

Executive Decision Report

ACCOMMODATION STRATEGY IMPLEMENTATION

Decision to be taken by: **City Mayor**
Decision to be taken on: **25 June 2013**
Lead director: **John Stevens**



Useful information ■ Ward(s) affected: **City Wide**

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1. Summary

This report outlines progress with the five elements of the Accommodation Strategy Implementation (ASI) programme, including a revised programme and budget to support the long term occupation of City Hall. The additional investment at City Hall will maximise the potential for civic and community use of areas for public access.

It is to be noted that the proposed programme will achieve savings of £1.3 million per annum on budgets previously set-aside for this purpose.

2. Recommendations

This report recommends that the City Mayor:

- 1) Approves the strategy contained in this report.
- 2) Approves the overall budget for the administrative buildings of £5.533 million p.a. from 2015/16, representing a saving of £1.3 million per annum in the sum approved as part of the 2013/14 budget strategy. This will therefore result in a contribution to the medium term financial strategy.
- 3) Approves the release of an additional £16.140 million capital expenditure for the Accommodation Programme (making a total of £19.991 million) which includes: York House including the new Customer Service Centre; the new data centre; the upgrade of City Hall (formerly Attenborough House); refurbishment of 9 Princess Road West; minor works in other office buildings; and the associated IT and removal costs and furniture provision.
- 4) Delegates powers to the Strategic Director City Development and Neighbourhoods to allow variation of spend for sub-projects within the programme.
- 5) In addition to the Capital works proposed above, also to authorise the sum of up to £100,000 to progress the redevelopment of the New Walk Centre site, such costs to be funded from the overall capital financing provision for Administrative Buildings.
- 6) Notes and confirms the expenditure of £399,000 committed on pre-construction activities and enabling works in respect of the Customer Services Centre, authorised by the Director of Finance within an existing approval. To the extent that existing approval has not been taken up and committed, it is superseded by the approvals in this decision

- 7) That, due to urgency in maintaining the time and cost of the existing project (particularly to avoid price increase where pre-ordering) that the parts of this decision relating to the Customer Services Centre [and York House] be excluded from call in under Rule 12 (e) (e) of the City Mayor and Executive Procedure Rules

3. Supporting information including options considered:

The ASI Programme has four main work streams which are in progress as follows:

- i. Move of staff from New Walk Centre targeted for completion by end of December 2013 other than those who move to City Hall by Easter 2014.
- ii. Relocation of the Customer Services Centre.
- iii. Relocation of the data centre.
- iv. Provision of long term replacement for New Walk Centre (NWC).

In terms of decant, a data gathering exercise has been undertaken on Workplace Utilisation to inform the future occupation of the office estate. This has included SMB and Directors and will evolve to clarify accommodation requirements, staff numbers, key adjacencies with the detail to be approved by SMB and the ASI Programme Board.

A main element of the ASI Programme is the long term occupation by the Council of the non-retail parts of City Hall following vacation by the previous occupiers.

As owner of the building, previously used as municipal offices, the Council has taken the opportunity to undertake a full refurbishment which will bring the upper parts of the building back in to office use and the majority of the ground and first floors back into use for civic purposes retaining many of the original Art Deco features.

The Outline Occupation Plan for the major receive sites is as follows:

Building	Occupation Date
City Hall	April 2014
Princess Road	December 2013
16 New Walk	September 2013
Sovereign House	August 2013
Other smaller sites	Ongoing throughout 2013

The Customer Services Centre will move to York House on Granby Street and the Data Centre will relocate within the Council's existing estate.

The introduction of appropriate flexible working policies and change programmes are being developed to reflect the future needs of the Council in delivering services in the most cost effective way. In particular this will lead to a greater level of open plan accommodation across the estate.

As a result of leaving New Walk Centre the council's telephone system is being replaced by Microsoft Lync which will run over the council's data network and be fully integrated with Microsoft Outlook and Exchange including an upgrade to Windows 7 operating system.

The impact of this proposal on the Customer Service Centre effects the current approval under which the Director of Finance has authorised enabling works to commence. So that the project timetable and current costings can be fixed and orders placed it is recommended that consideration be given to the removal of the call in process in respect of the parts of the decision that affect the Customer Service Centre

4. Details of Scrutiny

None

5. Financial, legal and other implications

5.1 Financial implications

The total capital expenditure for the Accommodation Strategy is estimated at £19.991 million in total. Of this, approval has already been given to £3.851m to commence work mostly on the Data Centre and the Customer Services Centre. Most of the capital cost will be met from borrowing.

The current budget for administrative buildings is split into two parts:-

- a. A budget of £3.733m per year to run the current portfolio;
- b. A budget of £3.1m per year to meet the costs of borrowing, together with any other related expenditure arising from the moves.

In a full year, the costs of the scheme will be £1.3 million per year less than current budgets, and this can be removed from the budgetary provision from 2015/16 onwards.

In 2013/14 and 2014/15, the full revenue budget will be required although part of this will offset the need for borrowing.

