

Taunton Deane Borough Council

Tenant Services Management Board – 16th January 2017

Deane House Accommodation Project

This matter is the responsibility of Executive Councillor Mark Edwards

Report Author: James Barrah – Director of Housing and Communities

1 Executive Summary

- 1.1 This report seeks approval to progress with a project to fully refurbish Deane House as the Council's main headquarters location and to let surplus space to third party organisations in order to offset some of the Council's costs. The report sets out a business case for the project along with associated risks and opportunities. The project will create fit for purpose modern office accommodation for staff and members to support a transformed Council. The report also proposes to let a substantial area of the building to Avon and Somerset Police to create the new Taunton Police Station including enquiry office, thereby creating opportunities to further enhance our already excellent partnership working relationship with the Police and offset some of the Council's refurbishment costs.

2 Recommendations

2.1 It is recommended:-

1. That the Council approves the project as set out in this report to refurbish Deane House to appropriate and modern standards to facilitate a more agile way of working for staff and to make available surplus space to let to other organisations in order to offset the Council's costs.
2. That delegated authority is provided to the Director of Housing and Communities in conjunction with the Portfolio Holder and project Member Steering Group to progress the project, make appropriate appointments and to negotiate terms and let space to third party organisations.
3. That a Supplementary Estimate of £5,873,600 is added to the capital programme in 2016/17, and a supplementary revenue budget of £1,643,300 is added to the 2016/17 budget, with the balance to be held in an earmarked reserve and carried forward at the end of the year.
4. Borrowing totalling £7,516,900 is approved. £5,873,600 of this to fund the Deane House Accommodation Project, and £1,643,300 to fund existing capital projects in order to release revenue earmarked reserves to fund the Deane House Accommodation Project.

3 Risk Assessment (if appropriate)

Risk Matrix

Description	Likelihood	Impact	Overall
<p>Failure to let the surplus space available in Deane House. This will be mitigated by ongoing dialogue with key partners and additional marketing of the building following Council decision to proceed. However the Council only needs to let a relatively small amount of additional space in order to break even in cash flow terms over a ten year period. Clearly full occupation will be desirable in improving the Councils financial position.</p>	3	3	9
<p>Increase in project costs, the budget for the project has been based on technical estimates for the work proposed but clearly the project has not yet been subject to detailed design or subject to the market. The project team will attempt to address any potential cost escalation within the project budget, and the scope and extent of the works does provide the opportunity to value engineer the work.</p>	3	4	12
<p>Tenants activation of break clauses, commercial leases will be subject to typical break clauses as would be expected. The commercial reality is that break clauses can be activated leading to potential loss of income, but officers will seek to engage future tenants where there is strong covenant strength and therefore a lower risk of this occurring.</p>	3	3	9

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background

- 4.1 Taunton Deane Borough Council currently has its main office at Deane House. Deane House was built in 1987 and other than some minor internal changes and day to day repairs, it has had little refurbishment since then. Whilst the building is structurally sound and robust, many of its components and infrastructure including its mechanical and electrical systems are coming to the end of their natural life. The internal configuration and finish of the building is tired and outdated, and it provides poor quality and frequently inadequate and uncomfortable accommodation for staff and other users. The building is also now too large for the Council's current requirements. Consequently the building now needs significant investment, without this, the Council runs the risk of the building becoming unfit for purpose and incurring increasing unplanned maintenance costs. This report therefore further considers the future for the Council's office requirements.
- 4.2 Deane House currently offers circa 4,800 sqm NIA (Net Internal Area). It is currently occupied by around 400 staff.
- 4.3 Members will be aware that this issue has been debated on previous occasions. During the second half of 2013 an internal review and high level option appraisal was undertaken. This work culminated in the selection of two options: a move to County

Hall or new build at Firepool be adopted as the preferred options for the provision of the Council's main office base and that officers be requested to carry out full feasibility reports on the preferred options.

