



Leicester
City Council

**WARDS AFFECTED:
CITYWIDE**

**OSMB
CABINET**

**3 FEBRUARY 2011
7 FEBRUARY 2011**

OFFICE ACCOMMODATION STRATEGY

Report of the Strategic Director, Development, Regeneration and Culture

1. Purpose of Report

- 1.1. This report outlines why the Council needs to address the structural problems of New Walk Centre (NWC) and explains how making a positive decision in the current financial climate will unlock funding for other purposes and act as a catalyst for redefining the Council's offer to the people of Leicester, changing the nature of public service into the future.
- 1.2. The report considers the results of the options appraisal project and sets out a strategy for the provision of office accommodation that is modern, flexible, efficient and cost effective. This will facilitate new ways of working, be customer focused, improve service delivery and realise cultural change.

2. Recommendations

It is recommended that Cabinet:

- 1) note the need for positive action to address the issues at NWC and the benefits to be gained in terms of releasing funding for other purposes, the opportunity to improve customer accessibility, drive transformational change and improve efficiency,
- 2) consider the outcomes of the options appraisal project and support the need to continue forward with 2 options and confirm that options 3 and 4 be preferred,
- 3) approve the continuation of the options appraisal project to enable further work on options 3 and 4, and authorise the release of £85,000 from the CLABs capital allocation to fund the additional work,

- 4) delegate authority to the Chief Executive, in consultation with the Leader, to select between options 3 and 4 at the end of the extended appraisal period based upon which option provides the most cost effective solution and to enter into necessary contracts to progress the preferred option and release funding from the CLABs capital allocation accordingly,
- 5) authorise the appointment of commercial agents to negotiate terms for potential purchase of Mercury building to be funded from the CLABs allocation,
- 6) note action taken under Part 4(d) Rule 14 of the Cabinet Procedure Rules in releasing £100,000 from capital allocation to fund urgent works and moves resulting from the engineers' report and authorise release of a further £158,000 to complete funding the works and moves finally undertaken.
- 7) £1.65 million is released to fund the IT transformational change program which needs to be completed before any large scale accommodation moves can take place. This includes replacement of the council's telephone network, which can not be physically relocated from New Walk Centre, and a total software refresh of every desk top across the council to support anywhere, anytime working; the introduction of modern collaboration tools and software to facilitate greater self service by staff and customers.
- 8) authorise officers to continue work on the development of neighbourhood hubs which facilitate the movement of staff providing local services to neighbourhood locations that make them more accessible to local people.
- 9) release £165,000 for the ongoing management of the programme.

3. Summary

- 3.1 The financial challenges facing the Council and Public Sector are resulting in a rethink of the shape and nature of public service delivery in the city for the future and there is an opportunity for the Council to review how the form and use of offices can be a key driver while addressing the physical shortcomings of the existing estate.
- 3.2 In June 2010 the Council received a report on the structure of NWC from Ove Arup which identified that the structure falls short of the recommendations in current codes and needs strengthening. Their main concern was the potential for shear failure leading to progressive collapse and therefore undertook a risk assessment involving detailed analysis of the structure before being able to give assurance that the Council could remain in occupation. This assurance was subject to the Council designing and procuring structural strengthening works within 12 months ready for works to commence and be completed to an agreed programme and the introduction of a rigorous management regime including clearing of a series of 'no imposed load zones'.

- 3.3 Since receipt of the report the Council have significantly reduced load within the buildings, have cleared and demarcated the 'no imposed load zones' and provided additional propping beneath the IT suite and food servery. The buildings are inspected weekly to ensure compliance to the new management arrangements.
- 3.4 These actions meet the engineers' approval but must be allied to substantive progress on strengthening or relocation and an options appraisal project was approved by Cabinet in July 2010 to look at alternatives. It is critical that the Council now take positive action as, if the engineers feel that substantive progress is not being made, then they could withdraw their support for continued occupation, with the result that the Council's insurances would be invalidated and there would be no alternative but to vacate the buildings with minimal notice. This would have major business continuity and cost implications.
- 3.5 The second reason for positive action lies within the current financial position that the Council is faced with. The office accommodation strategy has approved funding and the appraisal work undertaken to date indicates that a solution can be found which would provide a saving on the funding already budgeted for and a positive decision on the way forward will enable this saving to be properly identified and available for reallocation towards other priorities.
- 3.6 The third reason for action again relates to the current financial climate and the need for the Council to redefine its offer to the people of Leicester and the office accommodation strategy can act as the catalyst for this transformation. The strategy integrates with the wider transformation agenda enabling Members to redefine the offer to the people of Leicester into the future with such a redesign of services being reliant upon the introduction of new ways of working supported by IT investment. Agile working is a partnership between people, places and technology; it's about delivering greater accessibility and choice to our customers and creating better environments for our employees. The approach of integrating property and IT strategies to provide a variety of stimulating workspaces that are suited to the different types of activity staff provide, but doing so in a way that expands delivery of services at a neighbourhood level where possible.
- 3.7 To support our transformational programme we need to invest in modern flexible ICT solutions that are in place before any major accommodation changes can start. As we begin to talk about different models of delivery it will be important to make sure that people do not work in silos and that they work as 'one Council', IT will be critical in ensuring this. Colleagues in IT Services have been working for some months to find solutions that will support flexible working practices and ensure users can access IT services (voice and data) in a seamless fashion wherever they are.
- 3.8 This provides staff with greater flexibility and enables them to work in more creative ways whilst optimising space utilisation and reducing the cost.

