

CABINET

11 February 2004

COUNCIL

25 February 2004

OFFICE ACCOMMODATION FEASIBILITY REPORT WITH FURTHER INFORMATION

REPORT OF CHIEF ESTATES OFFICER

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RECENT REFERENCES:

CAB502 - 16 October 2002 Office Accommodation Scoping Report

CAB753 - 18 November 2003 Office Accommodation Feasibility Report

PS111 - 12 January 2004 Office Accommodation Feasibility Report – Call in Questions

EXECUTIVE SUMMARY:

This report contains the main contents of report CAB753, which reported the findings of the feasibility report prepared by Tectus on office accommodation together with the further information, requested by Principal Scrutiny Committee. Both reports follow the earlier scoping and Best Value reports, which recommended the investigation of new Council offices.

The consultant's report, attached as an appendix, identify the major issues to be faced and outlines the current as well as the future costs and benefits attached to the identified options. An appraisal of the options clearly indicates that there are significant benefits to be gained for all stakeholders by developing a new office on a single site. The report also estimates the likely quantum of the costs to achieve this goal and other background information.

An initial assessment of the capital required to implement a new office option is included together with the likely capital required if existing facilities are retained with and without refurbishment. Estimates are included of the site values of sites that may be released if a new site is developed.

The report recommends a new office being built and the preparation of a more detailed feasibility study for the new office and for planning briefs to be prepared on the sites to be disposed of.

RECOMMENDATIONS:

1. That the need for improved office accommodation is recognised.
2. That the office accommodation project should proceed on the basis of re-locating to a new site in Winchester with or without a Council Chamber.
3. That a decision on the site of a new office be part of the study noting that the report concludes that a city centre location is possible but that account needs to be taken of the forthcoming car parking review.
4. That the project assumes the disposal of the four existing office sites including the Colebrook Street car park.
5. That the project proceeds to the next stage of developing a technical feasibility study which maximises the development potential of any site, including housing uses, if appropriate.
6. That the feasibility study should include options that minimise the use of capital by adjusting the number of work spaces and ensuring the site is fully developed, including the possibility of sharing facilities with other partners.
7. That draft Planning Briefs are prepared for the City Offices/Colebrook Street car park, Avalon House, Abbey Mill and Hyde sites for redevelopment/reuse for residential or other purposes.
8. That the proposals for pre-scrutiny involvement of Principal Scrutiny Committee, prior to Cabinet consideration of reports, and for the involvement of full Council at key stages – as set out in paragraph 4.7 of the report, be approved.
9. That Members recognise that if at the end of stage B a decision is taken to proceed to stage C the Council would incur further fees in the order of £380,000.

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DETAIL

1 Introduction

1.1 Following consideration of the Office Accommodation scoping report and the Organisational Infrastructure Best Value Review consultants have been working with officers to bring forward a first stage feasibility report on office accommodation. The appointed consultants Tectus have worked with cost experts Sprunt to undertake the following tasks.

- ◆ Update the accommodation audit
- ◆ Evaluate existing Council office sites
- ◆ Identify repair and maintenance costs of existing buildings
- ◆ Determine the size, specification and cost of a new office
- ◆ Consider existing and projected running costs
- ◆ Identify possible locations for a new office
- ◆ Identify tangible and non tangible costs
- ◆ Produce a project timetable

1.2 The consultants' report is in two parts a main written report and an Option Appraisal model, this is included as an appendix to this report. The Chief Estates Officer who has also been responsible for the valuation elements within the report holds supporting technical papers.

1.3 Principal Scrutiny Committee called in the decision of Cabinet on 18<sup>th</sup> November and formulated questions on the report, set out in report PS111, which the Leader and Portfolio Holder for Finance and Resources answered at the meeting on 12<sup>th</sup> January 2004. At that meeting the committee requested that further information be produced for consideration by Council and that information is included in this report.

2 Report Findings and Option Appraisal

2.1 The report clearly covers all of the areas included within the brief. To assist, the consultants have introduced an option appraisal, which is based upon a model used by the old Department of the Environment. The model enables both quantifiable and non-quantifiable costs and benefits to be considered in a single document. Clearly some of the elements are subjective and it can be argued that certain factors should be weighted but the overall assessment is that this template provides a clear, understandable and balanced approach.

