

Classification: Open	Decision Type: Non-Key
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Report to:	CABINET	Date: 01 September 2021
Subject:	ESTATES TRANSFORMATION: BURY HUB PROPOSALS - Phase 1 Humphrey House – PART A	
Report of	Leader and Cabinet Member for Finance and Growth	

1.0 Summary

- 1.1 This paper is the first in a series of requested cabinet approvals that seek to deliver interventions that unlock economic growth, integrate public services, realise commercial efficiencies and capital receipts along with implementing the Council's aspirations for creating an agile working environment.
- 1.2 The outputs of this programme are driven by the key deliverables set out within the One Public Estate (OPE) property programme and the Council's Let's Do It Strategy 2020.
- 1.3 Humphrey House is surplus to requirements, requires considerable capital investment to bring up to occupational standards and has a significant capital receipt once disposed of for redevelopment. The site has the potential to deliver new homes on brownfield land as part of the town centre regeneration programme.
- 1.4 Knowsley Place is an underperforming element of the corporate estate. The fit out of the buildings were completed over 10 years ago and does not allow for either flexible working – a collection of informal collaborative spaces or the delivery of integrated public services sharing the same building.
- 1.5 This Estates Transformation work is underway with the objective of reducing the operating costs and improving standards of the Council Estate, and is in line with the Transformation Strategy agreed in July and in support of the Year 1 savings detailed in this report. It also represents an implementation of our 'One Public Estate' Strategy, which seeks to promote the shared use of public buildings to reduce the overall property cost burden on the taxpayer.
- 1.6 The proposal is to formally close and sell Humphrey House, a council-owned 1970's office block fronting Angouleme Way. It is proposed the current tenants in Humphrey House are offered space within the 3KP office block, which the Council is not currently fully utilising.
- 1.7 The project also seeks to implement flexi-working by providing high-quality co-working/social space on the ground floor and reception area of 3KP. This will bring together the staff of the Council, stakeholders, members and

partners into a space where there will be a focus on informal meetings, using technology to link teams and create acoustically sound meeting spaces. This will be an important enabler of the Council's Agile Working model.

- 1.8 The overall project will create an annual saving to the Council as we will be able to share the lease-costs we currently incur at 3KP with other public bodies. Further adaption works to enable true flexible working can be funded via the projected capital receipt from the sale of Humphrey House.

2.0 Recommendation(s)

- 2.1 Approve the disposal of Humphrey House and offer an alternative leasing option to the existing tenants as set out in this report.
- 2.2 Approve an increase to the capital programme of up to £500k to fund the works required to facilitate shared occupation of 3 Knowsley Place and a modern, flexible working environment.
- 2.3 Delegate the finalised terms of any revised leasing arrangements and commercial negotiations to the Director of Regeneration and the Section 151 Officer and Monitoring Officer.

3.0 Reasons for recommendations

- 3.1 The Council has challenging savings targets to meet through the 'Let's Do It' transformation programme, 'Let's Do It Flexibly'
- 3.2 There is an immediate opportunity to realise a significant saving by seeking to share the space we let. 3 Knowsley Place and 6 Knowsley Place have the potential to be shared with other public sector partners. This opportunity is time-bound because if Humphrey House is to be retained a major refurbishment programme would have to be funded in the very short-term to bring the building up to a modern standard.
- 3.3 The implementation of agile working means that we do not expect staff to return to the office en-mass (subject to the evaluation of the model which will take place in December). However, we do expect teams and people to meet up regularly and to have spaces and areas that promote collaborative working.
- 3.4 3 Knowsley Place was fitted out 10 years ago as a standalone office building for Council workers – replacing a similar building Craig House on Bank Street in Bury. The current ground floor layout does not allow for multiple tenancy or provide spaces and areas that enable agile working, collaboration and teamwork.
- 3.5 By moving into modern, efficient buildings, the NHS tenants will save on energy bills likely to be in the region of £24k per annum.

4.0 Alternative options considered and rejected

- 4.1 Advise the NHS Trusts that we are selling Humphrey House and ask if they would like to buy it. However, one Trust has already been advised of our existing use asset valuation and have not responded with an offer. The other two trusts have indicated they are content with the leasing option and are not seeking to acquire a property.

- 4.2 Retain Humphrey House and offer the tenants new 5-year leases. This would require an immediate capital outlay of circa £900K to undertake urgent works (of which there is no budget currently), plus an estimated £200K p/a to maintain the building over the five-year period. The costs of undertaking the additional works would be roughly equivalent to the income generated through the current rental agreement.
- 4.3 Advise the NHS Trusts that we are selling the building and ask them to vacate without offering them floorspace in 3 Knowsley Place. This option was rejected due to the availability of space within our Estate.
- 4.4 The option of 'no-change' has been discounted on the basis that Pennine Care and Greater Manchester Mental Health Trust continuing to hold over on expired leases in a building which requires urgent modernisation is not an acceptable long-term option.