- 3.9 Through the strategy we are looking to meet our stated aspirations and vision for office accommodation into the future (see Appendix I), providing staff and visitors with a new perception of what the city stands for and its vision for the future. It also ensures we have the flexibility to respond to rapid future change, demonstrates VFM based on whole life costing and will contribute positively to the Council's commitments on sustainability.
- 3.10 Five options have now been appraised with the results that options 3 and 4 (purchase of Mercury Building and refurbishment of A Block) are favoured, both financially and when judged against wider criteria. The report seeks approval to the selection of these as preferred options to be worked up further.
- 3.11 The potential availability of the Mercury Building provides an exciting opportunity to address the problems with New Walk Centre and replace a number of our other older, unsuitable inefficient city centre offices.
- 3.12 Moving our HQ to the Mercury would also provide a significant boost to the Cultural Quarter and the New Business Quarter, although there would be potential negative impacts in the vicinity of NWC should the site not be redeveloped quickly.
- 3.13 Parts of the building were refurbished in the last 10 years including the recladding of the exterior of the building, although it does still need further investment including replacement/upgrading of services, lifts, IT infrastructure etc. However the former print works to the rear of the building (fronting on to St George's Way) offer us the opportunity to significantly increase the current floor space available and provide a modern, efficient environment that would enable delivery of our key objectives as set out in the Appendices.

4. Report

- 4.1 Five different options have been considered which all provide for a 50% reduction in the existing central office floor plate and are outlined below with the comparative costs and revenue savings. All the options include for the retention of the Town Hall with its existing services and assume the relocation of the IT data centre currently housed in B Block. For options that retain a presence at NWC site it is assumed Customer Service Centre will remain there, for other options it is assumed that the Bishop Street building will be used in view of their off centre locations. All options require the retention of some of the other city centre offices that the Council currently occupy.

Option 1

Structural strengthening and refurbishment of NWC A and B blocks with retention of one other building within the portfolio.

Option 2

New build on Dover Street car park site with retention of other buildings.

Option 3

Acquisition and refurbishment of Mercury building with retention of other buildings.

Option 4

Structural strengthening and refurbishment of A Block only and retention of other buildings. Demolition/sale of B Block to follow.

Option 5

Demolition of B Block, with new build on its site and retention of other buildings. Demolition/sale of A Block to follow.

4.2 Costs

The capital costs of the various options, the direct revenue implications and the then impact on the Council's budget position is outlined in detail in section 6. From a financial perspective, options 3 and 4 are preferred.

4.3 Option Assessment

In addition to financial judgement all options have been judged against criteria of improved use of space, support of delivery of service transformation, reduction in Council's carbon footprint, disturbance, impact on the city centre, travel, transport and improvements to customer access. Results are outlined in Appendix II and options 3 and 4 score highest.

4.4 All options show a carbon reduction of in excess of 54% against existing emissions from the central office estate with option 3 the highest at 64.27% saving. Option 4 offers 61.84% saving.

4.5 Next Steps

4.5.1 In the light of the recommendation to progress with options 3 and 4, a resource plan has been put together to undertake design work and detailed costing of a scheme for the refurbishment of the Mercury building to suit the requirements of the Council and to further interrogate option 4.

4.5.2 Upon receipt of the costings and valuation it will then be necessary to open negotiations with the Mercury regarding the purchase of their building and the commercial agents will be employed for this purpose so that, should terms be agreed, the total cost of option 3 will be established and can be judged against option 4.

4.5.3 A further workstream will be the provision of development briefs for the NWC site, should the Council relocate, and other buildings to be released by the Council, so that the alternative uses and images for the site can be established as a first step towards the marketing and early development of them, which is a critical success factor for the project.

4.5.4 It is proposed to now develop a programme for the implementation and delivery of preferred options and additional management resource is required and it is proposed that £165,000 be released accordingly.

4.5.5 In view of the urgent works that were necessary to be put in hand as a result of the Ove Arup report to make necessary arrangements to reduce load in NWC and to provide temporary support to parts, the Director of Strategic Asset Management, after consultation with Cabinet Lead and Chair and Party Spokepersons of the appropriate Scrutiny Committee took urgent action under Part 4(d) Rule 14 of the Cabinet Procedure Rules to release an initial £100,000 from the CLABs capital budget. The works and moves are now nearing completion and total cost will be in the region of £258,000, and further release of funding is required.

5. Future Governance and Resourcing

5.1 In accordance with the recommendations of this report it is now proposed to progress further with two options to enhance the detail of these options in terms of design, cost and deliverability.

