

REPORT OF THE CABINET MEMBER FOR FINANCE AND PROPERTY AND THE DEPUTY LEADER OF THE COUNTY COUNCIL

REVISIONS TO THE WAYS OF WORKING BUSINESS CASE AND LATEST ESTIMATED COSTS

Purpose of the Report

1. The purpose of the report is to seek approval for revisions to the Ways of Working Programme business case and to advise Elected Members of the Latest Estimated Costs for the Programme.

Information and Advice

Background

2. County Council on 9 December 2010 approved the implementation of the Ways of Working Programme "to rationalise the Council's office accommodation and provide a flexible, cost effective and efficient workplace that will facilitate improved service delivery and new working practices and maximise the benefit to service users and taxpayers."
3. Within that report, the following benefits were specified for the approved option:
 - a. Closure of 18 properties
 - b. Reduction in number of workstations from 4052 to 2569 (ie 37%)
 - c. Appropriate ICT solutions to enable flexible working
 - d. Essential maintenance infrastructure work
 - e. New voice and data network for County Hall and Trent Bridge House
 - f. More efficient, flexible and mobile workforce
 - g. Refurbish space within County Hall H Block and Trent Bridge House to increase occupancy and space utilisation by developing modern working practices
 - h. Improved County Hall reception enabling more customer focus and effective use of public areas
4. The business case underpinning the Programme was based on a desk-top assessment of space availability (supply), space requirements (demand) and refurbishment costs. Since that report, a considerable amount of work has been

undertaken to develop the business case and draw up detailed plans. This has involved:

- a. Undertaking a detailed survey of the potential capacity of the proposed retained buildings, based on actual usable space and taking into account statutory limitations, primarily fire regulations and the regulations in respect of sanitary provision
- b. Collecting and collating information regarding post-restructure staffing numbers, the likely workstyles of staff and preferences regarding location and adjacencies
- c. Mapping the two sets of information
- d. Developing the design brief, carrying out detailed technical surveys and developing associated costings

Workstation supply and demand

5. The business case presented to County Council on 9 December 2010 proposed rationalisation of 23 buildings down to five (County Hall H block, Trent Bridge House, Lawn View House, Sherwood Energy Village and office accommodation at Worksop Library), with further space to be identified in Mansfield, probably within Mansfield Civic Centre. The business case was based on reducing from 4,052 workstations to 2,569 workstations provided on a 7:10 desk ratio, so accommodating 3,670 employees.
6. The outcome of the analysis of the retained office portfolio is that:
 - a. The **supply** of workstations in the proposed retained portfolio can be expanded to a level that is broadly in line with the estimate included in the business case, but only if additional works are carried out to improve fire safety and sanitary provision
 - b. However, even with these additional works, the **demand** for space exceeds the level estimated in the business case, by approximately 560 workstations
7. The reasons for the excess in demand fall into two categories:
 - a. The need to accommodate approximately 200 staff that were not identified at the time of preparation of the original business case
 - b. Staffing reductions not yet having taken place to the level anticipated
8. In addition to details of actual staffing numbers, information has also been collected on preferences in respect of location. This being within an overall strategy of County Hall being the strategic and political headquarters for the authority, Trent Bridge House being the operational headquarters and other buildings housing locality-based services.
9. The detailed surveys show that the level of demand for accommodation in the Mansfield area far outweighs what could be provided within the Civic Centre. There is also the ongoing issue of identifying suitable accommodation for the Registrars' Service to conduct ceremonies. In order to meet these demands, it is proposed that County House and Meadow House be retained for the foreseeable future.

10. The other pinch-point area is the West Bridgford campus, primarily within Trent Bridge House, where demand exceeds supply by 155 workstations. This would include accommodating approximately 120 workstations for front-line children's social workers and support staff currently based at Prospect House in Beeston. In addition to the problem with numbers, serious concerns have been expressed about the suitability of Trent Bridge House as a location for the provision of these services. In particular, it would be difficult to provide suitable secure facilities for conducting case conferences. It is therefore proposed that Prospect House be retained for the foreseeable future.
11. The retention of these three buildings would provide a very close match of workstation supply and demand, as detailed in the following table.

Workstation supply and demand with additional retained buildings

Supply		Demand	Surplus (+)/ shortfall (-)
County Hall H Block	808	810	-2
County Hall Data Centre	70	29	+41
County Hall Riverside	79	84	-5
Trent Bridge House	720	775	-55
Lawn View House	350	211	+139
Worksop Library	28	24	+4
Sherwood Energy Village	548	371	+177
"County wide" unallocated	0	200	-200
Meadow House	345	488	-143
County House	57	69	-12
Prospect House	100	100	0
Revised Total	3105	3161	-56

12. Work is ongoing to develop detailed proposals that balance workstation supply and demand within the individual buildings concerned.