- 4.4 Following this, the Council undertook a detailed feasibility study of two preferred options. The Council considered the outcome of this feasibility study in August 2014, and the subsequent resolution was that County Hall was the preferred option. During this period a comprehensive accommodation offer had been provided by Somerset County Council involving the extension and refurbishment of A block, new member debating chamber, relocation of the library and other services along with other partners to create a new public sector hub. Unfortunately whilst progression of this option was underway, the offer was reduced by SCC for affordability reasons. Consequently the project and proposal was no longer consistent with the Council expectations and requirements, and so reduced substantially in attractiveness to TDBC.
- 4.5 Since this time the project has been taking stock of our options with officers requested to review the option to remain in Deane House, undertake the refurbishment required but occupy with other partners and tenants more widely to assist in offsetting the Council's costs. What is now proposed is a scheme based on this plan that will finally provide certainty of direction with regard to the Council's accommodation needs.

5 Current Position

- 5.1 At the time of making the decision in 2014 regarding County Hall as the preferred option, the key features that we found attractive were the cost for occupying a much smaller footprint and the ability to work more closely with other public sector partners to deliver face to face interaction at one "hub" location. Key concerns at that time from some members included the potential lack of sovereignty, lack of control under a lease arrangement, lack of flexibility and that we would no longer retain an asset. A range of financial and non-financial criteria were used to evaluate the options at this time, however this option as evaluated became no longer available hence the need to review our position.
- 5.2 Since this time officers have been in dialogue with some key partners to assess if the option to remain in Deane House and sublet parts is worthy of progression. The proposal now suggested is to indeed pursue this route, with occupation by Avon and Somerset Police as our first co-occupiers. The objective of this process has been to look to ways to remain in Deane House but offset some of the Council's costs. This is distinct from looking for purely the cheapest option as this route does not necessarily fulfil all of the Council's criteria, as set out below.
- 5.3 Previous consultation with members has established a ranked list of non-financial criteria as follows, the project as now proposed would fulfil many of these criteria.

Criteria	Rank
Asset Retention	1
Premises that are able to change as the authority changes	2

Opportunities to add value by close working or shared / integrated services with other partners	2
Improvement in Environmental Sustainability	4
Location within Taunton	4
Make sense of the public purse / taxpayers (public perception)	4
Supporting the regeneration of Taunton	7
Deliverable in the next 3 years	8

6 Project Context

Transformation

- 6.1 This report focuses on the future of the Council's main office base, however accommodation cannot be considered in isolation or purely just as a financial and “bricks and mortar” issue. Whilst this report considers a significant investment in its office accommodation, Members will be aware that we are underway with a wide and ambitious transformation programme, the Council’s accommodation solution is just one part of our wider change agenda which also includes better IT enablement, a new Customer Access strategy in particular moving customers away from face to face interactions to digital channels, more agile and flexible ways of working for staff.
- 6.2 Other organisations which have chosen to rationalise their office accommodation have at the same time incorporated new ways of working. The outcome of introducing these ways of working is to reduce the amount of office space provided, utilising the fact that desk spaces are occupied for example on average on a 60% basis. So in this case every ten employees would be provided with six workstations. These programmes are described as “Smart Office” or “Agile Working” and rely on investment to enable the ongoing savings to be made. The terminology we have adopted is “Smart Office”.
- 6.3 In the last few years, many authorities have embraced this change, including several within Somerset (Somerset County Council, Mendip District Council, Sedgemoor District Council). Many have found that it is possible to reduce desk space requirements by circa 30- 40% by introducing new ways of working and investing in modern office space and equipment. Some have then sought to share accommodation with other public and community sector colleagues in order to minimise overhead costs. This sharing has brought the additional significant benefit of closer working between organisations and improved access for customers by introducing one stop shop approaches.
- 6.4 Our recent experience of creating new Smart office type accommodation at the new depot has been well received and the new premises has and will be a very tangible catalyst for further change in these services. Whilst the Deane House project will be just a part of our transformation programme it will be really important as a very visible symbol to staff and others that the way we work will radically change, it will also be a very positive step to support our staff, members and customers with better quality and fit for purpose accommodation, which is long overdue.
- 6.5 Members will be aware of the current consultation exercise to potentially create a new Council across the Taunton Deane and West Somerset areas, any potential new Council has an opportunity to consolidate head office accommodation and use all new