5.2 Linkage to other transformational agendas is critical and the project will continue to work closely with neighbourhood working, One Council One Contract and Support Services to ensure integration. The Project Board (Built Assets Group) includes representation from across the key players in linked projects.

5.3 It is now recommended authority be delegated to the Chief Executive in consultation with the Leader to select between options 3 and 4 and then to enter into necessary contracts and arrangements to progress the preferred option.

6. Financial Implications (Nick Booth, Extn. 297460)

The report outlines 5 potential options for resolving the structural problems regarding New Walk Centre and rationalising the Council's core administrative buildings portfolio. These options are as follows:

- Option 1 - Repair and Refurbish NWC A and B blocks.
- Option 2 - New build on Dover Street.
- Option 3 - Acquisition of additional building.
- Option 4 - Refurbish NWC A block only.
- Option 5 – Demolish NWC and new build on the site.

Council has previously authorised capital expenditure of £29.9 million towards the CLABs review, as well as a further revenue budget of £3 million pa which was mainly anticipated to be used towards capital financing costs of the whole scheme. It also included a relatively small provision for the landlord costs of Bishop Street. To date, £11,028,000 has actually been spent on the CLABs review and £11.2m has been committed. If recommendations 3, 6 and 9 are approved, this would increase the commitment to £11.57 m.

An analysis of all 5 options has indicated that the current capital budget should be sufficient for all of them. However, this is based on the assumption of 25% fewer staff and the use of modern ways of working. If for example the number of staff was to be only 20% reduced, this would be likely to cost approximately an additional £250,000 p.a. in accommodation costs.

The table below shows the effect of the 5 options, over the short and longer term. It should be noted, that most revenue savings will not be fully realisable until the programme is finally completed in 2016/17.

| | Capital cost (less net receipts) | Capital financing costs (2013/14) | Revenue running cost/ (savings) (full effect 2016/17 onwards)* | Contingency | Net cost 2013/14 | Net cost FYE from 2016/17 |
|----------|-------------------------------------|--------------------------------------|--|-------------|------------------|---------------------------|
| | £m | £m p.a. | £m p.a. | £m p.a. | £m p.a. | £m p.a. |
| Option 1 | 52.1 | 3.02 | (1.68) | 0.50 | 3.52 | 1.84 |
| Option 2 | 43.0 | 2.30 | (0.70) | 0.50 | 2.80 | 2.10 |
| Option 3 | 31.1 | 1.35 | (0.93) | 0.50 | 1.85 | 0.92 |
| Option 4 | 34.0 | 1.58 | (0.88) | 0.50 | 2.08 | 1.20 |
| Option 5 | 42.0 | 2.22 | (0.68) | 0.50 | 2.72 | 2.04 |

*Revenue running cost savings exclude an additional £200k savings from York House which are expected to be accrue towards the Regeneration, Transport and Highways budget.

A budget of £3m p.a. was originally set for the revenue costs of the CLABs review, and there are a number of uncertainties at this stage, however, and consequently a contingency has been added within the figures. However, the best present information suggests that the full budget of £3m will not now be fully required.

Recommendations 7 seeks approval for the release of a further £1.65 m which is included within all the estimated option costs. If this was approved, it would increase the committed costs to approximately £13m.

These figures are current best estimates indexed to the mid-point of the assumed delivery contract i.e. April 2013. There are potential additional savings to options 2 and, 3 if a cheaper alternative to Bishop Street can be found for the customer services centre. The costs of refurbishment of New Walk Centre are based on our best current knowledge of the structural problems of the building, and there are always dangers of unforeseen costs arising with refurbishment works of this nature.

The table above represents our best estimate of the current position though with a project of this size and complexity a number of uncertainties remain and the actual costs and savings could be greater or smaller. Such uncertainties would include actual tender prices, negotiation outcomes, interest rates relating to capital financing and the size of accommodation actually required.

Options 3 is dependent upon a satisfactory conclusion to negotiations to acquire an additional building and as such can't be guaranteed until they are concluded with a third party.

The report refers to the potential for some staff to be relocated from the city centre CLABS portfolio into neighbourhoods and the figures shown take no account of any potential works to properties or other relocation costs necessary to facilitate such moves.

If either of options 3 and 4 are progressed, then as both of them are estimated to cost in the region of £2.0 million p.a. in the medium term, it should prove possible to reallocate the saving of £1.1 million from the CLABS provision towards the 2011/12 budget. It is to be noted that option 4 has been costed on the basis of the more expensive structural solution and there may be some scope to reduce as design work progresses.

