

Cheltenham Borough Council

Cabinet – 11th July 2023 / Council – 24th July

Disposal of Municipal Offices

Accountable member:

Councillor Peter Jeffries, Cabinet Member Finance & Assets

Accountable officer:

Paul Jones, Executive Director Finance, Assets and Regeneration

Accountable scrutiny committee:

Overview and Scrutiny Committee

Ward(s) affected:

n/a

Key/Significant Decision:

Yes

Executive summary:

The Municipal Offices (MO) is an iconic building which plays a prominent role in shaping Cheltenham's town centre identity. As the long-standing home of Cheltenham Borough Council (CBC), it has a direct influence on a number of the Council's strategic objectives, from creating a collaborative working environment that attracts and retains top talent through to maintaining an efficient cost base.

In a report to Full Council in April 2015, it was acknowledged that remaining in the Municipal Offices was not a viable option for the future. Since that date, the Council has purchased a number of investment properties that could meet the operational requirements of its workforce in a reduced office 'footprint'.

The CBC organisation and the shape of its workforce have changed significantly over the years, leaving the asset underutilised. Occupancy studies have established that the number of CBC employees that the building needs to accommodate is considerably less than at certain times in the past. The CBC operating model and accelerated adoption of hybrid working in a post pandemic world is not optimised by the condition and internal layout of the building. This has presented a timely opportunity to reflect on what the long-term purpose and uses of the MO building are so that it continues to play an active role in shaping a vibrant future for the town centre, while enabling CBC to remain financially sustainable.

Recommendations:

Cabinet recommends to Council:

1. To dispose the Municipal Offices on the open market, in line with our agreed Asset Management Strategy, as the Municipal Offices are now surplus to our operational requirements;
 2. Commission a development brief for the Municipal Offices which will take a creative and conservation-led approach to the reuse, adaptation and extension of the listed building, its setting and the setting of neighbouring listed buildings and the conservation area;
 3. On completion of the development brief, invite bids for development proposals for the Municipal Offices; and
 4. Request that the Cabinet Member for Finance and Assets bring back proposals to Full Council for a final decision on its future use and disposal.
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1. Implications

1.1. Financial implications

A full financial analysis comparing the forecast net present value of each option has been undertaken by the finance team and is contained at Appendix 2. Following scrutiny by the Executive Leadership Team (ELT), there is a good level of confidence in the cash flow model being used to inform the debate.

The financial model which forecasts the best return for CBC (by both net present value and payback) is the “sell and move” option and therefore the recommendation from a purely financial standpoint is to begin to explore opportunities for alternative uses for the MO. This recommendation has been cemented by the on-going pressure on the council’s operational cash flow and the need to “right-size” our infrastructure.

Signed off by: Andrew Taylor, Principal Commercial Accountant,
andrew.taylor@cheltenham.gov.uk

1.2. Legal implications

The recommendations to explore possibilities for the disposal of the MO within the property market do not, at this stage, introduce any legal commitment upon CBC.

Officers will engage with One Legal when looking to implement the recommendations detailed in this report.

Signed off by: Hayley Sims, Head of Law (Commercial and Property),
legalservices@onelegal.org.uk]

1.3. HR implications

There is no immediate direct impact on staff since it would take at least 2-3 years to commence any redevelopment taking into account the process for decision making, planning and determining the best approach in respect of tenure. However continued engagement with staff as to what is

happening with their current base is recommended as this will help to ensure a smooth transition in the future. Once decisions have been made the appropriate HR support will be provided according to any potential impact on staff.

Signed off by: Julie McCarthy, HR Consultant, julie.mccarthy@cheltenham.gov.uk

1.4. Environmental and climate change implications

Currently the MO DEC (display energy certification - a statutory obligation for public authority buildings) rating is C (69/200), compared to most new buildings that aim to achieve an A rating (0-25/200) as a minimum. CBC has an ambition to achieve net zero carbon emissions by 2030, and has committed to using 100% renewable electricity across council owned assets by 2027. Reaching these targets would result in a DEC rating of A+ (0/200). The recommendation presents an opportunity to explore the most viable approach for CBC to deliver positive climate change initiatives and reach our net zero targets.

