

DECISION-MAKER:	CABINET		
SUBJECT:	ACCOMMODATION STRATEGY UPDATE 2014		
DATE OF DECISION:	15 JULY 2014		
REPORT OF:	CABINET MEMBER FOR RESOURCES AND LEISURE		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Annabel Fox	Tel: 077 8830 4557
	E-mail:	Annabel.fox@southampton.gov.uk	
Director	Name:	Mark Heath	Tel: 023 80 832371
	E-mail:	Mark.heath@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

Not applicable.

BRIEF SUMMARY

This report recommends the next steps in the Accommodation Strategy for Civic Buildings, as the current programme of works and moves is due to end in August 2014 with the conclusion of ASAP (the Accommodation Strategy Action Programme) and the vacation of Marland House.

Following careful management of these schemes, there is an under spend against the budgets for both schemes. This report provides a summary of works covered by both ASAP and Marland House vacation and sets out proposals to vire the remaining capital budgets into a new Accommodation Strategy scheme within the overall Resources Portfolio capital programme to cover future accommodation changes, including the potential vacation of the council occupied floors within One Guildhall Square (OGS) subject to a suitable tenant being identified and to extend the scope of the remaining revenue budget to support these accommodation changes.

The Strategy will also consider as a further future stage the vacation and disposal of Service Property with moves into the Civic, once OGS has been vacated. The strategy will continue to incorporate the use of flexible and mobile working and the potential conversion into offices of some spaces in the Civic Centre, alongside the provision of additional desks.

RECOMMENDATIONS:

- (i) To approve the next phase of the Accommodation Strategy to enable the potential vacation of One Guildhall Square, followed by Service Properties through the implementation of further accommodation changes to in order to generate ongoing revenue savings
- (ii) Subject to the conclusion of successful negotiations with a third party, to approve the grant of a lease of the Council's office space within OGS and delegate authority to the Head of Property, Procurement and Health & Safety and the Head of Legal and Democratic Services to finalise the detailed terms and complete the lease.

- (iii) To add in accordance with Financial Procedure Rules a sum of £1,837,000 to the Resources Portfolio Capital programme in 2014/15 to enable the next phase of the accommodation strategy to be implemented.
- (iv) To vire in accordance with Financial Procedure Rules a sum of £742,000 from the Accommodation Strategy Action Programme (ASAP) and £1,095,000 from the Vacation of Marland House schemes within the Resources Portfolio Capital programme to the newly created scheme for the next phase of the accommodation strategy
- (v) To note the revenue under spend of £425,000 as set out in the report and approve the extended scope of this remaining budget to now include spend to support the next phase of the accommodation strategy.
- (vi) To note that the existing authority delegated to the Director of Corporate Services will continue to be applied, to allocate premises related resources (revenue and capital) to enable any works necessary to be delivered to ensure the implementation of this next phase of the Accommodation Strategy.

REASONS FOR REPORT RECOMMENDATIONS

1. To approve the changes to the Accommodation Strategy and put in place appropriate funding and approvals for its ongoing implementation to facilitate future accommodation changes as required.
2. To enable the Council to lease its office space in One Guildhall Square to a third party to enable a further rationalisation of office accommodation to generate an ongoing saving to the council from both a reduction in running costs and an additional rental income.
3. To enable the Council to vacate and dispose of Service Property.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4. Leasing in new office premises is more costly than the proposals set out in this report.

DETAIL (Including consultation carried out)

Introduction

5. The Accommodation Strategy was approved in 2004 and updated in 2005, 2008, 2009, 2011 and 2013 to vacate five leased buildings and one freehold building, allowing for urgent repairs to the cladding of Marland House and subsequently the Civic Centre to avoid building failure, helping to facilitate the Council's occupation of One Guildhall Square and introducing flexible working and modular layouts.
6. The 2009 & 2013 reports note that *"..reviews are built into the Strategy to cover substantial changes that may take place and to provide Risk Management for the Strategy to ensure that it continues to meet the needs of SCC."*

7. This report looks to the future of the Accommodation Strategy, together with the winding up of the existing projects and proposes that under spends on these are transferred to a new capital scheme to enable future accommodation changes and ongoing savings to be achieved.