7. Legal Implications (John McIvor – Extn. 297035)

- 7.1 The various options set out in the Report have varying implications depending on the option chosen. At this point advice is provided on the implications for the recommended options (Options 3 and 4). Options 1, 2 and 5 predominantly relate to development of the Council's existing property assets though further advice on these options can be provided if further consideration is given to these.
- 7.2 With regard to all the options set out in this report the Council will be under a statutory duty to ensure the health and safety of its employees and visitors to its premises. As the Council is the occupier of the building the Council will be under a duty of care to any visitors to the building, pursuant to the Occupier's Liability Acts 1957 and 1984, The Council is required to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the building for the purposes for which they are invited or permitted by the occupier to be there. The Council must also ensure that any visitors are provided with reasonable protection from risks on the building.
- 7.3. With regard to Option 3, this will require the acquisition of property presently in the ownership of a third party. The Council will need to have certainty that the terms of acquisition are acceptable to the Council and will be in accordance with the financial assessments and budgets outlined in this report.
- 7.4 With regard to Option 4, whilst there is no element of property acquisition, the Council will need to ensure that it complies with the requirements of the Local Government Act 1972 in respect of the proposed disposal of the site of B Block following demolition.
- 7.5. With regard to both Options 3 and 4, any contracts relating to works for the refurbishment of property acquired or currently within the Council's ownership will need to be let in accordance with the Council's Contract Procedure Rules and also (depending on the amount of the contracts in question) in accordance with the EU Procurement Rules and the Public Contract Regulations 2006. The Council will be required to comply with the guidance and practice set out in its Contract Procedure Rules. Compliance with the EU Procurement Rules and the 2006 Regulations will be required in the event that the amount of the proposed contract exceeds £3,927,260.00.

8. Climate Change Implications

All five options for the redevelopment of the CLABS should result in a carbon dioxide emissions reduction of greater than 50% compared with the existing CLABs portfolio. This is in line with the corporate target to reduce Council carbon dioxide emissions to 50% of the 2008/09 level by 2025/26. In addition, all five of the options are located in the City centre so there will be no associated increase in carbon dioxide emissions from travel.

Mark Jeffcote, Senior Environmental Consultant, Environment Team, Ext 296765

9. Other Implications

| OTHER IMPLICATIONS | YES/ NO | Paragraph/References Within Supporting information |
|-------------------------------|------------|--|
| Equal Opportunities | NO | |
| Policy | NO | |
| Sustainable and Environmental | YES | 3.12, Appendix I |
| Crime and Disorder | NO | |
| Human Rights Act | NO | |
| Elderly/People on Low Income | NO | |
| Corporate Parenting | NO | |
| Health Inequalities Impact | NO | |

10. Risk Assessment Matrix

Option 3 and 4 have differing advantages, disadvantages and risks. These are summarised below with mitigations.

| Option 3 | | | |
|--|---------------------|--------------------------|---|
| Risk | Likelihood L/M/H | Severity Impact L/M/H | Control Actions (if necessary/ appropriate) |
| Cost certainty Costs and specification of works provided by third party, could rise. | M | H | Negotiation around price and specification of works required. |
| Programme certainty Owner required to vacate before works start. | L | H | Timetable in accordance with structural engineers' concerns over NWC needs to be agreed. |
| Regeneration Move from NWC could result in that site, along with other buildings vacated as part of this | H | H | Seek to identify an alternative viable use for NWC site. Potential car park use. Costings |

| | | | |
|---|-----------------------------|----------------------------------|---|
| project, remaining unused to the detriment of the surrounding area and businesses. | | | include for a sustainable development legacy for an interim period if required. |
| Disruption Relocate Customer Services, and Data centre No decant required. | L | M | Programme for CSC and data centre relocations to tie in with main move. |
| Option 4 | | | |
| Risk | Likelihood L/M/H | Severity Impact L/M/H | Control Actions (if necessary/ appropriate) |
| Cost certainty Costed on basis of structural design principles could be additional cost once detailed designs completed Increased cost if façade replaced. | M L | H L | Full design needed. Further works to be undertaken should option 3 not prove acceptable. |
| Programme certainty Council own and can progress subject to decant arrangements being put in place. | L | H | Decant opportunities being collated. |
| Regeneration Retains NWC base, but other sites releases – e.g. Greyfriars | M | M | Need to establish programme to market sites that are released to secure their early development and use. |
| Disruption A Block will need to be decanted with substantial disruption to Council business. | H | H | Decant opportunities being collated. Programme of moves to be put together to manage and minimise disruption. |

11. Background Papers

None

12. Consultations

Public Sector Property Forum
Built Assets Group

13. Report Authors

Lynn Cave
Director of Strategic Asset Management

Neil Gamble
Head of Property
Development

| | |
|--------------------------------------|---|
| Key Decision | Yes |
| Reason | Is significant in terms of its effect on communities living or working in an area comprising more than one ward |
| Appeared in Forward Plan | Yes |
| Executive or Council Decision | Executive (Cabinet) |

Aspirations

There are four aspirations that help to set the vision for the Council future offices and their impact on the organisation.