5.0 Background

- 5.0.1 This paper is the first in a series of requested cabinet approvals that seek to deliver interventions that seek to deliver economic growth, integrate public services, realise commercial efficiencies and receipts along with implementing the Council's aspirations for delivering a tangible agile working environment. In developing this strategy we are guided by LGA one public estate programme and the estates transformation programme as part of our Let's Do it strategy.

5.1 One Public Estate LGA 2013

A local government association property programme under direction from the Cabinet Office. This seeks to empower local councils to

- i) Unlock economic growth through council assets
- ii) Integrate services within the estate with a customer focus
- iii) Achieve efficiencies

5.2 Let's Do It Bury Council 2020

Wider transformation programme with elemental focus on property, estate and corporate landlord functions which impact upon service provision.

- iv) Facilitate land and property disposals to reduce revenue burden and achieve capital receipt
- v) Rationalise corporate estate and drive service charge efficiencies
- vi) Implement agile working
- vii) Savings & receipts to be reinvested to deliver next phases of transformation
- viii) From 2022 onwards with a specific focus on developing options for Town Hall redevelopment and potential disposal.

Humphrey House is surplus to requirements, requires considerable capital investment to bring up to occupational standards and has a significant capital receipt once disposed of for redevelopment. The site has the potential to deliver c.60 new homes on brownfield land – subject to

- planning – and contribute towards the town centre regeneration programme.
- 5.0 Knowsley Place is an underperforming element of the corporate estate. The fit out of the buildings was completed over 10 years ago and does not allow for either flexible working – a collection of informal collaborative spaces or the delivery of integrated public services sharing the same building.
 - 5.0 Bury public sector partners work out of a number of outdated, expensive and inefficient buildings. There is a need to review these buildings, consolidate property and update or build new where necessary.
 - 5.0 An urgent decision is needed as to whether to invest or dispose of Humphrey House and decant NHS staff into existing Council buildings. Generally, the external and internal conditions of Humphrey House are reasonable considering its age, but are now in need of investment, (building fabric roofing works, replacement boilers, single glazed windows, continuous section across the building elevations, HVAB internal environment conditions) plus urgent works are needed as currently Humphrey house is not compliant with current regulation standards.
 - 5.0 The overall One Public Estate aim is to create a new Bury Campus from the buildings and land currently in Council control in the centre of Bury to maximise efficiencies and create the best experience for service users/clients.
 - 5.2.1 The Council has a 'Transformation' Strategy which is seeking to secure savings. The ability to incur savings from a more efficient use of the Estate will help protect frontline service and ensure valuable resources are not tied-up in buildings that are not properly utilised.
 - 5.2.2 The impact of Covid and the subsequent move by the Council to adopt 'agile-working' as well as similar changes for our public sector partners means organisations could operate from a much smaller-buildings footprint. These proposals are only a first phase of a more detailed programme that is being worked-up.
 - 5.2.3 The next phase of the programme will consider the future of several high-cost buildings currently operated by the Council. These will be strategically reviewed alongside our proposals to establish new Hubs in Prestwich and Radcliffe as part of the regeneration programmes in those towns.

6.0 Business Case

- 6.1 The Corporate estate at 3/6 KP is not fully utilising the offices facilities we operate under leases.
- 6.2 Through our 'One Public Estate' programme we will seek to work with health partners to better utilise the space which we are currently paying a commercial rent for.
- 6.3 The savings as a part of the overall 'Transformation' programme are significant. Initial market advice suggests the disposal of Humphrey House is likely to generate a receipt in the region of £2m (in 2022/23 financial year). There is a further saving of up to £700k per-annum in rent and service

charges which will be obtained through sub-letting and service charge reviews (the exact amount cannot be precisely quantified until negotiations over the sub-lease have been completed).

- 6.4 Health bodies currently based in Humphrey House employ in the region of 250 staff. There is a strong economic benefit for the town centre in maintaining staff working close to the town centre, and many benefits for their clients as the building is in a sustainable location next to the Tram and main bus terminal for the Town.
- 6.5 The current working environment at Bury is not suitable for a modern forward-looking organisation in the new workforce context. The lack of spaces for people to congregate and connect to each other is reducing the amount of formal and informal contact between employees. The introduction of high-quality collaboration space, with amenities such as informal meeting areas and acoustic meeting spaces will transform the Council employees' experience of working at the Council.

