



To: Executive Councillor for Customer Services and
Resources:
Councillor Julie Smith
Report by: Frances Barratt Corporate Project Manager
Relevant Strategy & 8/7/2013
scrutiny Resources
committee: Scrutiny
Committee
Wards All Wards
affected:

OFFICE ACCOMMODATION STRATEGY
Key Decision

1. Executive summary

1.1 The report sets out the Council's aspirations and approach to the future provision of office accommodation. The report describes the Options, funding requirements and timescales for office reallocations to vacate Lion House ahead of the termination of the lease in September 2014.

2. Recommendations

The Executive Councillor is recommended to :

- 2.1 Approve the aspirations of the long term strategy.
- 2.2 Support the approach to the further development of long term strategy.
- 2.3 Approve the approach, described as Option 2, to vacate Lion House.
- 2.4 Approve Option 2 based on internal borrowing for the cost of change to be repaid out of savings and the income generated by Option 2.
- 2.5 Review the financial implications of the office accommodation strategy in the Mid-year Financial Review in September.

3. Background

- 3.1 The Council uses eight buildings as its main administrative offices and each presents differing challenges in providing cost-effective, up to date, appropriately located accommodation for the administrative and operational purposes of The Council.
- 3.2 The Office Accommodation Strategy will work towards a future where the City Council need less office accommodation, thereby providing for a reduction in cost and the potential to redeploy its assets to generate revenue income or capital receipts.
- 3.3 The strategy will focus on the emerging challenges faced by the council including;
- the need to reduce cost and increase income in order to meet the financial challenges in the coming years;
 - the need to achieve suitable office conditions in appropriate locations;
 - the implications resulting from the termination of the leases for Lion House in the immediate future,
 - the need to provide suitable accommodation for services provided in the local community;
 - the need to understand the Options for a future Depot facility.
- 3.4 The strategy will seek to address the challenges anticipated over the next 7 to 10 years and will aspire to:
- Maintain a civic and customer presence in the heart of Cambridge City.
 - Provide accommodation and facilities to enable service delivery in the local communities.
 - Provide buildings that are fit for purpose and accessible to customers and staff; that are clean, well maintained and have up to date facilities.
- 3.5 In achieving this vision the strategy will aim to:
- Pro-actively manage the changing needs for office accommodation, exploring the business case and Options for the deployment of each building.
 - Develop a viable business case for a replacement for the Mill Road depot, with partners or independently.
 - Develop opportunities to generate income from vacant office space.

4. Developing the long term strategy

- 4.1 The full data required for an informed decision about the long term use of our buildings, which to keep and invest in and which to transfer to commercial use or to sell or lease, is not yet available.

Building Condition and Investment

- 4.2 The Council has commissioned stock condition surveys of its administrative buildings which will provide a conditions report and a costed maintenance programme. The collection of the survey data is nearing completion for the internal areas of the three main administrative buildings. Mouchel have been commissioned to carry out external surveys and provide a costed programme and these are anticipated to be completed by end July 2013. The purpose of the survey is to identify the current condition and future planned maintenance requirements of the Council's administration buildings in order to develop an effective long-term planned maintenance programme. This work will underpin the assessment of the full-life costs of each administrative building and will provide the basis for the tender process to engage a suitable contractor for the planned maintenance of administrative buildings. The Council does not currently have a full-life cost for each building. This will be essential to enable decisions to be taken about the comparative values and benefits of continued occupation or release of each administrative building.

Mill Road Depot

- 4.3 There are a number of Options being explored for the future use of the Mill Road Depot site;
- work in partnership with others to build a joint operations centre at a new location,
 - build a new operations centre by ourselves
 - retain and develop the site for our office accommodation and operational needs.

The Making Assets Count (MAC) Joint Operations Centre (JOC) project has developed a detailed business case (stage 2) for the development of a Joint Operations Centre with five partners. The City Council's Property Services Section has been commissioned to compare the Options being developed by MAC to alternatives for the City Council to replace or redevelop the Mill Road depot site independently. These Options appraisals are expected to be ready for consideration by Members within the next few months.

- 4.4 There is an estimated 3 year lead-in time for the delivery of a new site, with or without partners. In the event that a decision is made about the future of the site,

by Members, in the Medium Term Strategy for 2014/15 the estimated year of completion for the project would be 2017.

