asset rationalisation with any adaptations undertaken in a sustainable manner to support the Council Net Zero targets.

## **12.0 Schedule of Background Papers**

- 12.1 [Strategic Asset Plan 2018-2023](#) – Report to Cabinet on 17 October 2018 including:
- Asset Management Policy 2018-2023
  - Asset Management Strategy 2018-2023
  - Asset Management Action Plan

## **13.0 Appendices**

- 13.1 Appendix 1 – Plan of proposed leased demise
- 13.2 Appendix 2 – 3-D visual of proposed leased demise