Changes to the disposal programme

13. Following approval of the original business case, a further seven buildings containing office accommodation have been identified as surplus to requirements and therefore suitable for disposal:

65 Northgate, Newark: accommodated the Youth Offending Team, which has relocated to Sherwood Energy Village. Annual running cost £58k

Mundella Centre, Nottingham: accommodated the Arts Support Service, which has relocated to County Hall. The property has been returned to Nottingham City Council. Annual running cost £150k

Friary Court, Newark: accommodated the Achievement and Equality team, which has relocated to Sir John Robinson House, Daybrook. Disposal is currently on hold pending a decision regarding the provision of a "Touchdown" facility for County Council staff in Newark. Annual running cost £16.5k

Heathcote Buildings, Nottingham: accommodates the Youth Justice Service and the lease is due to expire in June 2012. Annual running cost £58k

Mansfield Business Centre, Mansfield: accommodated the Early Years Team, which has relocated to County Hall. Annual running cost £14.5k

Clarendon Chambers, Nottingham: accommodates the Parent Partnership Service. Annual running cost £13.2k

Eastbourne Centre, Sutton in Ashfield: savings refer to the part of site used for storage, which is to be archived to Records Management Service. Annual running cost of storage area £15k

14. These disposals give additional annual savings in running costs of approximately £325k, but they have contributed to the additional demand for office space identified above.
15. To allow flexibility in managing the office rationalisation programme and to maximise all commercial opportunities in relation to fluctuating market conditions, it is proposed that, within the overall objective of achieving significant rationalisation of the Council's office portfolio, the Cabinet Member for Finance and Property be authorised to approve the detailed disposal programme, in accordance with the provisions of the Constitution.

Latest Estimated Costs for building works

16. Detailed surveys of County Hall and Trent Bridge House have been carried out to inform the development of a design brief and enable detailed costing of the work. The majority of the work required relates to essential maintenance and updating of ICT cabling that will enable the buildings to function safely and efficiently for the foreseeable future. The overall brief can be summarised as "functional and fit for purpose".
17. The initial business case included an estimate of £9m for the main contract works. Following detailed assessment, this has been revised to £8.5m. However, the surveys have also identified additional essential items that were not included in the initial business case and need to be carried out as part of this programme of works, for example fire remedial works, structural repairs and increases in sanitary provision. The estimated cost of these works is £3.1m.
18. The additional works create a cost pressure of £2.6m against the original estimate. As a significant proportion of the works relate to essential maintenance that would need to be carried out in any event, it is proposed that £1.8m of this shortfall be met from the 2010/11 underspend on capital maintenance, with the remaining £0.8m being met from the same budget over the period 2011-2013. In addition, approximately £250k of additional one-off revenue costs associated with the provision of technical and other support have been identified. It is proposed that these costs be met from within the approved Improvement Programme budget.

19. It is anticipated that enabling works on lift refurbishments and stair wells will commence in November 2011. The main works in County Hall will commence in January 2012 on floor four and it is intended that the refurbishment of the whole building will be completed by March 2014. Works on Trent Bridge House will commence in March 2012, with an estimated completion date of August 2013.

20. The latest estimated cost of the building works is set out below and the fees shown are for all professions involved in the project.

21. The professions involved in this project are:

- Architect
- Mechanical Engineer
- Electrical Engineer
- Quantity Surveyor
- Construction Design Management (CDM) Co-ordinator
- Structural Engineer
- Project Manager

22. The building works element of the Programme is being funded as follows:

	£000
Allocation from capital programme	9,165
Capital maintenance budget	2,600
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Total	11,765
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23. The latest estimated costs are as follows:

	£000
Building works	8,478
Furniture and equipment	1,341
Professional fees	1,946
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Total	11,765
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24. The anticipated cash flow is:

2010/1	1	2011/12	2012/13	2013/14	2014/15	Total
	£000	£000	£000	£000	£000	£000
Building works	117	1,163	3,525	2,717	956	8,478
Furniture and equipment	29	827	273	212		1,341
Professional fees		254	814	627	251	1,946
146		2,244	4,612	3,556	1,207	11,765

25. In addition to the building works element, the Programme provides for a £3,386k capital investment in ICT hardware to support modern, flexible working.