Effectiveness (making the most of the people)

- improving the productivity of individuals and teams
- Increasing the sharing of knowledge
- promoting and sustaining creativity

Efficiency (making the most of the space)

- increasing the capacity of our space
- giving flexibility
- enabling cultural change in the organisation

Expression (making the most of the brand)

- support desired cultural attributes
- motivate our people
- communicate our values and activities
- attract and retain the best people

Responsiveness (meeting the needs of customers)

- improving accessibility for customers
- provide appropriate spaces for customers

With these four aspirations in mind the Council have reviewed options for future office provision with a view to releasing efficiencies from:

- 1) Improved customer access to services
- 1) Focussing the estate on the most efficient buildings
- 2) Reduced duplication of support space across the estate
- 3) Adoption of revised space standards and consistent application of these
- 4) Modernised working practices
- 5) Improved ICT tools to support flexible working
- 6) Provision of flexible space

Key Enablers and Non Negotiables

Key enablers which will need to be in place to support transformation.

Firstly the Key Enablers

I. Leadership and commitment

- Strong leadership from the top
- Long term commitment to modernising the workplace
- High level project sponsor to champion or pilot change

- Organisational commitment to support staff at local level through change

II. Continuous engagement

- Continued commitment from within each Department to the support and use of flexible working practices.
- Programme of change management with all users.
- Opportunities for users to influence design and develop local protocols for running the space.
- Opportunities and involvement in continuous review and development of the project.
- Design evolution as project rolled out through continuous process of listening, reviewing and developing.

III. High performing and integrated ICT solution

- Integration of the ICT staff within the project team
- Centralised printing facilities within floors
- Established and trusted EDRMS system
- Advanced phone technology to support mobile working
- Move to laptops and other mobile devices where required
- Investment in projectors and video equipment

IV. Integrated human resource policies

- Established home working policy
- Training and support for managers in the operation of home working and other flexible work methods

It is explicit that for a successful transition all the key enablers need to be in place. Investment will be necessary within ICT, and has been costed in as part of the overall cost of the various solutions and some policy alignment necessary in HR.

Key Non Negotiables

In addition to the enablers there are a few key policies / standards, in terms of office layouts and allocation of space, that need to be established. These are fundamental to the success of the project and, once agreed, must be regarded as non negotiable.

For the project to succeed it is essential that, once established, these are applied across the organisation consistently and are adhered to. This requires strong leadership from senior managers, a willingness to be advocates of the benefits of change and, most importantly, to be seen to lead by example. The protocols are listed below, and represent very fundamental change.

I. Working protocols

Working protocols will be developed in each setting and must be adhered to. These will include, as appropriate:-

- clear desk policies
- discipline in booking shared spaces

II. Individual offices

Individual offices will not be available.

III. Space Planning & Furniture

Whilst staff will have significant choice over the working environment, there will be predetermined standards:

- Space allocations
- Available furniture
- Furniture layout
- Filing space

IV. Team Workstyles

The amount of office space required will be impacted by two main factors:

- The percentage of shared workspace the Council wish to adopt within the new workplace,
- The portfolio of buildings selected.

Space demand

The adopted space standard for space demand mapping has been based around a planning model of approximately 7 sq ms within office areas for each workstation and its contribution towards circulation areas, ancillary support spaces such as break out areas, meeting rooms and pod spaces with a further 3 sq ms being contributions to corporate spaces including receptions, corporate meeting rooms and training, common areas, café etc. To put this in context, this will allow for approximately 120 staff on a typical floor of NWC which is in accordance with maximum densities for fire escape purposes.

In 2008 space consultants carried out a study of the Council use of offices and identified that as an organisation a higher percentage of our staff were desk bound compared to other similar organisation with 73% falling within the resident population group. The remaining 27% of staff were much more mobile and offer greater opportunities for sharing arrangements.

Based on all these factors the following table provides an analysis of required office floor plate by considering a range of reductions in staff to be provided for and a ratio of workstations required to house such a number, all on the assumption of the space standards referred to above being implemented.

| | % reduction in city centre based office staff | | | | |
|---|---|--------|--------|--------|--------|
| | 0% | 15% | 20% | 25% | 30% |
| Staff Number | 3,102 | 2,637 | 2,482 | 2,327 | 2,171 |
| Workstations | 2,601 | 2,211 | 2,081 | 1,951 | 1,820 |
| Area required (net internal area/sq ms) | 26,013 | 22,112 | 20,812 | 19,509 | 18,200 |

For the options appraisal the 25% staff reduction scenario has been adopted requiring future provision of 19,509 sq ms net internal area of accommodation. This gives a 50% reduction of floor plate and this could be reduced by a further 3,220 sq ms should workstation sharing at a ratio of 7:10 be achieved if improved ICT tools enable greater numbers of staff to work in a more mobile fashion.

Partners

The project has explored partner requirements to establish joint working and occupation opportunities through the Public Sector Property Forum and the Total Asset Pathfinder. There has also been a meeting with officers at GOEM representing the civil estate who are at an early stage of identifying their future needs in the city but are keen to share information to identify opportunities. A similar workstream is in place looking at training facilities across the city and county and it is assumed that the Data Centre currently located on B3 will not be located within the main office buildings. The Public Sector IT group is progressing a workstream looking at the potential for a joint facility.