Service and Strategic Issues

4.4 The future size and shape of the City Council is difficult to assess at this point in time as there are several developments that may have an impact on the number of staff in the council and therefore the level of office and light industrial space required in the future. Of particular importance is:

- The work currently underway which is examining the potential to align the County and District waste collection through the Cambridgeshire and Peterborough Waste Partnership, (also known as RECAP).
- The potential to share services across a number of support services with other authorities, this also opens the opportunity to share office accommodation.
- Reforms to the system of welfare payments and local taxation may have considerable implications for the Council and the delivery of these services in the future.

5. Immediate demand for change

5.1 In the short term, by July 2014, we need to relocate officers currently at Lion House as the lease for this building ends in September 2014.

5.2 The lease cost of Lion House is currently £361,900 per annum. Savings of £334,000 (from 2015/16 onwards) have already been building into future budget provisions. However, the dilapidations and costs of making the moves have not.

5.3 The Lion Yard commercial property income projections take into account a reduction in income for 1 year following the Council's predicted vacation of the Lion House offices in September 2014. If the offices remain unlet after more than 1 year, the net impact to the Council will be a reduction in income of circa £85,000 per annum. We own the freehold and we get 25% of the net rental income from all of the Lion Yard units, including the offices. This has an impact on the council's finances when any of the units are void.

5.4 The end of the lease of Lion House presents an immediate need to make changes to the allocation of office space to accommodate around 57 staff, training, IT training and meeting rooms at Lion House to other locations. There are a number of approaches that could be taken to this, each of which has differing impacts on the number of staff affected, workload required to affect the moves and cost of the moves.

5.5 Parts of the rear and Peas Hill side of the Guildhall are already let for commercial use. This area generates circa £285,785 income per annum to the City Council. The rear of the Guildhall towards the Red Cow (known as the annex and staff rest

room) has the potential to be let on a similar basis at an estimated annual income of £100,000 per annum. This is subject to the cost of conversion, currently estimated at £100,000, and the assumption that the property will readily be let in the open market, for which no market testing has been undertaken.

6. Options to Vacate Lion House

- 6.1 There are two broad approaches to the release of Lion House; to address only the need to relocate staff at minimum costs or an extended scheme that takes a wider approach to create the opportunity to create better Service groupings and provides replacement for the Lion House training and meeting facilities. There is also the opportunity within the second Option to create vacant space to generate income.

Option 1: Minimum moves and costs

- 6.2 This Option provides only for the relocation of staff currently in Lion House. It assumes that these staff could be fitted into space available at Mill Road, The Guildhall, Hobson House and Mandela House and limits other moves to the minimum in order to contain costs.
- 6.3 The type of rooms readily available do not lend themselves for use as training rooms and therefore re-provision of the current level of meeting and training facilities at Lion House would not be possible. In this Option there would be no direct re-provision of the training and meeting space currently available at Lion House. These services could be provided by Community Development at the Community Centres or rented direct from other providers.
- 6.4 The minimum costs associated with the moves are the costs of packing and removal and some basic repainting and re-carpeting of the offices affected. The costs exclude the cost of replacement furniture as this Option assumes that furniture would be reused. It also excludes the added cost of renting training and meeting rooms. On this basis Option 1 would cost around £97,565 for the relocation of staff to space available in other offices and a further £100,000 for dilapidations. Total cost, detailed at appendix A, is £197,565 plus the cost of renting any meeting rooms.
- 6.5 The advantage of this approach is that it limits the costs to those directly related to the release of Lion House and limits the number of staff impacted by moves.
- 6.6 The disadvantages of the approach is the detriment to working conditions and practices to staff who are used to being together being moved to differing locations and the added challenge of managing staff across a number of locations. Further, the reduction in the amount of communal and training space available would present a challenge to the wider organisation. This Option does

not respond to other Services' requirements to co-locate staff for operational reasons. The Option does not provide a mechanism to generate additional income or reduce expenditure above that which is already provided for within the budget.

