

North Somerset Council

REPORT TO THE EXECUTIVE

DATE OF MEETING: 15TH DECEMBER 2009

SUBJECT OF REPORT: PROPOSED OFFICE AMALGAMATION PROGRAMME AND ASSOCIATED ACQUISITION AND DISPOSAL OF PROPERTY

TOWN OR PARISH: ALL

OFFICER/MEMBER PRESENTING: NIGEL ASHTON, LEADER OF COUNCIL

KEY DECISION: YES

RECOMMENDATIONS

That the Executive:

1. endorses in principle the proposal to amalgamate various dispersed office premises into two 'hub' locations at Clevedon and Weston-super-Mare to facilitate improved service delivery and associated medium-term financial savings and operational benefits.
2. supports in principle the acquisition of the Castlewood site and vacation of surplus office and ancillary accommodation
3. recommends that the terms for acquisition, along with the detailed business case, are placed before Full Council for consideration in January 2010
4. approves expenditure up to £130,000 to ensure appropriate due diligence work is undertaken to facilitate this proposal, to be charged to the capital project once acquisition is confirmed
5. authorises the commencement of consultation with staff and trades unions over the proposal to develop two 'hub' locations at Clevedon and Weston-super-Mare
6. authorises the Head of Property & Asset Management to recruit an experienced project manager to help facilitate this proposal

1. SUMMARY OF REPORT

The report considers the amalgamation of a number of existing office and ancillary premises across the district into two principal 'hub' locations within Weston-super-Mare and Clevedon in order to provide an appropriate administrative and operational platform for improved service delivery whilst also achieving medium-term financial savings and operational benefits.

This proposal would involve the acquisition of new office accommodation within the north of the district in the form of the freehold of the site known as Castlewood (former Clerical Medical Headquarter Premises) and the disposal of a number of existing office sites (both freehold and leasehold) across the district.

The Town Hall in Weston-super-Mare would be retained.

2. POLICY

The proposal supports the council's Corporate Plan and Office Accommodation Strategy and will contribute to the service improvements and cashable efficiency gains via the Business Improvement Programme. It will also assist with progressing the council's Single Equalities Plan and integrated working targets in both Children's and Adult Services.

3. DETAILS

Since 2004/05 the council's office accommodation strategy has been evolving and its direction of travel has been to amalgamate wherever possible disparate office premises within fewer central premises in Weston. In 2009 to date the council has vacated two unsatisfactory smaller office buildings as part of the rationalisation programme.

With the recent vacation of Castlewood by the HBOS Group an opportunity to acquire modern office accommodation of significant size has arisen which has not been previously available to the council on this scale.

The Castlewood site is located at the junction of Old Street and Tickenham Road Clevedon, close to junction 20 of the M5. It comprises approximately 10 acres of land containing approximately 7525 square metres (81,000 square feet) office space within one building constructed approximately 18 years ago. The offices are therefore modern, laid out over three floors and arranged in open plan configuration. There is no other building currently available in North Somerset of this size and type.

There are further ancillary buildings (garages and workshop) together with two former residential properties (fronting Old Street Clevedon) which have been converted to training venues. The site also has approximately 490 car parking spaces.

It is believed that owner had plans at one time to construct two further buildings equal to the existing premises and the site therefore affords great flexibility and a number of potential options for accommodation exist.

The planning around this proposal to date has been undertaken on the assumption that the council is seeking to consolidate its overall occupation of office accommodation to provide in effect two main administrative centres with one in the north and one in the south of the district.

The occupation of these centres would entail vacating existing office accommodation and other facilities across the district and relocating them to Clevedon and/or the Town hall. Under this proposal other council facilities such as Four Oaks Professional Development Centre Nailsea may relocate to Clevedon.

At present there are approximately 1100 council staff accommodated in Weston town centre, 240 in the environs of Weston and 150 from offices/ establishments outside of Weston.

This list of assets provisionally within scope has been developed after initial consideration of a wider list of assets, but this may still be subject to change as we will review further where we have staff in other buildings.

The premises provisionally assumed to be in scope are:-

Town Hall
Partnership House Worle
Warne Road depot Weston
Four Oaks Professional Development Centre Nailsea
7 Clevedon Walk Nailsea
21d Somerset Square Nailsea
Community Involvement Offices Somerset Square Nailsea
Somerset House Weston
Oxford House Weston
Weston Court Weston
Clifton Road weston
Badger House Weston
SWEB Locking Road Weston
Woodhurst Road Weston
1-2 Marson Road Clevedon
Fenswood Road Long Ashton

Depending on decisions to be made about the use of the Town Hall and Castlewood, the council would be able to reduce its overall use of office accommodation through rationalisation. Although staff from the above premises would need to be accommodated probably either at Castlewood or Town Hall this has not yet been determined and in any event further consultation with individuals and teams who may be affected would be undertaken prior to any actual office moves.