Signed off by: Laura Tapping, Climate Emergency Programme Officer, laura.tapping@cheltenham.gov.uk

1.5. Property/asset implications

The recommendation aligns with our ambition to be one of the leading Local Authorities for development, investment and asset management taking a proactive approach to driving the best from the resources available and in doing so contributing to our place based outcomes, as captured in the Asset Management Strategy in Appendix 3.

In order that we can lead the economic recovery of our town, we will continue to use our assets for the benefit of our residents, businesses, staff and communities, stimulating a positive environment for inward investment in our place and people.

Signed off by: Gemma Bell, Head of Property, gemma.bell@cheltenham.gov.uk

1.6. Corporate policy framework implications

The Asset Management Strategy forms part of a suite of documents that comprise the Councils investment and expenditure strategies, and governance and decision making arrangements. The recommendation aligns with corporate plan priorities to assess opportunities towards carbon net zero by 2030 and place shaping through revitalisation opportunities in the town centre.

Signed off by: Ann Wolstencroft, Head of Performance, Projects & Risk, ann.wolstencroft@cheltenham.gov.uk

2. Promoting equality and reducing discrimination

The recommendations, if agreed, do not yet have an impact on the way council services are delivered to customers, local residents or staff.

As noted in s6.4, the Municipal Offices are not fully DDA compliant so there is an opportunity for the council's future office accommodation to be more inclusive. The options that are developed for future CBC office accommodation will be tested for equality and access impacts.

3. Performance management – monitoring and review

n/a

4. Background

- 4.1. The construction of the row of terraced houses on the west side of the Promenade was developed between 1823 and 1840. As is still the case today, the design involved a symmetrical main frontage with 63 bays facing onto the Promenade; the central section of three bays, which slightly projected forward, featured a window flanked by two doorways on the ground floor.
- 4.2. Cheltenham Borough Council acquired its first 4 properties in 1913 for a total sum of £4,600. A further 9 properties were purchased between 1920 and 1958, and collectively these 13 properties are now commonly referred to as the Municipal Offices.
- 4.3. Whilst these iconic buildings have served their purpose as Cheltenham Borough Council's head office for more than a century, Cheltenham Borough Council (CBC) has had a long term aspiration '**to relocate to modern, more flexible office accommodation which meets both existing and future needs, improves customer experience and provides better value for money for the tax payers of Cheltenham**'.
- 4.4. At a meeting of Full Council in April 2015, Council acknowledged that remaining in the Municipal Offices was not a viable long-term option, and authorised officers to investigate options for the future of the Municipal Offices, including the process for securing a partner to enter into a joint venture for the redevelopment of the Municipal Offices.
- 4.5. Members will recall that at that same meeting, Council approved the acquisition of Delta Place which was earmarked as the potential location for the Council to base its head office along with a number of other public sector partners in 2023. Given the change in shape of its workforce, and that of its partners, alongside the accelerated adoption of hybrid working in a post pandemic world, this is no longer deemed a viable option.
- 4.6. This has presented a timely opportunity to reflect on what the long-term purpose and uses of the MO building are so that it continues to play an active role in shaping a vibrant future for the town centre, while enabling CBC to remain financially sustainable. Given the Council's ambitious Corporate Plan, the Council does not have the in-house capacity to explore a joint venture opportunity for redevelopment and therefore is recommending an outright disposal – this will ultimately provide a generous capital receipt to finance a number of our corporate priorities as well as driving economic growth and recovery for the Town.

5. The Cabinet's Vision Statement

- 5.1. The Municipal Offices is a beautiful building and it has been the home of Cheltenham Borough Council for many years. We value this building and love what it brings to our town, but it is no longer appropriate for the needs of a modern local authority. That is why we are looking at alternative options to secure its future. Our ambition is to preserve 47-83 The Promenade, known as the Municipal Officers, in all its glory. But this will not be a project that seeks merely to preserve a beautiful building, it seeks to also add new beauty and function.
- 5.2. In honouring the building and safeguarding it for the future, the Cabinet is committed to respecting the heritage of its setting, while taking every opportunity offered by modern

architecture, technology and new building materials. This will allow a development that augments and improves its surroundings and creates new space for future use, leaving an appropriate legacy.

