

CABINET

18 November 2003

OFFICE ACCOMMODATION FEASIBILITY REPORT

REPORT OF CHIEF ESTATES OFFICER

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RECENT REFERENCES:

CAB502 16 October 2002 Office Accommodation Scoping Report

EXECUTIVE SUMMARY:

This report contains the findings of the feasibility report prepared by Tectus on office accommodation following the earlier scoping and Best Value reports.

The consultant's report, attached as 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 adopting options 4 and 5 for further investigation.
- 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 workspaces and ensuring that the site is fully developed.
- 7 That draft Planning Briefs are prepared for the City Offices/Colebrook St car park, Avalon House, Abbey Mill and Hyde sites for redevelopment/reuse for residential or other purposes.

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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 officer to bring forward a first stage feasibility report on office accommodation. The appointed consultants Tectus who worked with cost experts Sprunt to undertake to 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.

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 who's 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. This will be the subject of a detailed report to Cabinet on 3 December 2003.
 - 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, no detailed review has been undertaken by the Director of Finance. 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>	New Office		Do Nothing	Betterment
	Option 4		Option 1	Option 2
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			
'Cash' Required - Funding Gap	3460		2171	6211
<u>Capitalised savings [15 years]</u>				
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
Net Capital Cost	1515		2171	6620

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 Way Forward

4.1 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.

- 4.2 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.
- 4.3 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 Department and preparing a draft Environmental Impact Assessment. 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.

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 Appointment of Consultants (Exempt)