Option 2: Vacate Lion House, relocate a wider range of staff and generate income:

- 6.7 Option 2 provides for the relocation of staff from Lion House and relocates other staff between The Guildhall, Mandela House, Hobson House and Mill Road, to achieve more effective operational clusters. It further provides for the re-provision of training and multipurpose space at the Guildhall and Mandela House and finally to vacate space at the rear of the Guildhall to create space at the rear of the Guildhall for letting to generate an additional income stream for the council.
- 6.8 In Option 2 those staff currently located at Lion House would be relocated to the Guildhall, The Guildhall would become the main accommodation for those services close to civic decision making and become the main base for Resources and Chief Executive's Department, whilst continuing to house most of the Planning Service. Mill Road depot would be used for those services that deliver light industrial services and would become the main location for the Environment Department. Mandela House and Hobson House would be the main base for services that need close proximity to the Customer Service Centre and would be the main base for the Customer and Community Services Department. The rear of the Guildhall known as the annex would be let for commercial use.
- 6.9 The work effort to achieve this change would be significant and impact on a substantial number of staff (around 250 out of around 680 office based staff would need to be moved to achieve this option) and would need to be realised in a relatively short period of time, by the 12 months to the end June 2014. However, it would afford the opportunity to bring together services with a common interest to the same location and would satisfy a number of Services' immediate operational requirements to co-locate teams.
- 6.10 This option would also require the adoption of flexible working practices, such as desk sharing, use of communal office spaces, working from home and mobile working, particularly for those services located at the Guildhall and Mandela House.
- 6.11 The total cost for this option, detailed at appendix B, would be circa £527,190 and it could generate financial benefit of £461,900 per annum from financial year 2016/17 onwards (£334,000 of which has already been built into future budget provisions – reflecting the termination of rental payments and services charges and operational building costs for Lion House).
- 6.12 In comparison with Option 1 this represents an additional cost of around £329,625 (before repairs and renewals funding) but could generate an extra £100,000 per year of income which is not provided in Option 1. This represents a pay-back in

financial year 2018/19 with a net contribution to savings requirement from 2016/17 onwards of £127,900.

7. Organisational Change

- 7.1 The practical driver for adopting new ways of working such as; desk sharing, remote or home working, is to enable the council to reduce the number of buildings and/or floor space it deploys as office space, now and in the future. By releasing floor space from use as office accommodation the Council will be able to reduce net running costs, and create the potential to generate income and realise capital receipts.
- 7.2 The 2007 – 2010 Office Accommodation Strategy established standards based on the Approved Code of Practice for The Workplace (Health Safety and Welfare) Regulations that requires that at least 11 cubic metres (or 3.7 square metres floor area) be allowed for space taken up by the workstation and that 6-8 metres floor area per person should be allowed when including filing and circulation space.
- 7.3 There are currently no council wide standards applied for desk sharing. Whilst some part time staff desk share, most full time office staff have a desk allocated for their sole use. Flexible-working technologies allow staff to work at a variety of locations, including, City Council offices, partners' offices and in the wider community or, in their own home.
- 7.4 The technology for home and flexible working which allows users to log onto the council's network environment and to access the main desk top and a limited range of business systems in a secure way has recently been extended by the desk top upgrade project which is currently being implemented.
- 7.5 The long term Office Accommodation Strategy will need to be supported by a further expansion of the technology and an upgrade to telephone system which are planned in the ICT strategy for 2014/15.
- 7.6 Lifestyles have changed in the past decade: People are more mobile and generally work more flexible hours often wishing to work from home. The long term strategy will develop a range of office Options such as hot-desking, touchdown, open plan offices and creation of flexible group working spaces that support and encourage such a flexible work-force. New ways of working supports the recruitment and retention of a quality, diverse, flexible and committed workforce. The demands placed on the Council from the need to release Lion House brings with it the challenge and opportunity to address some of these new ways of working in advance of the long term strategy.

8. Implications

(a) Financial Implications

Whilst both Option 1 and 2 involve the need for one off expenditure in order to deliver the associated changes both Options are capable of repaying these costs

from resulting net savings. In the case of Option 1 the initial net cost of £163,565 would be repaid by 2019/20. In the case of Option 2 the initial net cost of £365,090 would be repaid by 2018/19 - allowing time for construction and letting of the new commercial space. Following pay back of the initial costs Option 1 would contribute a net £27,900 to the council's net saving requirement and Option 2 would contribute £127,900.

It is recommended that the council use internal borrowing in the first instance to fund the net costs associated with change, the borrowing being repaid from the resulting net savings.