The occupancy numbers for Castlewood would depend upon the amount of space available to accommodate staff and the range of other facilities the building may house. Training facilities, rooms to accommodate public meetings etc may all require space that would otherwise be used as office space.

In assessing the proposal issues such as freehold versus leasehold investment, lifecycle costs, utilisation of premises and fragmentation of services have been considered. The principal tests have been centred on:

1. Does the proposal have merit in terms of the council's office accommodation strategy?
2. Is it value for money and affordable?
3. Are the implications for other initiatives / projects negative to the extent that they render this proposal not worthwhile?

Office Accommodation Strategy

The purpose of this proposal is to achieve a position of fewer, better quality buildings which would afford greater utilisation to occupants and would cost less to occupy, in both real and in particular lifecycle terms than remaining in existing accommodation. There are also particular issues with regard to Somerset House as the current lease holder of the site wishes to redevelop it and although any redevelopment could include space for the council there are procurement and cost issues with this option. Any development in Weston-super-Mare is also unlikely to be of the same scale proposed at Castlewood and could not provide a similar degree of operational focus for the council's work in the North of the district.

In adopting this proposal, fragmentation of teams across council would be reduced and therefore a great number of 'soft' benefits could be realised. It also affords an opportunity to share space with partner organisations, such as the prospective support services outsourcing supplier and the Primary Care Trust. The other implications would potentially

involve relocation of some staff and impact on travelling but this would depend upon which teams transfer to Clevedon and where the individual staff members currently reside. By moving to a two site solution Council would be better able to address accessibility issues for both its staff and customers.

Value for Money

Informal negotiations for the acquisition of the Castlewood site have been undertaken to explore the viability of the proposal and the total cost of the project including relocating ICT equipment and provision of furniture (where existing is not suitable for relocation) etc to provide a turn key operation at Castlewood is circa £16M. The opportunity to acquire a building such as Castlewood within the overall budget envelope of £16M is a reflection of the current economic climate and the down turn in property values generally. In terms of value for money the freehold purchase price of the building and site is one which would be viewed to be 'market value' and this will be checked independently by the District Valuer. It also is preferable to a leasehold acquisition based on comparison over a 25 year period. In terms of affordability the freehold purchase is affordable, with a break-even point as early as 2013/14 and significant net savings thereafter, although there would be transition costs which would place a short-term strain on the council's revenue budget and are detailed in the financial implications section.

There is a great deal of flexibility around what could be included within both administrative centres in terms of other service provision, such as library / Gateway provision, shared public sector space etc. All such options would impact upon the business case and would therefore need to be considered carefully.

Implications for Wider Initiatives

The implications for other projects / initiatives are variable. There may be concerns that the relocation of some staff currently based in Weston-super-Mare would have a negative impact on the town centre. However discussions with prospective developers have indicated, for example, that redevelopment of Dolphin Square is capable of proceeding either with or without the council requiring office space. It should also be noted that the economic impact upon Clevedon of the vacation of the Castlewood site has been significant and that claims for Jobseekers Allowance have risen by 380% over the past 12 months. There may also be issues around possibly increasing staff travel (e.g. from Weston to Clevedon). However these would depend upon the actual staff involved and in any event would be addressed and managed through a green travel plan and through mitigations arising from the Equality Impact Assessment.

On projects and initiatives within the council's Business Improvement Programme, such as Workstyles, locality-based teams etc it would have a potentially significant beneficial effect as it would provide a catalyst for changes in working practices, flexibility and the introduction of new technology. Another benefit is that in acquiring additional office accommodation the council would be able to offer its prospective support services provider office accommodation either in Clevedon or Weston.

Conclusion

On balance the proposal would appear to have significant benefit and be worth pursuing further. In order to provide Members with more complete information a detailed business case would be appended to a report to Full Council in January 2010 seeking approval for the acquisition of the Castlewood site.

4. CONSULTATION

Consultation has been undertaken through internal officer groups such as Capital Board, Business Improvement Programme Delivery Group and Corporate Management Team, as well as the Executive Members for Property and Human Resources. The Disability Equality Access Officer has also been consulted and the Office Accommodation Access Group will be consulted shortly. Further consultation will take place with staff and trade unions regarding any specific proposals in respect of particular teams.