Council assets more flexibly to balance service delivery efficiency with commercial interests. A refurbished Deane House will provide greater opportunities to support such flexibility. As for the current West Somerset Council's accommodation at Williton a project is currently underway to relocate the local Police station and enquiry office into the Council offices along with extending the occupation of the building by Somerset County Council by the inclusion of library and registrars services and an additional third party tenant.

Project Timing

- 6.6 The fact that the Council has not had certainty on its accommodation solution for a number of years with a range of options being considered and discounted means that an absolute requirement to make a decision on the way forward now is paramount, a backlog of works and components reaching their end of life means that we have to act or risk unplanned expenditure and potential service disruption. So making the final decision to remain at Deane House will inevitably result in the requirement for substantial investment in the building, doing nothing is not an option. The fact we have an opportunity to share with the Police now to help mitigate our costs is also only available to us now. The commercial opportunity to let further space to others in due course is much improved by being able to practically demonstrate the decision is made and tangible evidence of design and work progressing will improve our ability to attract new tenant interest.
- 6.7 The current proposal to share accommodation with the Police will provide the opportunity to improve our service to customers by further embedding our already very positive partnership working approach with them. In addition the potential for the colocation of other public sector partners would only enhance our wider collaboration. Whilst Heads of Terms have been agreed with the Police, with the Police and Crime Commissioner making the decision that Deane House is their preferred accommodation solution, we will have additional surplus space to let in the building. The Police interest results from their decision to close the Shuttern station and sell this large plot which is currently being marketed, so the Police have reviewed other options as part of their decision making process and concluded the preference for Deane House. Certainty that this option is progressing to a suitable timescale is clearly important to them with a potential occupation date of April 2018. Further delays from a TDBC perspective may risk losing this potential occupier as other options are available to them.
- 6.8 The availability of additional surplus space in Deane House is to a degree a commercial risk however positive dialogue is ongoing with a range of other organisations, even without any formal marketing being undertaken to date. It is important to note as set out in the financial section of this report we only need to let a very small amount of additional space to improve our current Medium Term Financial Position so effectively the project would at this stage improve the forecast revenue position for the Council. Additional lettings will only improve this position further. It is considered that once the decision is taken and the project starts to progress, this will be a good signal to the market and other interested parties that after much consideration over the last few years the council has now made a clear decision on its accommodation requirements.

- 6.9 Members will be aware that the option to consider colocation with the Police was previously considered by the Council in 2012 and not progressed at this time. Clearly the circumstances of the Council were very different at this time and the project at this time was primarily based on purely refurbishing the portion of the building that would be let to the Police with a different aspiration for pay back on this part of the project. The current proposition is different in that it proposes a full refurbishment of the building with the intention in so doing to create space for the Police along with other potential occupiers. The current project also starts from the premise of deciding to remain in the building means that refurbishment is unavoidable. In addition the space let to the Police in the current project is greater and at a higher rental level.