- 5.3. The stunning 19th century façade has been described as ‘equal to any terrace in Europe’ and the council agrees. It will be protected as a key heritage asset. The rear of the building, however, does not mirror the grandeur of the frontage. This creates an opportunity to improve the sense of place, albeit within a constricted footprint. To the rear, we would want to see an equally stunning but unique example of 21st century architecture. Innovative and free-thinking, while remaining within the local vernacular, it will provide a modern counterpoint to the graceful Regency sweep of Royal Crescent. Sensitive and sustainable for both old and new, it will challenge the boundaries of engineering and available technologies.
- 5.4. The building has a long civic history. Therefore, part of it will remain in perpetuity an address for Civic use on major occasions, such as Remembrance Day. Such dates are specifically linked to that location because of the War Memorial. This will require careful and sensitive consideration.
- 5.5. The Long Garden, incorporating the War Memorial, will be respected by the development. Indeed, there are opportunities for improvement in the vehicle-dominated street scene, to sensitively and sustainably maintain this area as a beautiful setting for the building, whatever its ownership and use.
- 5.6. There are manifold opportunities in development to improve the appearance, function, accessibility, and performance of this iconic building. As a Regency era structure, fuel efficiency and environmental performance is poor. While any future project would inevitably make improvements, we will aim high. The result will be a development which would be recognisably Cheltonian in style, but functionally modern. This is a development that will capture the imagination and hearts of so many for the future, as it already has done for almost 200 years. When it is complete, it will be a building that draws the attention of more people than ever far beyond the boundaries of our town. Cheltenham demands nothing less.

6. Rationale for review

6.1. Our Corporate Plan sets out five clear Corporate Priorities:

- Enhance Cheltenham as the Cyber Capital of the UK
- Work with others to help make Cheltenham net zero by 2030
- Increase the number of affordable homes in Cheltenham through our £180m housing investment plan
- Ensuring residents, communities and businesses benefit from our future growth
- Being a more modern, efficient and financially stable council

6.2. The Asset Management Strategy, approved by Full Council in February 2022 and aligned to delivering our corporate priorities, took a refreshed approach to future asset management decisions and the management of our portfolio which balances social value, sustainability, regeneration, commercial and housing needs at a strategic level to ensure a positive direction of travel to economic recovery continues.

6.3. The Council's assets and the way in which they are managed have the potential to both contribute to and detract from elements of these ambitions. The purpose of the Asset

Management Strategy is to:

- set out the approach we will take to review the strategic purpose of our asset portfolio and ensure we are allocating available resources to land and property which best help support our Corporate Plan and the wider vision and ambition for Cheltenham;
- establish a framework to monitor the continuous performance of our asset portfolio against our priorities, test whether it remains fit for purpose and better plan for a future that looks through a broader sustainable lens; and
- outline the governance arrangements on which asset rationalisation, development, investment and construction decisions can be consistently based

6.4. The following issues prompted the need for a review of the MO options appraisal;

- a) Projected costs of long term maintenance backlog to CBC is £7.6m, informed by Evans Jones Partnership commissioned in February 2021 to provide a condition survey of the building; this generated a profiled costing schedule that has been incorporated into the options modelling.
- b) Accelerated adoption of flexible working arrangements in light of the covid pandemic means that CBC no longer need the existing space within the MO. Whilst CBCs overall occupation of the MO has significantly consolidated, the cellular footprint is a limitation to collaborative working.
- c) The carbon footprint of the MO is excessive, costly to address and potentially compromises CBCs climate aspirations of achieving net zero by 2030.
- d) The building is not DDA compliant therefore adaptations are required for stakeholders with access and mobility requirements.
- e) Commercial letting prospects are poor. Demand for permanent cellular office space has reduced, evidenced by vacant space at 53-57 Rodney Road and other similar offices across the town. Any potential rental income is likely to be significantly less than current occupancy costs, and is limited by the condition of the rooms, poor facilities and restricted opening hours. The MO cannot compete with new spaces becoming available e.g. The Quadrangle, Honeybourne Place, and West Cheltenham .
- f) Pre-pandemic property values for existing use range from £3.85m to £4.2m, and in excess of £9m for residential development as considered to be highest and best use (based on the existing foot-print of the building). Post-pandemic values need to be obtained in order to assess the impact of a potential capital receipt towards the Medium term Financial Strategy.