Impact on financial business case

26. The financial business case has been re-calculated to take into account the changes proposed in this report. In addition, estimates for a variety of items included in the original business case have been tested and updated to reflect the current position. It should also be noted that, since December 2010, there have been changes in the accounting rules governing the categorisation of expenditure as either capital or revenue. The financial implications of the proposed changes are summarised in the following table:

	£000
Capital expenditure	15,151
Capital receipts	-5,358
Net capital expenditure	9,793
Additional revenue funding required (to 2014)	5,444
Total net investment	15,237
Average annual revenue savings (from 2015 onwards)	2,000
Capital allocations required	
2010/11	146
2011/12	3,082
2012/13	5,990
2013/14	4,297
2014/15	1,364
2015/16	272
	15,151

27. The Net Present Value of the total investment over 25 years is a saving to the Council of approximately £13.6m. The Net Present Value of the relevant future net costs that would be incurred if the Programme did not proceed is a cost of approximately £3.2m, due to the essential expenditure that would be incurred in any event, without giving the benefit of office rationalisation.
28. The assumptions and estimates for the refurbishment costs and space requirements contained in the original business case have been subjected to rigorous examination and validation, as a result of which it is possible to have a high degree of confidence in the robustness of the revised figures.
29. Despite the reductions in savings and increases in costs identified above, the programme will still deliver significant ongoing savings to the Authority in the long term, as well as securing an office property portfolio that is fit for purpose and supports the delivery of the Council's objectives.
30. Having reached a position where there is a robust business case and clear plan for delivery, it is proposed that Council authorises the implementation of the

revised Programme. The ongoing governance of the Programme will be undertaken in accordance with the normal arrangements for capital projects.

Progress to date

31. Alongside the work to develop the business case, a significant amount of progress has been made across other elements of the programme. One of the specific items identified in original business case was to improve County Hall reception to provide a more customer focussed experience for the public. The first phase of this project was delivered over the summer and feedback from Elected Members, employees and visitors has been very positive. The second phase of the works, to deliver improved security and access to the rear of the building, will commence shortly.
32. Relocation of staff has taken place throughout the year to release buildings for disposal and to address urgent operational requirements. The largest such move was that of Legal Services into County Hall, which has released Centenary House for disposal. In total, eight buildings have been released to date.
33. Work has also progressed well on developing the ICT solutions and human resources protocols that are essential to support flexible working. The moves that have been undertaken to date have informed the development of standard mobilisation plans that will be applied to future decanting moves and the subsequent moves back into refurbished space.

Conclusion

34. This is an extremely complex programme that will fundamentally change the way that people use office accommodation across the County Council. It is a major investment for the Council and, as such, significant time and resource has been deployed into ensuring that the business case for proceeding is justified. It is concluded that the revised business case for delivering the Ways of Working Programme, as detailed in the report, is robust, commercially sound and valid.

Other Options Considered

35. Other options were considered by County Council as part of original business case report that was put before Council on 9 December 2010.

Reason for Recommendation

36. The Ways of Working Programme will provide modern, fit for purpose office accommodation, address major maintenance issues on the West Bridgford campus and create ongoing revenue cost reductions.

Statutory and Policy Implications

37. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights,

the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

It is recommended that:

- 1) The revisions to the business case, as set out in the report, be approved
- 2) County House, Meadow House and Prospect House be retained for the foreseeable future
- 3) The Cabinet Member for Finance and Property be authorised to agree the detailed office property disposal programme, in accordance with the provisions of the Constitution
- 4) The Latest Estimated Costs for the building works be noted
- 5) The revised capital allocations, as set out in the report, be approved
- 6) The implementation of the Ways of Working Programme, as set out in the report, be approved
- 7) Progress to date on the Programme is noted.

Councillor Reg Adair
Cabinet Member for Finance and Property

Councillor Martin Suthers
Deputy Leader of the County Council

**For any enquiries about this report please contact: Deborah Hinde,
Programme Director**

Constitutional Comments [JFW 12/10/11]

38. Council has the authority to agree the recommendations.

Financial Comments [MA 20/10/11]

39. Since the original approval of the scheme, the cost estimates have increased by approximately £4.8m, anticipated capital receipts reduced by circa £3.2m, and estimated annual savings reduced by £0.5m, to circa £2.0m pa. It should be noted however that some £2.6m of the additional costs relate to essential maintenance works that would be required regardless of the investment, and as such, will be funded from the existing planned maintenance budget.

40. The revised project will require an additional capital allocation of £2.276m, and this will be included in the Capital Programme subject to Council approval. The additional revenue costs over the next few years are already covered in the Medium Term Financial Strategy, with the exception of the additional one off requirement of £250,000 which will be funded from the Improvement Programme.
41. Despite best endeavours it must be borne in mind that estimates will inevitably change over time and there are risks that capital receipts may be lower and/or delayed in the current economic environment, and this would lead to increased revenue costs to support further borrowing.
42. It should also be noted that whilst costs have increased, the project will also generate non-cashable efficiencies through better asset utilisation, and general productivity and communication gains. The Council is committed to rationalising its office portfolio in order to release resources for reinvestment in front line services, and also to ensure its remaining assets can be adequately maintained.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Revised business case – exempt by virtue of Paragraph(s) 3 post March 2006 as described in the Local Government (Access to information) (Variation) Order 2006. Information contained in the report provides details of rents and potential capital receipts, disclosure of which would prejudice the Council's commercial property interests for the future of these sites.

Analysis of workstation requirements

Design brief

Electoral Division(s) and Member(s) Affected

ALL