

# Taunton Deane Borough Council

## Tenant Services Management Board – 30 June 2014

### Council Accommodation

#### Director of Housing and Communities, James Barrah

(This matter is the responsibility of Executive Councillor Cavill)

#### 1. Executive Summary

This report presents a detailed feasibility study of two future options for Taunton Deane Borough Council Office Accommodation. The two options considered are a new build at Firepool and a move to County Hall. These two options are the Council's preferred accommodation solutions following an options appraisal exercise in December 2013. Members of the board are requested to consider the evaluation and make a recommendation on the Council's preferred option so that detailed planning, commercial negotiation and project management can commence.

#### 2. Introduction and Context

- 2.1 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, has had little refurbishment since then. It performs at EPC (Energy Performance Certificate) Level E and some of its infrastructure is coming to the end of its natural life. The building now needs significant investment.
- 2.2 At the same time the Council has the challenge of meeting an unprecedented budgetary challenge and is considering all ways of cutting overhead costs in order to safeguard investment in front line services. This report therefore further considers the future options for the Council's office requirements.
- 2.3 This review focuses on the future of the Council's main office base and looks at options for this. However accommodation cannot be considered in isolation or purely just as a financial and "bricks and mortar" issue. Whilst this report considers a detailed financial and qualitative evaluation of the two options, in making the key leadership decision on a preferred future solution the Council must be mindful of the following factors:
- That the Council's accommodation solution is just one part of our wider transformation agenda which also includes:-
    - IT enablement.

- Our approved Customer Access strategy and in particular moving customers away from face to face interactions to more efficient service channels.
  - Agile and flexible ways of working for staff (remote and home working).
  - The implications of JMASS and a single workforce supporting two Councils.
- The extent and ambition of the Council to seize the current opportunity to improve the service provided to customers by joining up services at the point of face to face delivery in a Town centre location with other public sector partners.
  - The ability for the Council to be as flexible as possible in future to generate ongoing efficiencies to assist in meeting the challenges of our MTFP, including the likelihood of further reductions in head count.

- 2.4 Deane House currently offers 4355 sqm NIA (Net Internal Area). It is currently occupied by around 400 staff mainly from Taunton Deane Borough Council and Southwest One. This includes the Southwest One Call Centre. All of these currently have a desk that they consider “theirs”. The Audit Partnership and Tone Leisure also have small offices within the building. Occupancy surveys show that desks are vacant for 40% of the time.
- 2.5 Deane House costs the Council around £650,000 per annum to occupy. Staying at Deane House will involve significant additional cost. The building is too large for the Councils current requirements. A full Condition Survey has been carried out on the building with recommendations of what work is needed to make it fit for purpose office accommodation. The building requires some £4.3M (inc fees) of expenditure on M&E and backlog, of which c. £3M will need to be spent during the course of the next 2-5 years. Without this investment, the Council runs the risk of the building becoming unfit for purpose.
- 2.6 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 on for example 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”.
- 2.7 The evaluation of our accommodation needs includes a range of qualitative criteria, including the importance of a flexible accommodation solution. In addition the evaluation focusses on a “best assessment” of the accommodation needs for the Council as we currently understand them. However it is important to note that this context continues to evolve and change with increasing pace, and as such our accommodation requirement will continue to alter. Key known variables that will have an influence on this issue to a greater or lesser extent include:-

- Contract end for Southwest One 2017 and the extent of any shared services (eg Call Centre) post any decision regarding the future of Southwest One.
- The extent of utilisation of West Somerset House in light of interest from other partners.
- Contract end for Tone Leisure 2019.
- Depot relocation project.
- Extent of IT investment and enablement.
- Outcome of JMASS staff proposals.
- Materialisation of community hubs where Taunton Deane Borough Council's staff may be located eg Halcon and Priorswood.

2.8 A DTZ study from as far back as 2008 (“Local Authority Office Accommodation: A determination to Change”) stated two key findings from their survey of local authorities’ approach to accommodation:

- Reductions in space per employee and improved sustainability credentials were cited as the main achievements; nearly half of the Councils believed that major change projects had significantly contributed to improvements in staff performance.
- Over 40% of respondents reported significant success in implementing new work space strategies including flexible working, improvements in space utilisation ratios and reductions in staff to desk ratios.

2.9 In the last five years since this study, many authorities have embraced this change, including several within Somerset (Somerset County Council, Mendip District Council, Sedgemoor District Council). All have found that it is possible to reduce desk space requirements by circa 40% by introducing new ways of working and investing in modern office space and equipment. All 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.