7.0 Financial Implications

- 7.1 The detailed financial analysis is contained in Part B of this report.
- 7.2 The overall financial case for seeking to decommission Humphrey House and offer space within our currently leased buildings is strong.
- 7.3 Disposal of Humphrey House will lead to a saving of £120k per annum with a further potential of up to £700k per-annum for the sub letting of excess space in 3KP.
- 7.4 The request for capital allocation of up to £500k for the refurbishment of 3KP to support agile working.

8.0 Next Steps

- 8.1 Ascertain how many staff can be accommodated in 6 Knowsley Place and the requirements of Six Town Housing. This includes re-charging for space currently tenanted by Six Town Housing as a separate entity to the Council.
- 8.2 Confirm how much space is left in 3 Knowsley Place and 6 Knowsley Place and if it is sufficient for NHS uses, this will be considered alongside the evaluation of the Council and CCGs agile working model.
- 8.3 Have a discussion with NHS Trusts over future plans.
- 8.4 Assessment of fit-out costs and apportionment of service charges.
- 8.5 Liaison with the landlord to seek approval to sub-let and potentially re-negotiate terms.

Links with the Corporate Priorities:

- 9.0** This project is fully aligned with the Corporate Core Transformation Strategy and will report to the Estates Transformation Board.

The Agile Working Model is embedded within this programme of works and will be monitored as part of the project.

Equality Impact and Considerations:

- 10.0** The services currently operating out of Humphrey House are not provided in a suitable building, which impacts on the experience of the service users, many of whom are vulnerable members of society. The move across to modern fit-for-purpose buildings will improve the customer experience yet allows customers of the services to access services locally and via public transport, due to the proximity to the Interchange.
- 11.0** Inclusive design will be at the core of the proposed developments to the estate, in particular 3KP.

Environmental Impact and Considerations:

- 12.0** HH is at the end of its economic life, it is not efficient and has single glazed windows and an old boiler system.
- 13.0** In 2020/21 with the building used 138,591 KHZ of electricity. In 2021/22 the building used 529,882 KHZ of Gas. The closure of Humphrey House will reduce the gas and electricity use by the Council and would result in a CO2 saving per year of 126 tonnes. The total CO2 emission per year generated by Bury council are 15,650 tonnes and this therefore represents a 0.8% reduction in CO2 emissions per year.

Assessment and Mitigation of Risk:

Risk/Opportunity	Mitigation
NHS Trusts vacate out of Humphrey House and take the jobs out of town, impacting on local town centre spend.	Offer the tenants an existing Council building in the town centre to keep the jobs in the town centre.
Humphrey House is a liability and needs work to meet standards. There are health and safety and reputational risks. There are also cost risks if urgent works are needed.	Sell Humphrey House at the earliest convenience.
The NHS Trusts can't afford the space offered to them, especially as it is an increase on current floorspace in Humphrey House.	The space is made available for other public bodies who have expressed an interest in sharing space.
The rent and service charge is more in 3KP than HH.	There are considerable carbon and energy cost savings by relocating to a modern building.
There are vacant floors in 3KP and 6KP. There are cost savings to be made by letting these floors out and there is a	Fully-utilise the space by sharing with the NHS Trusts or other public bodies.

reputational risk in paying for unoccupied space.	
Six Town Housing are a separate legal entity to the Council and savings are not necessarily Council savings	The public sector cost savings will need to be confirmed and further work is required regarding re-charging of grant.

Legal Implications:

Any sale of land will be subject to the council's policy and procedures, the property will be marketed by independent property agents to ensure that best value is obtained for the land. Any changes to our leasing arrangements in respect of our occupancy of 3 KP will be subject to commercial negotiation. Leasing arrangement with our current tenants in Humphrey House will also be subject to a series of commercial negotiations. These negotiations will need to be staged.

Legal support will be provided throughout.

Financial Implications:

The sale of Humphrey House will deliver a capital receipt which is not yet within the MTFS. The Council also does not have a budget for the £900k required to make Humphrey House fit for purpose and the ongoing £200k per annum maintenance bill should it be retained, this would be a pressure on existing budgets. The disposal will result in ongoing savings of £120k per annum for the Council and up to a further £700k per annum following negotiations to sub let excess capacity within 3KP through the recovery of lease and service charge costs. The exact value will not be known until these negotiations with the landlord and future tenants are complete.

There are no costs considered within this report for the securing of Humphrey House when vacant and awaiting sale therefore it is imperative that sale takes place as quickly as possible but must be at a fair price.

There is a request for up to £500k to be added to the Councils capital programme further work is required to quantify the exact value required and to keep these costs to a minimum.

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Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
OPE	One Public Estate – a programme by the Cabinet Office to consolidate and rationalise the public sector estate and buildings.
3 KP & 6KP	3 and 6 Knowsley Place, Bury. Two modern office blocks leased by the Council.
HH	Humphrey House