Benefits of making changes using Option 1

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£	£	£	£	£	£
Cost savings from Lion House (lease and direct premises costs)	0	(205,240)	(361,900)	(361,900)	(361,900)	(361,900)
<u>Less</u> Lion House savings already built into future budget provisions (budget database reference S2474)	0	167,000	334,000	334,000	334,000	334,000
Financial benefit of change	0	(38,240)	(27,900)	(27,900)	(27,900)	(27,900)
Total cost for Option 1 (see Appendix A)	97,565	100,000				
Repairs and Renewals Funding	(34,000)					
Net Cost/(Saving) to Cambridge City Council	63,565	61,760	(27,900)	(27,900)	(27,900)	(27,900)
Cumulative Net Cost/(Saving) to Cambridge City Council	63,565	125,325	97,425	69,525	41,625	13,725

Estimated payback in 2019/20.

Benefits of making changes using Option 2

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£	£	£	£	£	£
Cost savings from Lion House (lease and direct premises costs)	0	(205,240)	(361,900)	(361,900)	(361,900)	(361,900)
<u>Less</u> Lion House savings already built into future budget provisions (budget database reference S2474)	0	167,000	334,000	334,000	334,000	334,000
Income potential from letting part of the Ground Floor of The Guildhall (broad assumptions)	0	0	0	(100,000)	(100,000)	(100,000)
Financial benefit of change	0	(38,240)	(27,900)	(127,900)	(127,900)	(127,900)
Total cost for all parts of Option 2 (see Appendix B)	377,190	150,000	0	0	0	0
Repairs and Renewals Funding	(162,100)					
Net Cost/(Saving) to Cambridge City Council	215,090	111,760	(27,900)	(127,900)	(127,900)	(127,900)
Cumulative Net Cost/(Saving) to Cambridge City Council	215,090	326,850	298,950	171,050	43,150	(84,750)

Estimated payback in 2018/19.

(b) Staffing Implications

The impact on staff and services largely depend on the Option chosen.

Option 1 – could have an adverse impact on staff in the HR, Accountancy, Internal Audit and Procurement Teams through a detriment to their current working conditions. It could have a further adverse impact on a wide range of staff by the reduction in the current provision of training and meeting space available.

Option 2 – would require a significant work effort to implement over the next year. It would challenge the status quo in areas such as desk occupancy, office allocations and require staff and managers to adopt new ways of working such as desk sharing and working at a variety of locations. It will challenge managers and staff to adopt a “One Council” approach to ownership of desks, meeting facilities and offices.

(c) **Equal Opportunities Implications**

An EqIA examined the potential impact of the long term strategy and the development of more flexible ways of working required for Option 2 of the medium term proposals.

The assessment identified the need to ensure access issues were addressed in building refurbishments and office design and lay-out.

The assessment suggests that there could be negative impact associated with the deployment of flexible ways of working, as this way of working may have negative impact on work/life balance particularly of those staff with caring responsibilities.

Consideration of personal well-being and health factors should be taken into account when considering suitability for home working and flexibly working to ensure that staff with mobility, accessibility, caring or other life demands are not disadvantaged if their particular circumstances do not suit working from home or at different sites.

(d) **Environmental Implications**

The business case for the long term strategy for office accommodation will seek to safeguard the Council from future increases in fuel prices by prioritising the use of efficient buildings over inefficient ones.

Under Option 2, the Council's energy use will decrease in some areas but increase in others. Lion House is a very inefficient building due to the building fabric and the use of air conditioning. Moving officers out of Lion House will reduce the Council's energy use hugely. However, the energy use in the buildings where officers are relocated to will increase. Using the Guildhall or Mandela House for training purposes will also increase energy use in these buildings.

Letting space at the rear of the Guildhall may reduce energy use, but only if the energy used by the tenants can be sub-metered allowing the Council to recharge the tenants for any energy they use or if the tenants install separate electricity or gas supply.

Option 2 is therefore given a Nil Rating as it is estimated that the Council's energy use and hence carbon emissions will have a reduction in usage as a result of leaving Lion House but potential increase in other sites, which will offset this 'saving', at least partially. This rating is given on the assumption that tenants are recharged for the energy they use or they have their own electricity and gas supply.

(e) **Procurement**

Option 2 for the medium term strategy will require the purchase of replacement furniture. The procurement will be managed through the County Council's furniture, space planning and removals contract.

There will be a requirement for minor works, painting and decorating and these will be delivered through existing contract.

