

20 July 2015

Agenda Item:

**REPORT OF SERVICE DIRECTOR TRANSPORT, PROPERTY &
ENVIRONMENT**

MERCURY HOUSE STAFF ACCOMMODATION REQUIREMENTS

Purpose of the Report

1. To seek approval of the Finance and Property Committee to the proposed Heads of Terms for the occupation of the unit known as the Piazza, Annesley, and to the surrender and renewal of the Mercury House lease, to meet increased accommodation needs for those departments currently located at the adjoining Mercury House.

Information and Advice

2. The Council occupies office space at Mercury House in Ashfield for use by the Multi Agency Safeguarding Hub (MASH) which is the County's first point of contact for new safeguarding concerns and provides an environment for the sharing of information between a number of agencies for public protection. The property is also occupied by the Customer Service Centre (CSC) and the Adult Access Service (AAS) which together assess whether someone is in need of support.
3. Mercury House provides 1190 sq. m of accommodation (12,806 sq. ft.) and is occupied on the basis of a 10 year lease which took effect on 8 May 2007. The original rent agreed was £186,000 per annum and still remains at that level. The total annual running cost of the property, including rent, is approximately £364,000.

Current Situation

4. The departments occupying Mercury House are experiencing an increase in demand for their services and in order to meet this demand there has been an increase in staff numbers.
5. This demand, combined with further staff being required to meet the requirements of the new service delivery models and channel shift means that Mercury House cannot accommodate the further additional staff numbers that will be required over the next 2-3 years.

Identified Requirement

6. Over the next three years it is currently estimated that there will be approximately 356 Full Time Equivalents (FTE) that will require co-location to deliver the identified service need.

This comprises:

| | |
|-------------|-----------------|
| MASH | 86.6 FTE |
| CSC | 193 FTE |
| ASCH&PP | 63.5 FTE |
| CFCS | 13 FTE |
| <hr/> TOTAL | <hr/> 356.1 FTE |

7. There is limited certainty from Services on exactly the number of posts that will eventually be required. This is understandable given the requirement to predict future service demand however this represents a degree of risk that will require mitigation through a flexible property solution.
8. It is anticipated that approximately 41 FTEs from the overall FTE posts will be newly created, the remaining 315 are already accommodated across the Council's office estate (c.206 are located at Mercury House) however it is essential that all 356 are co-located in order to meet identified service needs.
9. Assuming all the potential new FTE posts are established, this would equate to a floor space requirement of approximately 2,112sqm – based on 356 staff by 2016/17, assuming a flexible floor plan layout to facilitate the maximisation of asset use.

Proposed Solutions

10. In February this year, it was reported that there were two preferred options for meeting this accommodation need, either to occupy vacant space at the Civic Centre in Mansfield or rent an additional private unit similar to and adjoining Mercury House.
11. At that time the preferred option was the Civic Centre which could accommodate the full property needs of MASH/CSC etc., in one building and would assist in maximising the use of public sector vacant space.
12. However, this option was subject to significant issues being resolved, particularly related to the service charge (effectively the rental payment), hours of usage/access and the cost and feasibility of refurbishment.
13. It is worth highlighting that the approved capital budget for the refurbishment of either of the options is £800,000.
14. Since the February Committee there have been two significant changes:-
 - a) The anticipated capital costs for the refurbishment of the Civic Centre space has continued to escalate above the approved capital budget.
 - b) The Landlord of the private unit, the Piazza, has offered more favourable terms of occupation both for the new unit and the existing unit, Mercury House.
15. In response to these changes MDC has been provided with an opportunity to review

the terms of letting which were received at the end of June 2015.

16. The financial appraisal of both options have been considered and are outlined within the exempt part of this report.
17. In determining which of the options represents the most beneficial accommodation solution, it has been necessary to consider the inevitable changes resulting from the following:
 - ongoing and deepening budget challenges;
 - the implications of further integration with health; and
 - the Council's work to move customers and service users to digital channels.
18. These factors will lead to an era of ongoing review and changes to the operating models for the Customer Services Centre, the MASH and the rest of the Council. Flexibility has therefore become a high priority for the Council in determining the best option. The current lease on Mercury House and the additional lease NCC would take on an adjacent property provides considerable flexibility in respect of any future changes to our operating arrangements.
19. Cost is also an important consideration and although the annual running cost for the Civic Centre has been revised down by MDC, overall it is still marginally more expensive than the Annesley option, especially when the "whole life" costs (including capital investment and anticipated changes to the service offer) is taken into account.
20. As a result it is proposed to rent the additional unit, the Piazza, based on the main Heads of Terms outlined in the exempt part of this report.
21. Subject to Committee approval of the proposal, it is intended to now progress the fit out work at the Piazza in order to make the building more suitable for the service users. Work required to determine the most appropriate building layout to accommodate the users is ongoing. However, at present the building works are likely to comprise: - partitioning, heating and ventilation works, kitchen installation, ICT installation and furniture and equipment. It is anticipated that the project will take around 30 weeks to complete, if a tender process is adopted instead of utilising a framework supplier. These works are projected to be completed within the approved capital budget.
22. Currently the rent and running costs for Mercury House are funded from the occupying departments' revenue budgets. Provision will be made in the MTFS to enable the revised rent and running costs for the buildings to be funded from departmental budgets from 1st April 2016. The part year cost in the current financial year will be met from Transport, Property and Environment existing budgets.
23. Until the refurbishment works are completed the Council will need to continue to rent short term temporary accommodation for the AAS at Pure Offices, Icon Business Centre, Sherwood Business Park, Ashfield by way of a licence. Terms for which have been approved separately by way of an operational decision. This has allowed CSC to accommodate additional staffs that are currently being recruited, within Mercury House.

Other Options Considered

24. In view of the factors outlined earlier within this report, three potential alternative options were considered.
- a) Vacate Mercury House and relocate staff to Sherwood Energy Village – This would incur significant staff relocation costs and current occupants cannot be relocated easily. This also would require further relocation of existing staff from Sherwood Energy Village.
 - b) Vacate Mercury House and relocate staff to Meadow House – Appropriate layout and flexibility of space cannot be achieved and would require further relocation of existing staff from Meadow House.
 - c) Vacate Mercury House and relocate staff to Nottinghamshire's Police Authority Headquarters – This accommodation was deemed not be appropriate for the requirement.

Reason/s for Recommendation/s

25. Based on the anticipated costs/benefits for each of the options considered, the proposal to rent the Piazza was considered to be the most economically and service orientated advantageous option available to the Council for the provision of the accommodation required.

Statutory and Policy Implications

26. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That Finance and Property Committee approves the surrender and renewal of the lease of Mercury House and the taking of a new lease of the Piazza on terms as set out in the exempt appendix.

**Jas Hundal, Service Director
Transport, Property & Environment**

For any enquiries about this report please contact: Andrew Stevens on 0115 977 2085

Constitutional Comments (CEH 14.07.2015)

27. The recommendation falls within the delegation to the Finance and Property Committee.

Financial Comments (TMR 16/07/2015)

28. The financial implications are set out in the body of the report and in the exempt appendix.

Background Papers and Published Documents

29. Operational decision for Pure Offices.

30. Finance and Property 23rd February, 2015

Electoral Division(s) and Member(s) Affected

31. Ward(s): Kirkby in Ashfield South

Member(s): Councillor Rachel Madden

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SP: 2802

Properties affected: 00743 - Mercury House (Unit B Dakota Academy)