Winding up of existing Accommodation Strategy Projects:

Vacation of Marland House

8. The disposal of Marland House was approved by Cabinet to support regeneration of this part of the city, to save running costs of the building and to avoid significant repair costs in the future. The initial deal agreed has faltered and the property has been re-marketed. It is anticipated that another deal will be agreed shortly and a further update is provided as part of a separate report on this agenda. The vacation of the building is proceeding to ensure savings can be maximised and vacant possession provided.
9. In addition to this, it is noted that this project has assisted the implementation of the People Transformation Project, by enabling the Multi Agency Safeguarding Hub (MASH) to be located in the Civic Centre alongside the co-location of People's Children & Families and directorate support services in the North Wing, also helping to enable the disposal of a number of Service Properties.
10. The approved capital budget of £1,200,000 was established to cover any works for the conversion of non office space within the Civic Centre, although it was stated at that time that no works would be undertaken unless absolutely necessary. The clear instruction was to find a more cost effective solution through the use of flexible working and other changes in working practices including desk use at a ratio 4:3 staff to desks and adoption of 1200mm desks in the North Wing by People Directorate. In addition the Public Interface has been moved into Gateway rather than requiring the conversion of space within the Civic Centre and, to ensure maximum savings were achieved, fit out works were halted on the ASAP project and re-planned (to ensure one fit out only).
11. As a result significant capital savings on the vacation of Marland House project have been achieved as the only works required related specifically to the fit out of the North Block, for electrical works to provide additional desks over and above those already planned at a cost of £105k. **The forecast saving on this project is therefore £1,095k.**
12. The project has been run in parallel with the ASAP scheme to ensure that costs could be kept to a minimum and that the number of moves could be monitored and multiple moves avoided.

The only items approved as part of the £1,000,000 revenue budget were:

- £300,000 to fund the moves over and above those already planned under ASAP. This is a maximum figure to enable the next / final phase of moves to re-occupy the North Block with People Directorate staff.
- £275,000 contribution towards the digitisation of the ROMTV equipment currently located in Marland House. The feasibility study and subsequent tender process to move this equipment into the Civic

Centre demonstrated that it was more cost effective to digitise the equipment and decommission the existing ageing kit. The original sum approved to cover the cost of moving the kit was therefore re-directed towards this longer term solution.

A reduction in works has also been achieved by forward planning the space on a modular basis to enable staff to be moved into existing layouts.

As a result **the forecast revenue saving on the vacation of Marland House project is estimated to be £425,000.**

Accommodation Strategy Action Programme (ASAP)

13. The programme was set up to deliver essential cladding repairs to Marland House to keep it safe, operational and avoid the need to close the building, repairs to the Civic Centre, the facilitation of Gateway, the Council's occupation of OGS and the vacation of leased office buildings, within an overall capital budget of £24,149,000. The approved budget of £24,500,000 was subsequently reduced by an approved virement of £351,000 to set up a new scheme for repairs to the Civic Centre Clock Tower.
14. Repairs to the Civic Centre were carried out to prevent likely building failure, which in turn would have prevented the vacation of leased buildings, thereby incurring additional revenue costs rather than providing savings. Little systematic upgrading of the Civic Centre had been carried out since the 1930's, building and service elements were life expired and the risk of major disruption was increasing.
15. As part of ASAP, repairs to the Civic Centre included stonework, steelwork, roofs, windows and life expired services, removing and managing hazardous materials, geothermal connections, improving energy and environmental performance of the building and upgrading the offices, IT re-cabling, a back up generator for the IT suite and provision of IT services, and a more modern and flexible office environment.
16. Extra pressures also incorporated additional compounds, increased building regulation and Heritage requirements, the art restoration roof, lift repairs, previously unknown items (such as the secondary roof light and the removal of significant further unknown asbestos, identified when detailed invasive surveys were undertaken) alongside other unknown problems hidden within the building fabric. The offices have been refurbished, re-carpeted and painted, public areas have also been re-decorated. The scheme was also one of 4 shortlisted for an RICS Building Conservation award.
17. Works have now been completed on time and within budget, with ongoing management and decisions taken within the Councils project management structure. The contract with Wates was carefully managed, with SCC and Capita staff working closely together throughout the process to ensure that the works undertaken and settlement of the final accounts did not exceed the budget. As a **result the forecast under spend on the scheme is estimated to be £742,000** (in addition to the sum of £351,000 already vired to create a new scheme for the repairs to the Clock Tower).

Strategy for the future

18. As before, the programme established to look at the overall way in which the council uses office accommodation includes the following examples:
- (a) Reviewing how service areas/staff should work with an eye to future use of IT, flexible and mobile working and using this to define accommodation requirements.*
 - (b) Increasing the potential capacity within the Civic Centre, by conversion of storage, offices, Leisure and other areas to enable more desks to be created and subsequently reduce buildings occupied.*
 - (c) Identifying what IT infrastructure and facilities are already available, and what else is needed.*
 - (d) In HR terms, managers need to have the skills and tools to move away from management by physical presence at a desk or in an office, and support is needed for Management and Staff to assist any changes.*
 - (e) Space allocation will need to be considered alongside need in terms of what is to be delivered.*

Proposed vacation of One Guildhall Square (OGS)