7 Project Outline

- 7.1 The refurbishment of Deane House will be a full refurbishment of the whole building and will include Mechanical and Electrical replacement, windows, fittings and repairs to the roof and lift. The project will essentially strip out all partitioning within the building to create a more open plan environment, with new furniture and IT infrastructure.
- 7.2 The work programme will be on a two stage Design & Build open book contract with contractors selected via the Southern Construction Framework (SCF). Pre-construction detailed design will commence in February 2017 with onsite construction to start in June 2017. The works will be broken up into phases and will start with the area identified for Avon and Somerset Police, and TDBC will aim to hand over a CAT A (refurbished and serviced shell) to the Police in December 2017, they may in addition retain the contractor to complete their CAT B works (tenant fit out) until April 2018, however this is to be confirmed at a later stage. TDBC expect to take possession of a completed CAT B space by June 2018.
- 7.3 Avon and Somerset Police require a total area of 750m² split over ground and first floor as a base for their beat and response officers, as well as an enquiries office, interview rooms, parking and some external storage which will be located within the bunker. Officers have identified the preferred wing for their occupation, giving them the presence they require and ease of access/egress to their response vehicles, some of which will be parked within easy reach of their wing, and a route into reception.
- 7.4 Appendix A, B & C provides indicative area plans for the ground, first and second floors showing the area that the Police will occupy and how the building could be split between TDBC, Avon and Somerset Police and other tenants. These indicative block plans will inform the pre-construction design phase of the D&B contract and will be developed further as part of that process. The plans within the appendix show the space split as exclusive space for TDBC of 1833m² and exclusive space for the police of 750m², plus shared space and protected fire escape routes, leaving 1,416m² of available space.
- 7.5 During the refurbishment Deane House will remain fully functional for staff, members and our customers. Staff will be required to relocate around the building whilst the refurbishment works are under way, this will require a sequencing plan to allow for clear access to the Police wing where onsite construction will start. There will be a need to implement the new telephone system and purchase new smart office furniture before we start to relocate staff within Deane House. Officers have identified possible

decant options into other Council assets which include Flook House, the new depot, as well as our meeting halls. We also have two offers of available space with other local public sector organisations. Staff will also have the option of working from home as much as possible.

- 7.6 With the Police being operational 24/7 it gives TDBC the opportunity to consider bringing Deane Helpline into Deane House which could free up two dwellings for additional units of extra care accommodation for the HRA.
- 7.7 Project officers have had detailed discussions with other potential tenants interested in leasing space within Deane house, these discussions are with organisations from both the public and private sectors and officers are currently progressing these discussions further.

8 Business Case and Financial Appraisal

- 8.1 Attached at Confidential Appendix D is a detailed financial appraisal of the proposal. From this it can be seen that the inclusion of rental income from Avon and Somerset Police reduces the impact on the Council's Medium Term Financial Plan in relation to the impact of the projected backlog and refurbishment costs of Deane House. It is also important to note that despite the relatively long payback period of the one off costs of the work, it will secure additional life of the building by at least another 25 years.
- 8.2 Avon and Somerset Police will occupy a substantial amount of space, but there will be substantial further potential space for other partners to occupy to increase the Council's income. However we will only require to let a further 95m² in order to break even in cash flow terms over a ten year period. In other words our overall running costs for Deane House will be less than our projected current costs.
- 8.3 In order to fully offset the revenue cost over a ten year period (including fully offsetting the costs of backlog maintenance that are already included in the MTFP) a total of 2,082m², an additional 1,332m² over the Police requirement, would need to be occupied on similar terms.
- 8.4 Although this would provide a breakeven position for revenue, the period in which the cost of the refurbishment for the area occupied by the Police is covered through generated income is slightly longer at 12 years. After this period any income would contribute towards Taunton Deane's cost, although it would take 50 years for income from the Police only to cover the full cost of the refurbishment (including all of Taunton Deane's costs). If occupation of 2,082m² is achieved, the period in which all of Taunton Deane's costs are covered would reduce to 24 years.
- 8.5 The capital costs of £5.874m could be funded through borrowing. It is not possible to borrow for the revenue expenditure of £1.643m, which includes some backlog maintenance, along with other costs such as project management. However it is proposed that revenue funding currently held in the Capital Financing Earmarked Reserve could be diverted, with new borrowing taken out for the existing capital projects that this is due to fund, leaving these projects unaffected. This would mean additional interest payments and Minimum Revenue Provision (MRP) which have been

taken into account in the financial appraisal of this project since they would not have been payable otherwise.