2.10 An example of this approach is “Shape Mendip”, based in the District Council Offices in Shepton Mallett. Here the District Council hosts Somerset County Council, the Police and a range of many other public sector agencies and partners at the Council Offices in Shepton Mallett. The facility is branded as “Shape Mendip” and not any single organisation and offers customers an increasingly joined up service at a refurbished reception facility. The refurbished offices now accommodate a greater

number of staff, consequently freeing up other public sector assets for regeneration or release of capital receipts.

### 3. Background

3.1 During the second half of 2013 an internal review and high level option appraisal was undertaken. This work culminated in the following Council resolution:-

- (1) The Key Principles against which the Council's future accommodation needs would be made be accepted as the correct ones;
- (2) Option 3 – Move to County Hall and Option 4 – New build at Firepool be adopted as the preferred options for the provision of the main office base of Taunton Deane Borough Council as the options which best met the Key Principles; and
- (3) Officers be requested to carry out full feasibility reports on the preferred options.

3.2 Following this and subsequent to a procurement process, the property consultancy "DTZ" were appointed to undertake detailed feasibility study of the two preferred options. The confidential report at Appendix 1 is the culmination of this stage of the exercise.

### 4. Review Process and Criteria

4.1 During the course of the review a refresh exercise of the previous assessment undertaken by Taunton Deane Borough Council has been undertaken with regard to Taunton Deane Borough Council's floor space requirements, and financial assumptions. This provides some fine tuning of the previous work and also allows the utilisation of Deane House as a baseline or comparison with which to contrast the two options being assessed.

4.2 The review process has also included further engagement with elected members to re-test the Key Principles used in the qualitative evaluation exercise. This has resulted in confirmation that the principles being used are the correct ones and established a ranking of these issues, as follows:

Key Principle	Rank
Asset Retention	1
Premises that are able to change as the authority changes (expand/contract)	2
Opportunities to add value by close working or shared/integrated services with other partners	2
Improvement in environmental sustainability	4
Located within Taunton	4
Make sense for the public purse/taxpayer (public perception)	4
Support the regeneration of Taunton	7

4.3 In addition the review process has now included consideration of potential increased usage of West Somerset House to accommodate the single staff structure supporting both Councils. There is the potential for additional workstations to be provided in West Somerset House on the basis of a more efficient desking layout and the introduction of Smart Office ways of working, thereby reducing the Taunton space requirement. However this would require some one off enabling investment to achieve the full potential capacity of this office; be subject to member approval at West Somerset Council and would require a payment from Taunton Deane Borough Council to West Somerset Council to ensure there is not any cross subsidy taking place between the two authorities. Consequently two floor space requirements are considered in the report dependent on whether full utilisation of West Somerset House can be made.

4.4 The appraisal process brings together two areas of analysis:-

- (1) Financial. A discounted Cashflow Model is utilised, this enables the projected costs of each option over a 25 year period, with a discount factor applied to convert the aggregated sums into Net Present Cost (NPC). The NPC's are then capable of direct comparison.
- (2) Non Financial. The options are tested against the Key Principles outlined above, with weighting applied to reflect the ranking of these principles applied by members.

## 5. Firepool Option Overview

This option incorporates a new build development immediately adjacent to the new Viridor building. Within this two sub options have been considered:- a 25 year commercial lease; and a Long (999 year) Lease (Virtual Freehold). Dialogue has been maintained with the Council's development partner (St Modwen) throughout the review process. It is important to note that St Modwen's ability to provide a building exclusively for Taunton Deane Borough Council's use based on a reduced space requirement for Taunton Deane Borough Council is restricted. It is therefore likely that a larger building would be provided with the remainder of the space built on a speculative basis. Therefore Taunton Deane Borough Council would be sharing the building with another tenant(s). As part of an ongoing dialogue with St Modwen a number of further variants options have been considered including a smaller building for sole TDBC occupancy. However none of these have improved the financial evaluation of this wider option.

## 6. County Hall Option Overview

Throughout the life of the review the plans for a Taunton Public Service Hub at the County Hall site have continued to evolve. The "offer" from Somerset County Council is to occupy refurbished Smart Office accommodation in either A or B block. This will include a new shared public reception and new shared member debating

space centred around A block. The reception area may involve a new glass atrium/extension between A and B blocks, incorporating other partners and services such as the Library. As outlined in the DTZ report there is significant interest from a wide range of other public sector organisations in coming to the site, primarily relating to a refurbished C Block. Firm intent has been expressed by the Police.