19. The revised Strategy includes a further rationalisation of office accommodation and now proposes that the Council occupied areas in OGS are vacated with a lease granted to a third party in order to generate an annual revenue saving.
- In order to ensure that the timescales for vacating OGS can be achieved if the provisional deal agreed (or an alternative letting) can be progressed, approval is being sought now to put in place the necessary delegated powers to enable the vacation to proceed.
20. There are potentially around 186 full time and 47 part time staff to be relocated from OGS, subject to agreement on the lease and terms. These staff can be moved into the Civic on the basis set out below; please note these proposals are high level and detailed plans and options are currently being discussed with the Council's Management Team.
21. As a result of changes in staff numbers following the budget savings approved for 2014/15 and ongoing, the original proposal to occupy office space at a ratio of 4:3 staff to desks (i.e. 75%) did not need to be fully utilised. However new plans/options to use the Civic more intensively include the strict adoption of this principle and the provision of additional smaller (1200mm) straight desks, together with conversion of non office areas of the Civic (i.e. Fountains Café).
22. Working flexibly involves a number of options for different requirements, supported by HR and IT with systems needed for staff to do their job wherever they are working. HR policies to support this have been developed and issued and there are a number of flexible working solutions already available. Further options may be developed to support this, including training, purchase of IT kit, HR support and adjustments to layouts.
23. Castle Way has been retained on a short term basis with a reduced rent agreed, to avoid double moves and associated costs.

Service Properties

24. As before, it is assumed that the Civic Centre is the main preferred location for staff given low running costs, location and long term ownership. Leasing alternative space from external landlords is generally far more costly and will also involve dilapidations payments on exit.
25. Where further capacity is found to exist within the Civic to provide space for additional staff, the vacation and disposal of Service properties will be considered as part of the Accommodation Strategy as a later stage where it is cost effective to do so.

RESOURCE IMPLICATIONS

Capital/Revenue

26. As detailed above the two approved capital schemes that exist to enable the implementation of the accommodation strategy are now drawing to a close with the latest forecast position set out below:

	Capital Scheme Budget	Capital: Forecast Under spend
	£	£
ASAP	24,149,000	742,000
Marland House	1,200,000	1,095,000
Total	25,349,000	1,837,000

Although these schemes will end during the current financial year, further accommodation changes are anticipated within the overall accommodation strategy, to include the potential vacation of the Council occupied floors within One Guildhall Square (OGS) and the subsequent impact of the service property review, if funds permit, following the vacation of OGS. It is therefore proposed that the forecast capital under spend be vired to create and enable a new capital scheme to cover the next phase of accommodation changes.

In addition it is proposed that the unspent revenue budget of £425,000 set out in paragraph 12 be utilised to widen the scope of spend in order to support the next phase of the accommodation strategy.

27. In February 2009 Cabinet approved the delegation of authority to the Director of Corporate Services following consultation with the Cabinet Member for Resources to allocate premises related resources (revenue and capital) in order to maximise the efficient use of resources in respect of general repairs and maintenance, major works to civic buildings and the implementation of the accommodation strategy. This delegated authority will continue to be applied to ensure the successful implementation of this next phase of the accommodation strategy.
28. As set out above, detailed plans are currently being drawn up to establish the most cost effective way of vacating the council occupied floors within OGS. It is not possible at this stage to accurately state the value of any potential capital costs, but these are expected to include works relating to the creation of storage, alterations, new desk areas and conversion of spaces as

necessary within the Civic Centre in order to meet the shortfall from the vacation of OGS and Service Properties, this will include fees, electrical, mechanical, IT, building works and contingency. As with the vacation of Marland House scheme, only those works necessary to generate an essential and cost effective solution will be undertaken.

- 29. The revenue costs of vacating One Guildhall Square are expected to include fees, furniture and equipment, moves, IT and contingency. As with capital it is not yet possible to state the accurate forecast of costs at this stage.
- 30. The current annual revenue costs of running the Council occupied floors within OGS form part of the Admin Buildings budget within the Resources and Leisure Portfolio. These costs would be saved at the point of disposal of this space to a third party. Vacation of the offices (leaving them empty) will not produce a material saving as the building will still need to be maintained and costs paid for under the service charge, until the space is let. If let, the additional rental income would form part of the Investment property account within the Resources and Leisure Portfolio.
- 31. It is anticipated that as the vacation proposals progress, the estimated annual saving in running costs of £447,000 and additional rental income generated (to be agreed as part of any future lease) will form part of a future budget savings proposal.

Property/Other

- 32. As set out in the report.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

- 33. Local Authorities have a variety of powers to acquire, appropriate and dispose of land including the Localism Act 2011. For the purposes of any of its functions or for the benefit, improvement or development of its area, the Council may by virtue of Section 120 Local Government act 1972 acquire by agreement any land, whether situated inside or outside its area. S 123 of the 1972 Act covers disposals.

Other Legal Implications:

- 34. None

POLICY FRAMEWORK IMPLICATIONS

- 35. None

KEY DECISION? Yes.

WARDS/COMMUNITIES AFFECTED:	None specifically.
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SUPPORTING DOCUMENTATION

Appendices

1.	None
2.	

Documents In Members' Rooms

1.	None
2.	

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
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Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.		
2.		