The estimated budget breakdown of the capital works is shown in the table below:

Description	Amount £000's
Data Centre	2,665
16 New Walk	174
Customer Services Centre	800
York House	1,341
City Hall	10,872
Princess Road	908
Furniture and Removals	639
IT Networks and Hardware, WAN and moves	1,097

Wellington House, Town Hall, Minor other offices' works	880
Fees, Programme management and contingency	615
Total	19,991

The estimated revenue costs include the lease term for 9 Princess Road West which has been agreed at £195,500 p.a. for 10 years with a rent free period of 12 months and a tenant option to break after 5 years. The Council will also receive sub-rent of £37,485 p.a. until 5th July 2015.

Regular reviews of occupation of leased offices in the city centre and taking opportunities as they arise is expected to generate additional revenue savings in excess of £0.5m per annum which will form part of the total savings of £1.3 million.

NPV Analysis for 3 scenarios

Net Present Value analysis (NPV) is a technique to compare the true costs of alternatives options presenting all future costs at their current day equivalent. It is particularly effective at comparing options which have a different mix of revenue and capital costs. Use of NPV techniques result in a notional cost for comparison purposes that effectively add together the costs of the project and the entire cost of occupation over many years. The figures are not meaningful for any purpose other than comparison of options.

An NPV analysis has been undertaken on 3 alternative scenarios, namely:

1. A temporary decant to City Hall and a £38 million redevelopment of the NWC site.
2. A permanent decant to City Hall with reliance on other temporary accommodation.
3. A permanent decant to City Hall with major refurbishment.

The NPV analysis using a discount rate of 3% shows NPV costs over 15 years of the above options at £110m for option 1, £71 million for option 2 and £65 million for option 3. The high NPV for option 1 reflects the costs of redevelopment, whereas option 2 is higher than option 3 because City Hall would require major refurbishment within 5 years and thus would not allow the surrender of City centre office leases. It should also be noted that the ranking of the options under an NPV analysis is unchanged if a longer 35 year period or a higher discount rate of 5% are used.

It should be noted that provision has also been made within the overall Accommodation Strategy budget for the capital financing costs of the demolition of New Walk Centre. This provision includes the proposed sum of £100,000 towards assisting the redevelopment of the site.

Nick Booth
Principal Accountant
Extension 7423

5.2 Legal implications

5.2.1 In respect of the relocation of staff to alternative accommodation the Council is

under a statutory duty to ensure the health and safety of its employees other workers and visitors to its premises, pursuant to the Health and Safety at work etc Act 1974 and the Occupier's Liability Acts 1957 and 1984, The Council is required to take such care as in all the circumstances to its employees, other workers and visitors, and to ensure that any visitors are provided with reasonable protection from risks on the building.

5.2.2 In respect of leases of premises owned by third parties and granted to the Council, as tenant the Council has obligations as tenant under the terms of the leases negotiated with the owners of the properties in question, including responsibility for the payment of rent, other outgoings, and repairs as set out in the lease. Further advice on such obligations or in respect of negotiating terms of leases will be provided by Legal Services.

5.2.3 The appointment of contractors to carry out redevelopment works as outlined within the report will be subject to compliance with the Council's Contract Procedure Rules and the rules on European procurement.

5.2.4 Legal advice has been provided concerning all contracts, which will be procured in accordance with the Contract Procedure Rules (CPRs). The Strategic Procurement Unit (SPU) will be able to advise on corporately available framework agreements. In using Framework Agreements, the Council is required to comply with the rules of the relevant framework as regards the scope of what is "called off" under the framework, and the procedure for calling off.

(John McIvor, Legal Services, Ext. 29-7035)

5.3 Climate Change and Carbon Reduction implications

The Council has a corporate carbon dioxide (CO₂) reduction target of 50% of the 2008/09 level by 2025/26.

The City Mayor's Delivery Plan has a target to reduce emissions from central accommodation buildings by 50% before March 2015. The original Accommodation Strategy business case has an aspirational target of a 60% reduction in building related emissions across the city centre office portfolio.

As a result of the implementation of the Accommodation Strategy, the building foot print will reduce by at least half so this will go long way to meeting the 60% target.

Through a combination of the re-location of the data centre and the customer service centre, the refurbishment of City Hall (to include a photo voltaic panel installation), the refurbishment of Princess Road West, the loss of other buildings and the implementation of flexible working it should be possible to achieve the additional reductions necessary to meet the targets or better.

The baseline emissions against which progress will be determined have been calculated (4767.1 tonnes of CO₂ equivalent for 2008/09) but although it is anticipated that the targets will be met it is not possible to confirm this through detailed modelling because the exact energy use predictions for all of the retained buildings are not yet available.

There should also be a decrease in the carbon dioxide emissions from staff travel and commuting as a result of flexible working.

One result of home working could be a small increase in city-wide carbon dioxide emissions because staff may use energy more inefficiently at home. Information will therefore be provided to staff on reducing the environmental impact of home working.

Mark Jeffcote, Environment Team (x29 8132)

5.4 Equality Impact Assessment

Consultation with the Disabled Workers Group and unions will continue to ensure accommodation provided is suitable for all staff and visitors.

Designs for workplaces will take into account the various needs of staff and customers.

5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

None

6. Background information and other papers:

Decision Notice dated 6th February 2013 titled 'Lease of York House'.

Report to Council on 20th February 2013; Revenue Budget 2013/14

Decision Notice dated 21st February 2013 titled 'Accommodation Strategy Implementation – release of funding and agreement to take lease of building'.

7. Summary of appendices:

NONE

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a “key decision”?

Yes