The County Council intends to make its investment decision on the redevelopment of County Hall as a public sector hub in the next few months. This is so it has enough time to get the accommodation ready to meet the deadlines set by other public service agencies moving to the campus. If the Council wishes to shape the design of County Hall to meet its own needs then there is an imperative to confirm its intention this summer.

## 7. Option Assessment – Overall VFM Outcome

Once both the Financial and Non-Financial Scores are finalised, the two scores are combined to derive an Overall Value for Money Outcome.

Before the scores are combined, a weighting is applied to represent the comparative importance of the Financial and Non Financial elements. It has been agreed that Financial aspects carry more importance to the Council than the Non Financial aspects. The overall agreed weightings were, therefore, financial 60% and Non Financial 40%.

In addition, it was recognised that there were different elements of the Financial analysis that would carry different weightings. As agreed with the Council, different weightings applied to these also as follows:-

- Revenue Costs 45%
- Capital investment 30%
- Longer term impact (Net Present Cost) 25%

The following is the outcome of the Overall Value for Money assessment:

	60%	40%	100%	
	Financial Scoring	Qualitative Scoring	Total Combined Scoring	VFM Ranking
DH SQ+	48.67	95.15	67.26	4
SCC 25- Year Lease	97.68	100.00	98.61	1
Firepool LL	73.46	98.79	83.59	2
Firepool 25 Year Lease	76.09	68.48	73.05	3

The above concludes that, when combining the Financial and Non-Financial scores, an accommodation solution at County Hall is shown to be the best overall Value for Money Option.

A Virtual Freehold at Firepool ranks in second place.

Remaining in occupation of Deane House and investing in the building fabric and services, ranks in last place.

## 8. Deane House Disposal

Both the options under consideration assume the subsequent disposal of Deane House and the wider site. Resource will need to be targeted to address this issue and to ensure the Council does not retain a costly liability and that the financial and regeneration benefits of this key town centre site are realised for the benefit of the Council and the Community.

Options to be considered and progressed for the site:

- Straight unconditional sale.
- Seek outline planning permission and then dispose.
- Unconditionally or conditionally.
- Unconditional sale in part or plots.

Other Joint Venture type proposals where the Council retains an interest in the site in conjunction with a partner organisation will also need to be assessed.

## 9. Potential Next Steps

Any agreement to move Taunton Deane Borough Council's accommodation from Deane House be that County Hall or Firepool would involve many substantial next steps and tasks to implement, this in turn will require significant resource. A more detailed assessment of these tasks and potential timescale is included in the DTZ report, however these steps can be summarised in the table below:-

<b>Role/Task</b>	<b>Responsibility</b>	<b>Source internally or externally</b>
Lead Member	To take overall responsibility for the Project.	Internal
And	To act as the main point of Senior Contact within the Council.	
Director	To provide updates to Members.	
Project Sponsor	To monitor the overall budget and spend related to the Project.	

Project Management (internal)	<p>To take responsibility for the day to day progress of the project and the Project Programme.</p> <p>To liaise with Officers and Advisors as necessary to monitor their activities and performance against the agreed programme.</p>	Internal
Project Management (external)	<p>To take overall responsibility for the performance of the External Advisory Team eg the agents, the works administrators and the development consultants.</p> <p>To act as the main point of Senior Contact within the External Advisory Team liaising regularly with the Project Champion.</p> <p>To attend Member presentations.</p> <p>To monitor the overall spend of the External Advisory Team against the agreed advisory budget.</p> <p>To recommend and co-ordinate additional advisory services (eg space planning, valuation, planning) if essential to the delivery of the Project.</p>	External.
Agency	<p>To negotiate Heads of Terms for the occupation of Block A.</p> <p>To instruct solicitors to draft the Agreement for Lease and Lease.</p> <p>To comment on the drafting of the Agreement for Lease and Lease as required ensuring it meets the Council's requirements.</p>	External
Space Planning	<p>To undertake space planning at:</p> <p>West Somerset House County Hall</p>	External



Due Diligence	To undertake a survey of the appropriate Block at County Hall to ascertain potential future repairing obligations.	External
Fit Out and Works Monitoring	<p>To agree the layout and the application of the Smart Office specification to TDBC space.</p> <p>To liaise day to day with SCC's Contracts Manager.</p> <p>To represent TDBC at site meetings (potentially weekly once works are on site).</p> <p>To monitor the quality of workmanship and progress against an agreed programme.</p> <p>To monitor costs (if they impact upon TDBC).</p> <p>To sign off practical completion of the fit out works.</p>	External
Development Consultancy (and planning)	<p>To prepare a Development Brief and Marketing Strategy for Belvedere Road.</p> <p>To co-ordinate any pre disposal site/value maximisation activities.</p> <p>To act on the Council's behalf in the disposal of Belvedere Road.</p> <p>To confirm that Best Consideration has been achieved.</p> <p>To act on the Council's behalf in the submission of an outline planning application (if required).</p>	External

## 10. Project Management Costs

Some cost estimates have been acquired to support the project via external project management support and other professional services. These will be subject to further negotiation and suitable scrutiny via procurement.