- 2.2 In considering the report findings there is merit in highlighting a number of issues
- 2.2.1 The non-quantifiable benefits to the organisation of a single new office are considerable.
  - 2.2.2 The report assumes that surplus sites are disposed of for best consideration and, if for housing purposes, assuming 35% on site social housing provision. It is assumed that the Colebrook Street car park would be included with the City Offices site on redevelopment.
  - 2.2.3 The specification of the new office is based upon a high quality naturally ventilated modern building with an emphasis on sustainable construction methods and components. The building would be expected to achieve a good or better BREEAM rating, and have limited parking. BREEAM is an environmental assessment method developed by the Building Research Establishment.
  - 2.2.4 Redevelopment of a city centre site will require archaeological investigation the cost of which will vary depending upon the approach.
  - 2.2.5 The timetable of any development will need to take into account the City's parking review and the Broadway Friarsgate development.
  - 2.2.6 Whilst the office component of the Hyde Historic Resources Centre could be relocated to a new office other activities would need to be relocated elsewhere if the whole site needed to be released. The recommendations of the Heritage Best Value Review will be important in this regard.
  - 2.2.7 The County Council are also reviewing their office accommodation in the City and any plans that this Council has will need to taken into account the possibilities of some joint provision.
  - 2.2.8 The feasibility study includes estimates for including a new Council Chamber and public meeting facility. An early decision will need to be made as to whether this is included and also whether there is scope for a sharing arrangement with the County whose own Chamber also has limitations.
  - 2.2.9 The scale of the project will require advice on European Union procurement for both consultants and contractors. Details of the consultant's costs to date are included in exempt Appendix B.
  - 2.2.10 None of the figures take into account possible occupation of part of Athelstan House by the Council.
  - 2.2.11 The report assumes that the Council's Parking service currently delivered from 6 and 8 Middle Brook Street will continue at that location or within the Broadway Friarsgate development. As both projects progress this assumption will be tested further.
  - 2.2.12 There are significant costs to the Council if the 'do nothing' option is adopted.
- 2.3 The broad conclusion of the report is that options 4 and 5 offer the greatest net benefit. The report also notes the requirement for capital to undertake either of these options and starts to investigate how space management strategies can reduce both initial capital and revenue costs.

2.4 With the information to hand the Council will start to make forward provision in the capital programme to cover some of the essential elements identified in the report under the 'do nothing' option.

### 3 Financial Implications

3.1 The table on page 11 of the Tectus report runs through the options in quantifiable monetary terms. It does not address the cash flow and capital required to undertake any of the options. These figures are indicative and, at this stage, the Director of Finance has undertaken no detailed review. Options 3, 4 and 5 all show a net benefit mainly because of the increase in capital value of the newly created office.

3.2 A separate assessment of the cash position is included below for options 1, 2 and 4. This shows that there is a need for the Council to find capital to address its office requirements whatever the scenario chosen. Whilst the do nothing option remains the cheapest in the short term once savings in running costs are capitalised the new build option it becomes cheaper in terms of capital/cash required.

<u>Cash Requirement £000s</u>	<b>New Office</b>		<b>Do Nothing Betterment</b>	
	<b>Option 4</b>		<b>Option 1</b>	<b>Option 2</b>
New Building	10470	Extra repairs	302	302
Professional Fees	1310	Extra Maintenance	1869	1869
Archaeology provision	730	Betterment	0	2520
Project management	100	Decant costs	0	1370
Move costs	100	Move / Set up costs	0	150
	12710			
Less Site sales [excl Hyde Barn 6 & 8 Middle Brook St]	-9250			
<b>'Cash' Required - Funding Gap</b>	<b>3460</b>		<b>2171</b>	<b>6211</b>
<b><u>Capitalised savings [15 years]</u></b>				
Day to day responsive repair	302		0	47
Planned Maintenance	1869		0	5
New Facilities Management cost	-393		0	-537
Energy Saving	167		0	76
	1945		0	-409
<b>Net Capital Cost</b>	<b>1515</b>		<b>2171</b>	<b>6620</b>

3.3 Once a site has been chosen the full financial assessment also needs to take account of the revenue impact of losing that site. For example Middle Brook Street, Colebrook Street and Guildhall yard car parks are currently net revenue contributors to the car park account in the order of £175,000 per annum.