9 Asset Management Comments

- 9.1 Asset Management have had a key role within this project, negotiating heads of terms as well as contributing towards the wider project and work in respect of the business case. The objective of the work undertaken by Asset Management has been to support ways to remain at Deane House but offset some of the Council's costs by bringing in others to provide an income stream by way of rent and contribute towards running costs through way of service charge. In the context of a decision to remain at Deane House, the agreement reached with the Police represents taking a more commercial approach to securing income. This is distinct from looking for purely the cheapest option as the cheapest does not necessarily fulfil all of the Council's criteria as set out in 5.3 of the report.
- 9.2 Notwithstanding the capital investment in the building and also the benefits attached to its location and favourable parking provision, securing tenants for the remainder of the property that sits vacant after the Police and TDBC are occupying their parts may prove challenging to let and consequently the space might need further sub division and / or acceptance that terms agreed might be less favourable than those agreed with the Police. Parts of the building might sit vacant for periods of time both before initial lettings but also when those leases come to an end. Whilst of concern operationally, as referenced in 8.2 of the report, further letting of only 95 square metres is needed to break even in cash flow terms over a ten year period. The reasoning for this is due to the investment needed in the building reflecting the costs of the backlog maintenance already included in the MTFP and necessary irrespective of new occupiers or changes in working practices but merely to remain at this property. It will be critical to design into any works as much flexibility as possible in terms of future occupier requirements to ensure surplus space can be let and so as not to impinge on the Council's own ability to transform further over the years to come.
- 9.3 From an Asset Management perspective it is critical that the future of this building is finally decided on so that essential works can be properly planned for moving forwards and avoiding unnecessary failure of key components impacting on the operational delivery of services within the building and increasing costs.
- 9.4 There are risks attached to this proposal and these from an asset management perspective are outlined adequately within sections 3.2 and section 5 of the Confidential Appendix D containing Finance comments.

10 Next Steps and Programme

- 10.1 A detailed programme will be developed when the project goes live, as key decisions are made on design and phasing, however the broad intention is to deliver a Cat A refurbished shell for the Police area by December 2017 in order for them to undertake their fit out and occupation in early 2018. This will be achieved by progressing a detail design period of three months from February onwards, followed by mobilisation and works delivery.
- 10.2 Officers have progressed preparatory work in order to expedite moving the project

forward as quickly as possible, but formal appointments will only be made following a positive Council decision. The following work has been undertaken:-

- Procurement and selection of Employers Agent/Clerk of Works and other professional services support.
- Recruitment of additional project manager capacity.
- Appointment of design professional to progress building master planning prior to design and build process
- Procurement and selection underway of Two Stage Design and Build Contractor from Construction Framework South.

10.3 Following a positive decision to proceed by Council next steps will include making these appointments, gearing up the project team and project management mechanics and progressing quickly to the detailed design stage.

11 Links to Corporate Aims / Priorities

11.1 A key theme of the Corporate Plan is, “to create an Efficient and Modern Council”, and an action within this is “Making better use of our land and property assets, investing in, transferring or selling assets where it make sense to do so”. This project represents a significant investment in an important Council asset that will result in better use of the accommodation and generate a positive impact on the Councils Medium Term Financial Plan.

12 Legal Implications

12.1 There are no direct legal implications arising from this report however all contracts and lease agreements entered into as part of the project will be undertaken in accordance with normal protocols re legal team involvement. Heads of Terms for the Police occupation have been agreed, an Agreement to lease will be in place prior to the formal appointment of a contractor.

13 Statutory Approvals

13.1 Initial advice from the Planning Team has been sought and advise as follows:

ASP require office space for their beat and response officers, including an enquiries desk. In my view, this falls into the same use class as the Councils' current operations and, therefore does not require planning permission and there are no further planning considerations. New external signage may require advertising consent.