The health sector appears to offer the most immediate potential for joint working with the PCT and hospitals in discussion regarding their future demand for offices. UHL are looking to move some non-clinical staff off their 3 primary sites to enable expansion and co-location of clinical activities in these locations. Further meetings are scheduled to look at what could be moved. Hopefully this will enable an assessment of the numbers of staff involved. Our strategy therefore needs to be flexible enough to be able to adapt to opportunities with partners.

Service transformation

The accommodation project includes a redesign of services being reliant upon the introduction of new ways of working supported by IT investment thereby impacting on the property assets required to support it. Agile working is a partnership between people, places and technology. It is about delivering the best services to our customers and creating better environments for our employees that are suitable for the different types of activities undertaken by them, thereby helping them to work in more creative ways, whilst reducing the overall cost of property to the authority. In addition the project will focus on the customer and how they are best served in communities and by doing so will define the services and staff who deliver from a city centre base with direct impact on the number of staff who will remain centrally based.

Regeneration

A further critical factor in assessing options is the regeneration impact accruing from proposals. NWC currently houses a large workforce on the southern periphery of the city's retail centre and is an important anchor for this end of the city centre. Any move of staff from this location, whether temporary decant or permanent, will have a detrimental impact on this part of the city centre which is to be compared with the benefits accruing to the location the staff move to. It is important therefore if the preferred option involves the Council vacating the NWC site that along side development of the preferred option the future use of the NWC site is considered and options developed based on the market demand and potential alternative planning uses in order to mitigate to as great an extent as possible the negative effect of the Council's move on the area. Current possible alternative uses include car parking or student accommodation. The costings also include a sum for a sustainable development legacy to fund an interim use on the NWC site were there to be a time lag between Council relocation and a subsequent use. There is also potential positive regeneration within neighbourhoods with a move of staff and investment in communities.

Environmental sustainability

An important factor in appraising options is the carbon agenda and the ability of the built solutions to provide energy efficiency and be an exemplar of best practice. NWC is currently very inefficient in terms of energy use and savings of over 50% in carbon emissions is a minimum requirement with new build options striving for BREEAM 'excellent' and refurbishment for 'very good'.

As mentioned above, if temporarily vacant, the New Walk Centre site would provide the Council with an opportunity to implement some form of temporary use of the site such as an urban food growing project and thereby further demonstrate its commitment to local sustainable development. The highly successful Urban Farming Project in Middlesborough is an example of what can be achieved. Middlesborough Council turned over land to an initial eight month food growing project that culminated in 8,000 people sharing a meal made from the food that had been grown. The partnership project achieved very high levels of community participation, educated people about diet and food growing and was a practical response to increasing food prices and food miles. The success of the Middlesborough project can be replicated in Leicester with a suitable budget and provision of £300,000 has been included within the demolition costings.

Background

In support of the transformation agenda, the office strategy can review our built assets to ensure a cost and carbon efficient portfolio, drive change in our use of these assets through modern ways of working and provide a customer orientated solution. Appendix I outlines aspirations, key enablers and non negotiables that will need to be in place to achieve this transformation and includes paragraphs on work undertaken with partners to look for sharing opportunities, how the office strategy can promote service transformation, issues around regeneration and environmental sustainability.

To date the office programme has completed the move of Members to the Town Hall, the refurbishment of Sovereign House, 16 New Walk, Phoenix House, parts of Greyfriars and Floors BG, B1, B7, A1 and A2 in NWC. In addition fitting out works were undertaken at Wellington House and a new public reception area provided there and at A Block and Phoenix House. Other works under the programme have included urgent actions to safeguard the operation of the Council's Data Centre and the purchase of the former Post Office building on Bishop Street with a view to conversion to provide a new Customer Service Centre for the Council. Consultants DEGW were commissioned to look at the demand side of our accommodation needs and modelled work styles for Council staff. To date £11,028,807 of the budget has been spent from an allocation of £29,676,000. The programme has enabled the release of Mansion House and Welford House from the office portfolio, giving an annual revenue saving of £365,000.

At its meeting on 12th July 2010 Cabinet considered a report on the structure of NWC which concluded that the structure falls short of the recommendation in current codes in terms of the current loading. The buildings therefore need structural strengthening to take full office loadings, although it is the engineer's opinion that the buildings have sufficient redundant strength to continue to be used safely while strengthening works are designed and procured, subject to the rigorous ongoing management of the loads within the buildings and the 'no imposed load zones' identified. Works are to be designed and procured by July 2011.

Cabinet noted these conclusions and the commencement of an options appraisal project in response to them to consider the options available to the Council in future provision of offices.