5. FINANCIAL IMPLICATIONS

As highlighted above, the successful acquisition of the Castlewood site represents a significant financial transaction on behalf of the authority. Also within the body of the report, it has been determined that the freehold purchase is the preferred option, with an in year break-even point being achieved as early as 2013/14 and providing net savings thereafter. However, due to the scale of the likely transaction, there would be significant transition costs which would place a short-term strain on the council's revenue budget. If approved, adjustments would need to be made to the draft MTFP for both costs and savings.

Financing of this transaction would require the Council to undertake additional borrowing for at least the majority of the initial outlay. At this stage, the Council has assumed a prudent position in terms of available finance, and that with assured use of existing capital funding of £2m, borrowing of approximately £14m would have to be taken to fund the remaining initial costs of the project. The assumed re-direction of £2m funding towards this project would be subject to the finalisation of the MTFP 2010-2012.

The level of borrowing outlined above, would require amendment to the Council's Treasury Management strategy, to enable the level of required borrowing to be achieved. At this level, the borrowing effect on the revenue budget would be in the region of £1.2m.

In addition, the full year running costs of Castlewood are estimated to be in the region of £1m per annum. Whilst in the first year, full costs are unlikely to be incurred, a significant proportion would still apply, eg business rates, irrespective of occupation.

Whilst existing premises remain occupied, or leases continue to be in operation, such running costs would represent growth upon the revenue budget. However, from 2011/12, as some significant existing leases terminate, the impact upon the revenue budget would fall dramatically, giving rise to net savings from 2013/14. In addition to the above, planned maintenance work on both a number of leasehold and freehold properties would be required if this acquisition was not to be completed.

Again, within the body of the report, the opportunity to lease a part of our accommodation to external partners exists. At this stage, the financial model assumes that the support services provider would lease accommodation from 2011/12 and during the medium term, opportunities to sublet existing leased accommodation may exist.

The table below sets out the current summary position of the financial model which continues to be developed. It is noted from 2013/14 that in-year net cash inflows are anticipated, and following the model through for the period of 25 years, which is consistent with the borrowing timescales, a net cash inflow of £1.1m is anticipated (Net present value at discount rate of 4.4%).

FINANCING OF CASTLEWOOD PROJECT								
	Capital	2010/11	2011/12	2012/13	Revenue	2014/15	2015/16	2016/17
	£	£	£	£	2013/14	£	£	£
		£	£	£	£	£	£	£
Expenditure								
Purchase price plus stamp duty, ICT, fit-out etc	15,600,000							
Less Directly Funded from Capital Resources	(2,000,000)							
Net Cost to be borrowed	13,600,000							
Borrowing cost		1,142,400	1,142,400	1,142,400	1,142,400	1,142,400	1,142,400	1,142,400
Running costs of Castlewood - assume phased occupation in 2010/11.		700,000	1,039,000	1,039,000	1,039,000	1,039,000	1,039,000	1,039,000
<i>Variations</i>								
Borrow £12.6m over 25 years (rather than £13.6m) and 'borrow' £1m from existing capital funding to be repaid when receipts realised.		(84,000)	(84,000)	(84,000)	(84,000)	(84,000)	(84,000)	(84,000)
Cost Savings								
Running Costs of Freehold Properties - assume all sold by 31/03/11		0	(245,000)	(245,000)	(245,000)	(245,000)	(245,000)	(245,000)
Rent and running costs of leased properties -		(49,000)	(438,000)	(1,170,000)	(1,294,000)	(1,321,000)	(1,690,000)	(1,774,000)
Potential Income Streams								
			(125,000)	(575,000)	(575,000)	(575,000)	(425,000)	(425,000)
Revenue Cost of Proposal		1,709,400	1,289,400	107,400	(16,600)	(43,600)	(262,600)	(346,600)
Utilise Collection Fund Surplus (one-off)		(500,000)						
Net Revenue Cost of Proposal		1,209,400	1,289,400	107,400	(16,600)	(43,600)	(262,600)	(346,600)
Other Considerations / Costs Avoided								
Electrical Repairs at Somerset House - works would be required during 2011/12 if not vacated.			(500,000)					
Office Maintenance Backlog - works would be required as per office accomm strategy, if not vacated.				(298,000)				

6. EQUALITY IMPLICATIONS

At this stage a high level EIA has been undertaken as it is not yet known in detail how staff and services would be deployed following the acquisition of the Castlewood site. The proposal is likely to be either neutral or have a positive impact upon customers as for some time the council's customer access strategy has been to use Council Connect facilities to provide face to face, telephone and web customer interaction, and this would be unaffected by this proposal.