#### 4 The Concerns of Principal Scrutiny Committee and Further Information

4.1 The questions and answers considered by Principal Scrutiny are included in the draft minutes of the meeting attached as an appendix to this report. This includes the submitted questions and the answers of the Leader and Portfolio Holder for Finance and Resources.

4.2 Principal Scrutiny asked for further information in the following areas;

- Project profile
- Indication as to the timetable of decisions and costs at each stage
- Planning constraints regarding location
- The level of public consultation
- The number of visitors to Council Offices

4.3 The development of new offices is a major construction project, which would have four stages in its life. The four stages are Prepare, Design, Construct and Use. These stages logically follow each other but they also can overlap. A number of industry and government bodies have different project models with separate components within each stage. One of the widest used is the RIBA Architect's Plan of Work, which is outlined in the table below. In order to avoid getting lost in the construction industry jargon this model will be used wherever possible.

Prepare	A Appraisal B Strategic Briefing
Design	C Outline Proposal D Detailed Proposals E Final Proposals F Production Information G Tender Documentation H Tender Action
Construct	J Mobilisation K Construction to Practical Completion
Use	L After Practical Completion M Feedback

4.4 The Council is at the start of the Prepare stage having considered a scoping report in October 2002 and is now considering a more in depth the Appraisal presented by the contents of the first stage feasibility report. The Appraisal stage is not quite complete, as there are a number of unresolved questions regarding site and the Council chamber. The proposal is to complete the Appraisal stage and with a more in depth feasibility study prepare the Strategic Briefing. Key elements of this work are the selection of a site, refinement of the cost plan, assessment of the sites for disposal and the preparation of the business case.

4.5 The project vision, noted below will be used to focus the project as it develops;

***To create a high quality sustainable civic centre which brings together all office staff in a central location providing excellent and flexible working conditions and facilities for our customers that promote good service.***

- 4.6 The difficulty of maintaining a momentum to the project whilst keeping all stakeholders informed is recognised. It is suggested that regular briefings be provided for group leaders. In addition at key stages reports would be go to Principal Scrutiny for pre-scrutiny before being considered by Cabinet. Full Council would also be involved at the key stages set out below.
- 4.7 Estimating a timetable is difficult, as this is a large and complex project, which will run over a number of years and touch on all aspects of the Council work. Professional advisors Tectus and Sprunt have suggested a timetable and this has been adjusted to fit with the Council's decision making processes. The table gives an outline of a possible timetable noting the major milestones. In view of the scale and importance of the project wherever possible major decisions will be submitted for pre-scrutiny by Principal Scrutiny Committee before Cabinet decisions. Committee involvement is shown on the table below with CAB – Cabinet, PS – Principal Scrutiny and CL- Council.

Stage	Activity	Date stage completed
A Appraisal	Develop the vision and the project scope	Jan 2004
B Strategic Briefing	Site selection, outline business case and technical feasibility	April 2004
C Outline Proposals	Design team appointed, brief development and public consultation	April 2005
<b>Milestone</b>	Appoint Project Manager [PS CAB]	July 2004
<b>Milestone</b>	Appointment of Design Team [PS CAB]	Nov 2004
<b>Milestone</b>	Council decision to proceed to stage D [PS CAB CL]	April 2005
D Detailed Proposals	Designs developed	Oct 2005
<b>Milestone</b>	Council commits to project [PS CAB CL]	July 2005
<b>Milestone</b>	Planning Consent [PS CAB]	Oct 2005
E Final Proposals		Nov 2005
F Production Information	Pre tender information	Dec 2005
G Tender Documentation	Incl European Journal advert	Jan 2006 onwards
H Tender		Oct 2006
<b>Milestone</b>	Tender approved by Council [PS CAB CL]	Nov 2006

- 4.8 Once the tender has been approved the construction and fit out phase is estimated to take 12 months giving a move in date of November / December 2007.