The Council's central office estate is currently provided from the following buildings:-

| | |
|-----------------|-------------------|
| New Walk Centre | Eagle House |
| Town Hall | York House |
| Sovereign House | 10 York Road |
| Phoenix House | Collegiate House |
| 16 New Walk | Marlborough House |
| 1/5 Greyfriars | Wellington House |

Greyfriars rear buildings

This is a mixed portfolio in terms of building types and ages, tenure (freehold and leasehold) and suitability to meet the needs of modern office use. The buildings currently house approximately 3,100 staff and the diversity of the portfolio results in inefficiencies in terms of space usage and carbon footprint. From the existing portfolio it is felt that Sovereign House, 16 New Walk and Phoenix House would be the most advantageous to retain as they are freehold owned, have benefited from some refurbishment and are suitable for modern working.

There are six factors which have now come together to provide the Council's anticipated space demand budget into the future, which has been adopted to judge accommodation options against.

- 1) Space planning work undertaken in 2008 and now updated
- 2) Impact of proposed substantial budget reductions which will reduce staff numbers into the future
- 3) Impact of neighbourhood working project on city centre based staff numbers
- 4) Requirements of partners
- 5) Space standards adopted
- 6) Customer access requirements

This appendix includes details of the space standards and other assumption adopted in determining a future provision of 19,509 sq ms net internal area of accommodation upon which all options have been based. This gives a 50% reduction on the current area occupied. The space will house a city centre staff 25% reduced on existing numbers and a further 3,220 sq ms could be saved if workstation sharing at a 7:10 ratio could be achieved with improved ICT tools enabling greater sharing. Space demand is currently mapped at approximately 8.5:10.

The options all assume the IT data centre and Creativity print service will not be included within the office estate and that training facilities are at present provided for within the footprint. Continued works with partners may enable this space to be released should a suitable shared training venue be identified. All options include retention of the Town Hall with its current activities. For options that retain a presence at NWC site, it is assumed that Customer Services Centre will remain there, for other options, in view of their "off centre" locations, it is assumed that the Bishop Street building will be used. In all of the options the new main HQ building will not meet all the Council city centre needs and some buildings from the existing city centre presence will be retained in each option.

Option 1 - Refurbishment and strengthening of NWC

The strengthening and refurbishment of NWC would enable most of the Council's future office needs to be fulfilled in one location. The retention of one further building would fulfil the requirement and for the purposes of appraisal Phoenix House has been chosen due to its size and location.

Two possible methodologies have been considered for strengthening, the use of an internal steelwork solution and an alternative post tension solution. In terms of programme and disruption (both solutions would require complete vacation of the building being worked on and hence require considerable decant and hence considerable disruption to the business) the methods are similar and for the appraisal of this option the steelwork alternative has been used with the exclusion of renewal of the façade. This would add approximately £5m to the cost. Each option includes for strengthening of the Piazza.

The refurbishment has been costed for three different specifications and for comparison with other options ii) has been used. Option iii) would only deal with structure and leave the other problems with the building's remaining.

- i. full refurbishment and strengthening including complete renewal of façade.
- ii. full refurbishment and strengthening excluding renewal of façade.
- iii. Strengthening and basic refurbishment excluding renewal of all plant, machinery and services.

All the options assume a start on site in January 2012 to allow for necessary decant, planning and third party negotiation.

Advantages of this option

- Prime, landmark city centre site where the Council is already established.
- Good access to some bus routes, nearby car parks and reasonable access to railway station.
- Provides a suitable location for improved customer services centre.
- Retains substantial workforce in part of the city centre where this loss would have a significant detrimental impact on the vitality of the local economy of that area. The Council staff underpin the footfall and commercial activity of this quadrant of the city centre which currently helps to balance against the 'shift' of activity towards Highcross.
- Location gives opportunity to include income generating uses (some form of retail and café etc.) which would help to improve activity, townscape and commercial vibrancy of the areas.
- Council departure from the site would require a substantial, high density replacement of mixed uses capable of retaining a large population and in the current climate it is difficult to envisage what uses these could be and Council retention avoids the possibility of the site remaining vacant or underdeveloped for a significant period. Possible car parking or student use.
- The site is in Council ownership and the scheme can be delivered without involvement of third party land owners except for decant purposes.

Disadvantages of this option

- Substantial disruption with complete block needed to be vacated while undergoing works. While some staff could be housed in other Council buildings or those of partners, it is inevitable that temporary decant space will need to be rented.
- NWC car park out of action for the period of the works.
- Majority of portfolio within the 2 blocks, therefore limited flexibility for meeting future contraction in Council size.
- This costed scheme does not include for replacement of the façade and externally the building will appear little changed, giving little understanding to the public of value for money and no change to Council profile.

Option 2 - New build on Dover Street car park site

The Dover Street car park site is in Council ownership and could house a new build office development of approximately 20,805 sq ms. However, to seek a value for money option it is proposed to have a new build of 11,117 sq ms with other buildings retained. While the site could be enhanced by the acquisition of adjacent property interests, it is capable of development in isolation and forms the basis of this option. The site is hidden behind properties that front onto Granby Street and therefore has no major public profile and may not be suitable for customer services. For this reason the Bishop Street property is included in the option for customer services provision.