The anticipated third party costs to see the project through to completion in 2017 are in the region of £250,000. This figure includes the costs associated with the disposal of the Deane House site. It is important to note that these costs would be incurred for both new accommodation solutions being considered.

It is therefore recommended a budgetary provision is made of £250,000 for project implementation.

If Full Council do not agree to progress the recommended option and therefore remain at the Deane House site, this will also necessitate significant project management costs in order to scope and procure the investment required to allow ongoing occupation of Deane House.

## **11. Consultation and Governance**

At the time of the previous report on this matter a consultation response was provided from Unison which was considered by the Executive in making its decision at that time on the two preferred options.

It has not been possible to consult Unison before the preparation of this report. However the report has been shared with Unison and any response will be fed into the meetings of Scrutiny, Executive and Full Council reports.

Following establishing the Councils preferred option a staff consultative and working group will be established to assist the project team in moving the issue forward.

A small working group of Members has been established to assist with the project. To date some site visits have been undertaken. In addition a Members Briefing session was held recently where representatives of Mendip District Council (Shape Mendip), Somerset County Council (County Hall) and St Modwen (Firepool Option) provided further background information on what has been achieved elsewhere and the options being considered by the Council. It has been suggested that there could be some benefit in a representative member group to have an oversight of all our transformation work. This could be an evolution of the "JPAG" arrangement set up for the JMASS project.

In addition a staff working / consultative group will be established to support the detailed design of the project and provide detailed operational feedback. This will be set up once a preferred option is identified.

## **12. Finance Comments**

Given the nature of the financial comments these are on a confidential paper

## **13. Legal Comments**

At this stage there are significant legal implications to consider however significant legal input will be required once a preferred option is identified.

#### **14. Links to Corporate Aims**

This work is a key project identified in the Council's current business plan under Aim 4: A Transformed Council and to Transform the way we work.

#### **15. Environmental Implications**

Deane House currently operates at an EPC rating of E. The two options considered will improve this position:

Option 1: New Build Firepool – Likely EPC rating B.

Option 2: County Hall – Predicted EPC rating after refurbishment is C.

#### **16. Community Safety Implications**

No significant implications identified.

#### **17. Equalities Impact**

A high level assessment suggests both options do not raise any specific equalities issues. However once a preferred option is identified a detailed Equalities Impact Assessment will be undertaken.

#### **18. Risk Management**

Key risks of the options have been considered as part of the feasibility study. Once a preferred option is known a full risk assessment of the project will be undertaken as part of the project management process.

Risks that will be included in this process include:-

- Mitigation and “plan B” if the preferred option does not materialise for example if agreement is not reached on heads of terms.
- How reliant the options are on the participation and sign up by other partners?
- Delays on the disposal of the Deane House site.

#### **19. Partnership Implications**

The two options considered present varying degrees of opportunity to align the work of the Council more closely with key partners, most notably the County Hall option presents a significant opportunity to further join up services with SCC, ASP etc by the creation of a public sector campus at County Hall.

## 20. Recommendations

Members of the Tenant Services Management Board are requested to comment on this report with a view to recommending:-

1. That the Council's preferred option for its main office accommodation, reception and member debating space is at County Hall, subject to the County Council confirming its intent to develop the site, agreement of Heads of Terms and detailed commercial negotiations and design.
2. That delegated authority is provided to the Director of Housing and Communities to progress this project to completion, in consultation with the Portfolio Holder for Asset Management.
3. That a budget of £250,000 is allocated for project related costs. That this is funded from the General Fund reserve and from the HRA reserve on a percentage split based on the current level of accommodation split for Deane House.
4. That approval is provided to initiate steps to facilitate the disposal of the Deane House site on the most favourable terms.

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## Background Papers

Taunton Deane Borough Council's Executive Report 4 December 2013 – Future Options for Council Accommodation.

## Appendices

1. Confidential DTZ report: Operational Offices Options – Value for Money Assessment – June 2014.
2. Confidential paper – financial comments section.