It is difficult to determine the impact on individual members of staff at this stage and further data collection, analysis and consultation with affected teams would be necessary as firm proposals for deploying respective services and staff are developed.

However there are a number of issues already emerging which would need to be carefully managed in terms of impact upon some staff groupings. Should for example staff who have caring responsibilities (dependant adult relatives, child care etc) be required to relocate from Weston to Clevedon this may provide some individuals with particular challenges. Similarly those staff who currently walk to work (whichever office base that may be) may be disadvantaged. However any such impact would of course be fully considered and responded to where practicable before any final decision is taken.

It is also the case that many of the premises proposed for disposal are not as accessible as the council would desire in terms of disabled colleagues. The Disability Equality Access Officer has already visited the Castlewood site and although some minor improvements would be required it is already significantly more accessible than the majority of existing council offices and would allow issues such as disabled staff parking to be addressed more easily. The Office Accommodation Access Staff Group would also be consulted upon accessibility issues etc at Castlewood.

7. CORPORATE IMPLICATIONS

The corporate implications are related decisions yet to be taken on how and where the council wishes to deploy its staff and services in two mainly administrative 'hubs' and how these relate to the 'spokes' of premises (e.g. children's centres, libraries, locality based teams etc) which deliver services in the community.

The acquisition of Castlewood would provide a catalyst for the introduction of more flexible working arrangements and also potentially for closer partnership working with other public sector organisations.

It could also provide further opportunities which are yet to be fully investigated relating to the use of the training and ancillary buildings as well as the site itself.

8. RISK

In taking forward this proposal the areas of risk are mainly around the delivery of the project. Poor project management and delivery may result in disruption to services and staff and failure to achieve the operational and financial benefits expected. To mitigate this risk a project team with a dedicated project manager would be formed to deliver the project and ensure the expected benefits are captured.

Until such time as contracts are exchanged and the legal transaction is completed there is a risk that the acquisition of the site may not proceed.

9. OPTIONS CONSIDERED

The purpose of this proposal is to achieve a position of fewer, better quality buildings which would afford greater utilisation to occupants and would cost less to occupy in both real and in particular lifecycle terms than remaining in existing accommodation. The Castlewood proposal is the preferred of five clear options which have been identified.

The aim of each of these options is to improve the office accommodation available to the Council.

The options considered are:

- **Continue with our current accommodation portfolio**

The current accommodation portfolio is making a reasonable contribution to service delivery in that it is broadly considered to be suitable, sufficient and sustainable.

However, this assessment is based on current condition. Increasingly the portfolio requires more investment in terms of repairs and maintenance.

It is also recognised that the refurbishment of offices is constrained due to small amounts of space being available at any one time.

Whilst deliverable, the key constraint of this option is pace – it would take time to refurbish accommodation to a standard that facilitates modern ways of working. In addition it does not fulfil the key strategy need of reducing the number of satellite office buildings, some of which hinder service delivery and are inefficient.

- **Negotiate office accommodation within the proposed Dolphin Square redevelopment**

The Council has been engaged with developers working on Dolphin Square for a number of years now.

The proposals are viable, but economic conditions have meant that the development has been delayed.

Discussions have been held with the developers, they have expressed the view that the redevelopment of Dolphin Square would go ahead with or without the Council's engagement.

Should the Council choose to continue its engagement with the Dolphin Square redevelopment, centralised office accommodation would be at least a number of years away.

- **Develop an alternative new build site in the Weston-super-Mare area**

Appropriate sites for viable development are not currently available in the local area.

However it is recognised that a suitable site may become available as development in the Weston area continues.

The key issue here is that the delivery of the office accommodation strategy would be delayed whilst waiting for a suitable site to come on the market. (Note that the Property & Asset Management team regularly monitor the market to identify such opportunities).

- **Identify a building other than Castlewood within the boundaries of North Somerset.**

There are no other viable buildings available for sale or lease within North Somerset at this time.

It may be possible to lease a number of smaller buildings – but this would fragment teams and therefore service delivery.

It is less likely that another site such as Castlewood would become available within the medium term.

Again, the key issue here is that implementation of the office accommodation strategy would be delayed whilst waiting for a suitable site to come on the market.

Castlewood is the preferred option because it delivers and addresses our office accommodation strategy (as do each of the above options) but, critically, does so within a relatively short timescale.

AUTHOR

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BACKGROUND PAPERS

None