13.2 Building Control approval will be required for the refurbishment work.

14 Environmental Impact Implications

14.1 Deane House currently operates at an EPC rating of D, the refurbishment works will substantially improve the environmental performance of the building and so help reduce our running costs. The predicted EPC rating after refurbishment is not yet

known as this will be determined through the detailed design process where a balance between cost and benefit will need to be struck. When further more detailed modelling and design of the building is undertaken more running cost related savings may be delivered via this project than are currently forecast in the business case.

Environmental improvements may include:

- More efficient mechanical systems will use less energy
- Improved building fabric will retain energy more effectively, meaning less heat will be needed to maintain comfort levels for users
- Intelligent building management systems will give granular billing of services to tenant(s), allowing accurate billing of services rather than generic service charges.
- Energy efficient lighting.
- Presence detection in spaces meaning lighting is only activated when space is being used.

15 Safeguarding and/or Community Safety Implications

- 15.1 No significant implications identified however co-location with Avon and Somerset Police can only enhance our already excellent partnership working arrangements which contribute towards tackling anti-social behaviour and crime.

16 Equality and Diversity Implications

- 16.1 As the proposals contained in this report consider the further use of a public access building and the high level decision in principle to proceed with the project, a detailed assessment has not been undertaken at this stage. However if the decision is taken to progress the project then during the detailed design stage and then via review through the implementation stage, all suitable Equality and Diversity implications for all users of the building and our services will be fully assessed and considered. This will also involve Building Control scrutiny of designs. It is clear however that the wholesale refurbishment of the building will afford many opportunities to improve the physical environment and associated access and other arrangements.

17 Social Value Implications

- 17.1 The Design and Build Contractor is being procured via the Southern Construction Framework. This framework is established as one of the principle routes to market for major works projects. Use of the framework has several advantages including the speed to market and the frameworks collaborative working methodology. Inherent in this methodology are key charters and strategies covering, for example, Environment and Sustainability, Health and Safety, Employment and Skills. Tenderers are required within their stage 2 bids to detail their commitments in respect of the numbers of work placement and apprentices that will be employed on the project. The scale of the framework means that greater overall rewards in respect of social value considerations can be achieved than could be by procuring a contractor in isolation.

18 Partnership Implications

- 18.1 The proposal presents an opportunity to further align the work of the Council more closely with key partners if they choose to locate services in Deane House particularly

where we share customer groups, most notably the opportunity to deepen our already very strong partnership working with Avon and Somerset Police following their confirmation of their intention to relocate Taunton operations to Deane House. In addition the potential for the colocation of other public sector partners would only enhance our wider collaboration.

19 Consultation Implications

- 19.1 The project has been the subject of protracted dialogue internally with members in particular a Member Steering Group convened for this purpose. The matter has also been raised with the Unison Change Forum and been the subject of updates to staff. In addition partner public sector organisations have been contacted to gauge interest in the colocation opportunity afforded by the project.
- 19.2 If the project is approved for progression by Council all of these routes will be amplified to inform in particular, the detailed design phase of the project. Of particular importance will be the involvement of as many staff as possible as key users of the building to ensure staff are able to shape the final outcomes. We will also explore appropriate customer engagement particularly around the future reception design to inform this part of the project.

Democratic Path:

- **Tenant Services Management Board - Yes**
- **Scrutiny – Yes**
- **Executive – No**
- **Full Council – Yes**

Reporting Frequency : Once only but with regular project updates for members via Member Steering Group.