(f) **Consultation and communication**

The Options for the implementation of moves from Lion House may have an impact on customers if they come to the Guildhall or make telephone calls at the time of refurbishment or office moves. Managers and staff within the service will take account of the needs to communicate with customers as they prepare for the changes that impact their service.

Senior Managers will develop individual projects to manage the change including consultation and communication with staff about the introduction of new ways of working and office relocations.

(g) **Community Safety**

No impacts

9. **Conclusion**

Option 2, as discussed above and detailed at Appendix B, provides effective accommodation for operational purposes. It generates a financial contribution to the savings target in the long term as it creates an additional income stream for the General Fund and it avoids the operational inefficiency created by the more random space allocation of Option 1.

10. **Background papers**

These background papers were used in the preparation of this report:

11. **Appendices**

Appendix A: Financial Detail - Option 1

Appendix B: Financial Detail - Option 2

12. **Inspection of papers**

To inspect the background papers or if you have a query on the report please contact:

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Appendix A

Office Accommodation Strategy

Cost of Option 1 - Vacate Lion House deploying space available

	2013/14 £	2014/15 £	Total Costs £
Painting and carpeting offices affected by transfer (439 m2 @ £35 per m2)	15,365	0	15,365
Cost of moving 60 staff @ £120 per move	7,200	0	7,200
Cost of moving IT and Equipment for 60 staff @ £80 per move	4,800	0	4,800
IT/Telecommunications Costs	16,200	0	16,200
Other IT Costs	30,000	0	30,000
Allowance for new furniture for 60 staff @ £400 per member of staff	24,000	0	24,000
Option 1 - Minimum costs of relocating staff from Lion House to space available	97,565	0	97,565
End of Lease Dilapidation costs	0	100,000	100,000
Option 1 - Total Costs	97,565	100,000	197,565

Office Accommodation Strategy - Source of funding Option 1

	£
Administrative Buildings	0
Departmental R&R provision for Decorating and Carpeting	34,000
IT Training facility provision	0
Total Contribution from R&R Funds	34,000

Appendix B

Office Accommodation Strategy

Option 2 - Vacate Lion House, relocate staff and facilities and make better operational use of space deployed

	2013/14 £	2014/15 £	Total Costs £
Painting and carpeting offices affected by transfer (1000 m2 @ £35 per m2)	35,000	0	35,000
Minor works (stop up and release doors, remove some partitions)	2,400	0	2,400
Cost of moving 250 staff @ £120 per move	30,000	0	30,000
Cost of moving IT and Equipment for 250 staff @ £80 per move	20,000	0	20,000
IT/Telecommunications Costs	16,200	0	16,200
IT Training Facilities	10,000	0	10,000
Other IT Costs	30,000	0	30,000
Allowance for new furniture for 125 staff @ £400 per member of staff (1/2 all moves)	50,000	0	50,000
Establish hot desk/drop in offices at each location (12 PCs, 12 work stations and 3 offices decorating)	14,310	0	14,310
Project resources to manage redecoration, furniture and moves	30,000	0	30,000
Option 2 - Cost to relocate staff from Lion House and make better operational use of accommodation	237,910	0	237,910
End of Lease Dilapidation costs	0	100,000	100,000
Option 2 – Sub-total for office moves and to vacate Lion House	237,910	100,000	337,910
Re-provide training and multi-purpose space			
Refurbishing offices behind Reception at The Guildhall to create multi-purpose space	38,000	0	38,000
Re-design The Guildhall Reception	20,000	0	20,000
Refurbish Room 115 at Mandela House to create multi-purpose space	16,400	0	16,400
Project resources to manage design and refurbishment @ 20% of above estimated cost	14,880	0	14,880

Option 2 - Sub total for the re-provision of training and multi-purpose space	89,280	0	89,280
Generate Income from rear of The Guildhall (Annex and Staff Rest Room)			
Cost of remedial works/separations for The Guildhall to facilitate lettings	50,000	50,000	100,000
TOTAL COST FOR ALL PARTS OF OPTION 2	377,190	150,000	527,190

**Office Accommodation Strategy - Source of funding
Option 2**

	£
Administrative Buildings	17,000
Departmental R&R provision for Decorating and Carpeting	125,100
IT Training facility provision	20,000
Total Contribution from R&R Funds	162,100