6.5. A leading property consultant was commissioned in July 2019 to conduct an independent, impartial strategic opportunities assessment of the Municipal Offices. Their brief was to explore the redevelopment of the building for alternative uses compared to retaining and investing in the building. Their emerging 'best' option is to redevelop the MO (residential led with commercial ground floor) and relocate to another building owned by CBC e.g. Ellenborough House. Any further progression of the findings were dependent upon completion of the operating model and workplace strategy, which in turn were delayed by the pandemic.

6.6. The analysis was reviewed by the CBC in-house Finance team and the emerging conclusions at Appendix 2 were shared with the Cabinet and the Overview and Scrutiny Committee. These have helped to inform the recommendations put forward today.

6.7. CBC commissioned a Historic Assessment of the MO in September 2010 in order to have a full understanding of the heritage asset in any development proposals to be invited from interested developers. It is critical that this assessment is captured within the development brief to ensure the 'market' is fully informed on any limitations on the buildings future use.

6.8. In making the recommendation for disposal of the Municipal Offices, the following considerations have been assessed in the alignment of the asset purpose against our Corporate Priorities.

- facilitates economic growth and recovery;
- helps to meet our housing needs, including contributing to our housing strategy;
- creates commercial space that supports our key employment sectors;
- stimulates a positive climate for inward investment into Cheltenham;
- improves and drives quality and innovation of our public realm; and
- delivers on our climate and environmental commitments and approach to social value outcome

7. Development brief and 'meanwhile' use

7.1. A development brief for the Municipal Offices will take a creative and conservation-led approach to the reuse, adaptation and extension of the listed building, its setting and the setting of neighbouring listed buildings and the conservation area.

7.2. This will be best achieved by understanding and respecting the significance of the affected heritage assets. Particular regard will be given to the buildings significance as a grade II* listed former Regency townhouses and its later use as the Municipal Offices. New development could include, but not limited to, a number and mix of uses including residential townhouses, apartments, offices, retail (particularly to the lower ground floor) and hotel uses.

7.3. The development brief will need to take advantage of the opportunity to create an active and creative new frontage that engages with the public open space and Royal Crescent located on Royal Well Road. Any reuse, adaptation and extension should be informed by a thorough understanding of the significance of the site and its context, the impact of the interventions proposed be justified in heritage terms and be informed and supported by the relevant heritage legislation and policy.

7.4. It is anticipated that any disposal would take at least 2-3 years to commence any redevelopment taking into account the process for decision making, planning and determining the best approach in respect of tenure.

7.5. With this in mind, Officers will be working alongside our development partners, HBDXF, to offer short-term lettings within the Municipal Offices, with favourable break-clauses, to any prospective tenants for the Golden Valley Development who wish to have a presence in Cheltenham ahead of the construction of the National Cyber Innovation Centre and neighbouring office buildings.

8. Reasons for recommendations

8.1. To gain an up to date understanding of the potential opportunities for the MO to support placing shaping and economic development within the town centre.

8.2. To determine the current property value of the MO and therefore assess the impact of any such capital receipt contribution to the MTFs.

9. Alternative options considered

9.1. After careful consideration, two options have been discounted on the grounds of viability; the first being 'do nothing' and the other being a full refurbishment to adapt, modernise and achieve a carbon neutral footprint. These are captured in the CBC financial analysis at Appendix 2.

10. Consultation and feedback

10.1. A meeting with Heritage England took place in May 2023. Their representatives are keen to be involved in the formulation of the development brief as a prominent stakeholder.

10.2. Overview and Scrutiny Committee were briefed in a confidential session at their meeting on 3rd July 2023 on the pathway to how the recommendations put forward in this report were established.