List of Appendices (delete if not applicable)

Appendix A	Potential Area Plan Ground Floor
Appendix B	Potential Area Plan First Floor
Appendix C	Potential Area Plan Second Floor

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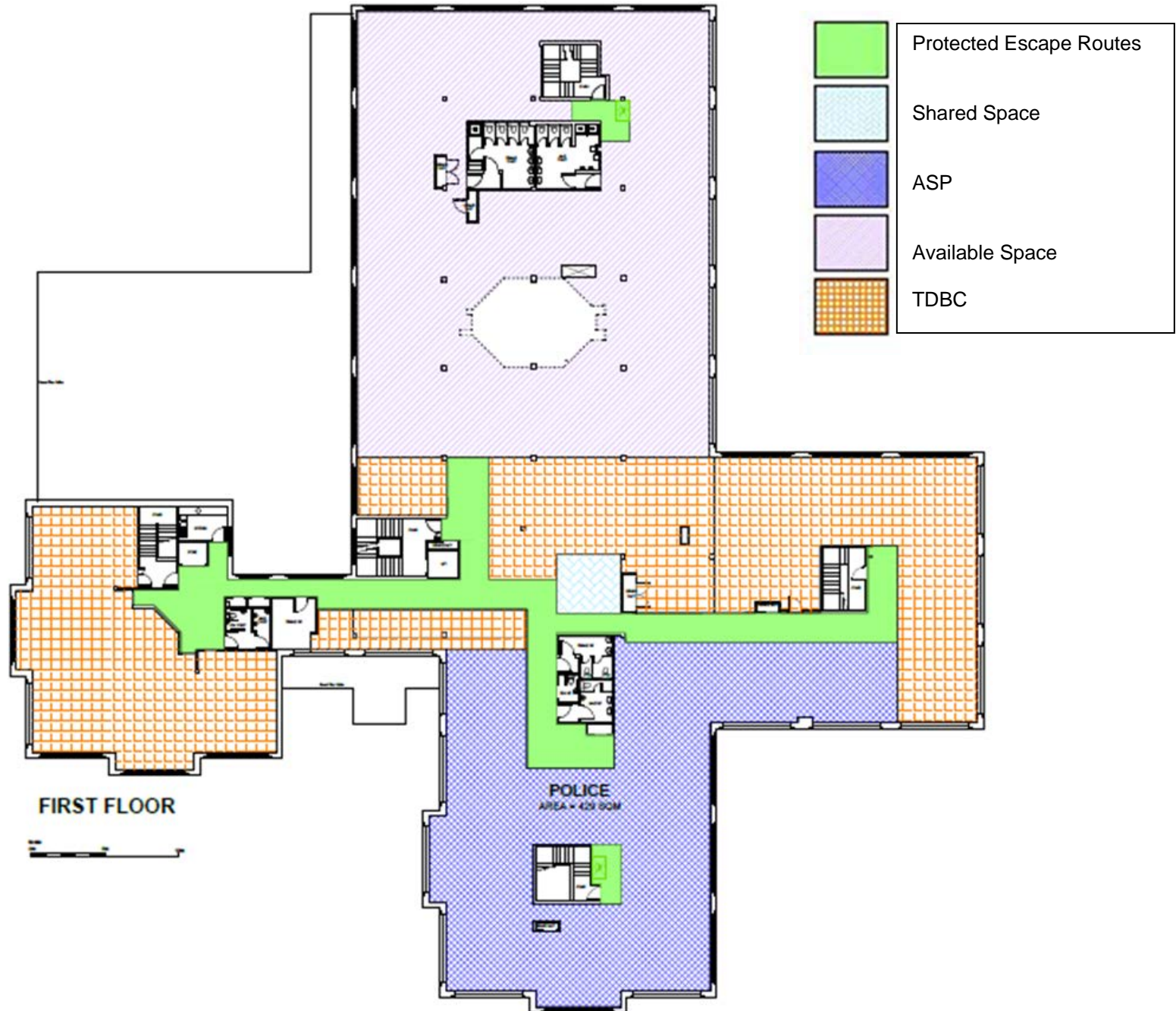
Appendix A

Indicative Area Plan Ground Floor



Appendix B

Indicative Area Plan First Floor



Appendix C

Indicative Area Plan Second Floor