- 4.9 Without using additional consultant's time it has not been possible to provide detailed cost estimations for each of the stages. The estimate for the completion of stage B is noted in the exempt appendix. More significant costs will start to accrue when project management is put in place and a design team is appointed. The best estimate at this stage is that to take the Council up to the end of stage C will incur a cost of £380,000. The work involved will include the appointment by tender of the design team and their development of an outline brief. Investigation in more detail will be undertaken on the selected site, to include the following areas; traffic, archaeology, environmental impact and parking. The project team will also be preparing a detailed cost plan, risk assessment and procurement strategy.
- 4.10 The redevelopment of City Offices current site for housing, the conversion and possible extension of Avalon House and the sale of Abbey Mill and Historic Resources Centre for housing could deliver 127 units of new accommodation. With 35 % of the units being affordable 44 units would help to meet the Council's housing targets which have recently been identified as a significant priority by the Government Office of the South East. In policy terms there should not be any significant problems in having housing on any of the sites.
- 4.11 In terms of the location of the new Council buildings there is unlikely to be policy support for a location outside the town centre. The planning sequential approach is very clear in that the preferred location for offices, particularly of the scale proposed, is in the town centre. The only other realistically feasible location is Whiteley which is geographically remote from the bulk of the district.
- 4.12 The outline project plan has built in consultation with various different parties at stages throughout the process. The replies to the questions posed by Principal Scrutiny provided details of the public and staff consultation to date. With a high profile project such as this there will understandably be considerable public interest and the views of the public and specific users of the existing Council offices will be sought as the Outline Proposals are being formulated. Once appointed the project manager will be expected to work closely with the Council's public relations team to develop a consultation strategy.
- 4.13 As part of the customer service review of Council reception areas a study of visitors to the Council was undertaken in December 2001. This represents the most recent and reliable evidence. That survey taken over a whole week indicated that excluding visitors to Avalon House 110,000 people visited the Council in a year. The figure for Avalon House taken from the reception monitoring is a further 26,000 per annum a total of 136,000 people. The survey indicated that most visits were for a single purpose although of those multiple visits most linked Revenues and Housing.

## 5 The Way Forward

- 5.1 The provision of offices for the Council that are fit for purpose is an important and ongoing task. The conclusion from the current and previous reports is that the Council is at a watershed and that significant investment is required to either improve the existing stock or provide suitable alternative offices from which to deliver services. The conclusion for the feasibility study is that making improvements mainly to City Offices does not deliver any significant benefits or improvements whereas a new single office can.
- 5.2 Providing a single new office for the Council is a very large project and one that is not within current corporate plans or the capital programme. What is clear however is that there is a requirement to take some positive action and that even if all stages of the project went smoothly it would take a minimum of 4 years to complete a new facility. An early commitment to the project across the Council is desirable, as it will



have an impact on all staff, the public and Members. This report is therefore seeking an in principle agreement to proceed.

- 5.3 As part of the brief the consultants have started to develop a timetable of key events which suggests that the next stage of the project is up to the point of appointing a design team to prepare and cost a detailed scheme. This stage would be to prepare a more technical feasibility study on the chosen site, involve wider consultation. This would involve agreeing principles of development with the Planning Division and preparing a draft environmental impact assessment, if required. In view of the proposed site disposals it is also recommended that planning briefs be prepared for each of the sites.

## OTHER CONSIDERATIONS

### CORPORATE STRATEGY (RELEVANCE TO):

The Council's office accommodation is central to the delivery of most services and as such a valuable resource of which the Council needs to make best use of.

### RESOURCE IMPLICATIONS:

The scale of capital required to undertake this project is indicated in the report.

If the decision to proceed is made the Council will need further advice from consultants. It is considered that as preparatory work on a capital project that this cost should be met by the capital programme rather than General Fund Repairs reserve which has met consultant's cost to date. Details of the costs involved are included in exempt Appendix B.

As indicated in section 3 above, no detailed work has been done on cash flow and the availability of capital may be a significant factor in deciding how the project is procured.

### BACKGROUND DOCUMENTS:

Strategic Space Guidance Tectus Architects March 2000

Feasibility technical supporting documents – Tectus/Sprunt 2003 held in Estates.

### APPENDICES:

- A Office Accommodation Stage One Feasibility Report – Tectus October 2003
- B Draft minutes Principal Scrutiny Committee 12 January 2004
- C Appointment of Consultants (Exempt)
- D Draft minutes Principal Scrutiny Committee 12 January 2004 (Exempt)