Advantages of this option

- New build gives ability to provide an exemplar design which meets the Council's carbon reduction expectations and can best suit the needs of modern working.
- Location is on the edge of the New Business Quarter and the development would support delivery.
- Site is in heart of city centre, close to a key pedestrian route and would create greater activity in the vicinity.
- Potential to help enhance pedestrian routes and connectivity between Granby Street and New Walk area, possibly with enhanced bus route and amenity space.
- Site is cleared for development although in car park use. Design could include for some car park replacement.
- Capacity for high density development with some opportunity for integrating other income generating uses.
- Good access to city centre services and facilities.
- No decant requirement.

Disadvantages of this option

- Current bus access limited to a few routes.
- Would need to deal with third parties to enhance site and provide a comprehensive development.
- Possible loss of car park income - £228,000 pa net.
- Backwater feel to site.
- The regeneration benefits of relocation here could be outweighed by disbenefits to the NWC site and adjoining area.

While this option is site specific to Dover Street, the financial impact would be similar for alternative sites within the city which the Council could look to acquire for new build. There would be added cost for site acquisition and both project and programme uncertainly should a new build on an alternative site be progressed.

From a past site identification exercise undertaken in 2007 (OJEU adverts placed seeking alternative sites), a number of sites with potential to be developed with offices of this size were identified and remain undeveloped. Should this option be preferred, then the Council would need to consider whether a further advertising exercise be undertaken or whether the Council may seek to identify a preferred location and negotiate with land owner accordingly.

Options 3 - Acquisition and refurbishment of Mercury building

This option provides for the acquisition and refurbishment of the Mercury building. The pros and cons of a move away from NWC are as outlined in options 1 and 2 above.

The option involves acquisition of a building and therefore requires agreement with a third party and unlike option 1 and 2 is not completely within the Council's control to achieve. This provides a level of uncertainty on achievability and programme.

The option is modelled on achieving a refurbished building of approximately 10,767 sq m thereby requiring retention of other existing buildings within the portfolio. Similar to option 2 Bishop Street is retained in these options for customer services.

Advantages of this option

- No decant requirement.
- Location adjacent to the New Business Quarter and Cultural Quarter will support delivery.
- High profile building would raise Council profile.
- Potential to negotiate improved price from that quoted which costs based upon.

Disadvantages of this option

- Requires negotiation with a third party.

- Third party are required to vacate to a timescale acceptable to structural engineers' view of NWC.
- Costs as presented are based upon those supplied by a 3rd party.
- Will lead to NWC being vacated with negative impact on that part of city centre.

Option 4 - Refurbishment of NWC A Block only and retention of other buildings

This option looks to provide a reduced cost version of option 1 by only seeking to refurbish and retain A Block with the additional space required provided through the retention of other buildings within the existing estate. It would be intended that B Block then be sold for refurbishment or demolition and redevelopment.

The reverse option of retaining B Block has been considered but because of its smaller size it would require retention of the majority of the remaining estate including buildings which would not support modern working and this option has not been progressed.

The A Block option would require decant but would retain the benefits of option 1 regarding the Council continued use of the NWC site.

The costed scheme does not include for replacement of the façade and externally the building will appear little changed.

Advantages of this option

- Prime, landmark city centre site where the Council is already established.
- Good access to some bus routes, nearby car parks and reasonable access to railway station.
- Provides a suitable location for improved customer services centre.
- Retains substantial workforce in part of the city centre where this loss would have a significant detrimental impact on the vitality of the local economy of that area. The Council staff underpin the footfall and commercial activity of this quadrant of the city centre which currently helps to balance against the 'shift' of activity towards Highcross.
- Location gives opportunity to include income generating uses (some form of retail and café etc.) which would help to improve activity, townscape and commercial vibrancy of the areas.
- The site is in Council ownership and the scheme can be delivered without involvement of third party land owners except for decant purposes.

Disadvantages of this option

- Substantial disruption with complete block needed to be vacated while undergoing works. While some staff could be housed in other Council buildings or those of partners, it is inevitable that temporary decant space will need to be rented.
- NWC car park out of action for the period of the works.

- This costed scheme does not include for replacement of the façade and externally the building will appear little changed, giving little understanding to the public of value for money and no change to Council profile.

Option 5 - New Build on NWC site

This option involves the demolition of B Block, the redevelopment of the cleared site with a new office of equivalent size to that outlined for Dover Street in option 2 above, retention of similar additional buildings and the eventual sale (demolition) of A Block.

This option again retains the advantages outlined in option 1 with the Council remaining on NWC site, requires a reduced decant as fewer staff are housed in B Block and provides the A Block site with its frontage to Welford Road for complementary development. The benefits of new build offices as outlined in option 2 would also be achieved.

The programme for this option is dependant upon the relocation of the data centre being completed prior to demolition of B Block being undertaken.

Other buildings retained would be Sovereign House, 16 New Walk, Phoenix House, Wellington House and part of York House.

Scores against assessment criteria

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| Option 1 | 323 |
| Option 2 | 336 |
| Option 3 | 357 |
| Option 4 | 338 |
| Option 5 | 322 |