10.3. An engagement workshop with a cross section of stakeholders was held in the MO in January 2023. Stakeholders included the Cheltenham Civic Society, Cheltenham Local History Society, Architects Panel members, Cheltenham Chamber of Commerce, Cheltenham BID and representatives from youth groups including a number of our own apprentices.

10.4. Feedback captured included the following:

- Retain the façade and build an energy-efficient scheme behind. This should be an opportunity to build a decent Royal Well frontage, which is a high priority.
- The cleared site (retaining the façade) could be rebuilt in an organised way, retaining the option to change the use of parts of it as needed over time. (Cohesive development dividing the present interior would be a very complicated and expensive option).
- Residential use would transform that side of the Promenade at night, bringing it alive, rather than the present 'dead black windows'.
- It would be good to see something that took advantage of the roadway, and possibly some of the gardens, in front of the buildings, e.g. create a large piazza; vehicular access to the buildings should then only be from the rear (and tie in with changes to make rear of building visually acceptable.)
- The Engagement Workshop discussion summary states 'the property ... distorts the promenade to what has become a one-sided retail offering'. The Promenade originally begun as a residential street, and since the 1820s that area has always been a 'one-sided retail offering'. The general feeling is that it should largely remain so, perhaps with some limited, sensitive commercial use of some of the Municipal Offices premises. The site is viewed as an oasis of calm amongst the bustling retail.
- This is a once in a generation opportunity to do something special for Cheltenham that place-shapes around an iconic building. Please give some direction to the market via a development brief as we only have one opportunity to get this right.

11. Key risks

- 11.1. If the Municipal Offices remain in CBC ownership then the long term maintenance requirements for the building will draw money away from the provision of essential services to CBC residents and inhibit the ability for us to deliver our corporate plan objectives.
 - 11.2. If the Municipal Offices remain in CBC ownership then the poor carbon footprint of the building will mean we will not achieve our goal of making Cheltenham Borough Council net zero by 2030.
 - 11.3. If CBC continue to use the Municipal building as an office then we will never be a diverse workforce as the building is unable to provide us with an accessible and mobility friendly work environment.
 - 11.4. If CBC do not downsize to a smaller office then it will continue to have empty spaces that require heating, maintenance and reduce collaboration opportunities.
 - 11.5. If CBC do not get the disposal brief correct then the building may be developed in a way that is detrimental to its central position in the town.
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Appendices:

1. Risk Assessment
2. CBC financial analysis
3. Asset Management Strategy –
https://democracy.cheltenham.gov.uk/documents/s39437/2022_02_21_COU_Asset_Management_Strategy_appendix.pdf

Background papers

https://democracy.cheltenham.gov.uk/documents/s15295/2015_04_%2014_CAB_Accommodation_Strategy_report.pdf

Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
1	If the Municipal Offices remain in CBC ownership then the long term maintenance requirements for the building will draw money away from the provision of essential services to CBC residents and inhibit the ability for us to deliver our corporate plan objectives.	Paul Jones	4	4	16	Reduce	Asset Management Strategy	Gemma Bell	In place
2	If the Municipal Offices remain in CBC ownership then the poor carbon footprint of the building will mean we will not achieve our goal of making Cheltenham Borough Council net zero by 2030.	Paul Jones	4	4	16	Reduce	Climate Pathway	Darren Knight	In place
3	If CBC continue to use the Municipal building as an office then we will never be a diverse workforce as the building is unable to provide us with an accessible and mobility friendly work environment.	Gareth Edmundson	4	3	12	Reduce	1.Updated Equality Policy 2.Equality Impact Assessment	Ann Wolstencroft Claire Hughes	31/8/23 31/8/23
4	If CBC do not downsize to a smaller office then it will continue to have empty	Gemma Bell	3	3	9	Reduce	1. Asset management strategy	Gemma Bell	In place

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	spaces that require heating, maintenance and reduce collaboration opportunities.						2.Energy Policy	Gemma Bell	In place
5	If CBC do not get the disposal brief correct, then the building may be developed in a way that is detrimental to its central position in the town.	Paul Jones	4	4	16	Reduce	Employ relevant expert to produce brief	Paul Jones	31/12/23