

Report to the Cabinet

Report reference: C-024-2018/19
Date of meeting: 10 December 2018



Portfolio: Leader (Councillor C. Whitbread)
Subject: Accommodation Strategy
Responsible Officer: G. Blakemore (01992 564233)
Democratic Services: A. Hendry (01992 564243)

Recommendations:

- (1) That the Cabinet approve the accommodation option to maximise the Civic building use in Epping High Street by:**
 - (a) retaining Civic, Democratic and Customer Service functions on the Epping site;**
 - (b) delivering a combination of partner, community and business services from the Civic building;**
 - (c) refurbishing the areas of the Civic building to the standards appropriate for the use (subject to b) above);**
 - (d) the disposal of land to the rear of the Civic site in line with the Local Plan allocation;**
 - (e) building office accommodation on Council owned land in North Weald for occupation by the Council and potentially partner organisations;**
- (2) That consequent upon the approval of recommendation (1) above the following actions be taken:**
 - (a) That the Council proceed to full design and build specification of a new build reporting back to the Cabinet before the end of the financial year 2018/2019 seeking agreement to proceed to the procurement of the new build process and its Capital requirement;**
 - (b) Cabinet agree £425,000 capital expenditure for professional services and programme resource to deliver year 1 of the programme met from the existing planned maintenance budget phased as follows: virements of £25,000 in 2018/19 and £400,000 in 2019/20;**
 - (c) That land allocated within the local plan to the rear of the civic site be marketed for sale, with the sale to be agreed before end of the financial year 2019/20;**

- (d) That authority be given to the Chief Executive to 'soft' market test the letting of areas of the Civic building spaces as marked on appendix A attached;
- (3) That a further report be made to Cabinet on:
- (a) the feasibility of the marketing of the part site before the end of the financial year 2018/2019;
 - (b) the revisions required to the accommodation programme to align it with these recommendations;
 - (c) the formation of a governance structure to support effective and efficient delivery across the programme; and
- (4) That the Cabinet receive regular updates on the programme to future meetings.

Executive Summary:

Since the listing of the Civic Offices building by Historic England in late 2017 there have been a number of events and changes that have led to a revisit of the accommodation project. On review there is a new recommendation for Cabinet consideration that acknowledges developments in St. Johns Road, Epping and addresses the continued use of the Civic Offices building for purposes that it was designed for and opening up wider services for the community and customers. In addition, research has shown potential for new and established businesses to rent office space supporting economic development and protecting the high street footfall.

The strategic objectives set in 2016 are met by the mixed-use proposition for the Civic Offices building together with the sale of the land to the rear of the site and a new build office in North Weald.

Partners and business have been engaged in informal meetings, land, property values and build costs have been established and a break even financial case is viable on the information to date.

Cabinet are asked to approve the recommendation and the subsequent decisions to enable the next steps to progress with the updated report back by the end of the financial year 2018/19

Report:

Background and Purpose:

1. The accommodation project has explored options to:
 - maximise the beneficial use of Council land holdings;
 - provide a catalyst for transformational change in working practices; and
 - improve accommodation provision whilst realising ongoing running cost efficiencies
2. Between June 2016 and March 2017 Cabinet agreed to move to a feasibility business case to deliver the consolidation of staff into the Civic building and selling the rear of the site for development. The listing of the Civic building by Historic England in late 2017 restricts the potential to remodel the Civic building limiting the 'opening up' of floorplates

that would enable staff to work in areas designed for concentration, collaboration and confidentiality.

3. Up to May 2018 work continued to develop the next steps of the Cabinet decision. As other projects developed and opportunities were pursued to involve partners and businesses more widely in the future of the Civic building the accommodation business case options were reviewed.
4. The outcome of revisiting the options is a new recommendation for Cabinet to approve. Within the Civic Offices building this option:
 - retains the Civic building for Civic and democratic use;
 - provides a Customer hub for Council and other partner services;
 - provides a community / public food and beverage area;
 - returns a new revenue stream from business incubation and space letting across 2 floors;
 - the refurbishment cost is estimated at £1.5m and an additional £1.5m in years 6-10. £1.2m is currently available as existing budget;
 - the rear of the site is sold for development in line with the Local Plan; and
 - a new build office in North Weald would accommodate Council staff and potentially other partner organisations.
5. The qualitative appraisal by PwC of the option being put forward for recommendation concludes it better meets the Council's strategic objectives compared to 'do nothing' or the refurbishment option of the Civic Offices.
6. PwC have indicated a cost of an additional £175k for feasibility on the recommendation. Should the recommendation be agreed and the governance and project resources be put in place it is not the intention of officers to commission further work from PwC. Additional funds to access professional services, primarily to advance the sale of the rear site and commission the new build specification work, is sought.

Objectives and Future Capacity:

7. The strategic objectives, previously agreed by Members, for the accommodation project are:
 - (a) a focus on Customer Service, 'placing them at the heart of everything we do';
 - (b) create an improved, modern, affordable and value for money working environment that reflects positively on the image of the Council;
 - (c) enables transformation and culture change across the Council involving new and agile ways of working across teams;
 - (d) supports the economic development aspirations for the District, through the Local Plan, by releasing the rear of the Civic Building site as soon as possible and not later than 5 years' time; and
 - (e) minimise disruption to service delivery and moves during refurbishment.
8. In addition, there is also the requirement for the project to financially break even.
9. The Civic Offices building would retain up to 40 EFDC staff supporting Customer, Civic and Democratic activity. The aim for the number of occupants in the Civic building in total would be no less than the existing headcount (446 as at 2016) supporting high street footfall and the local economy. The Civic building would be open to Customers for multiple agencies, Businesses both established and incubation, and the community with proposed high street access to local supplier food and beverage provision.

10. The new build would accommodate staff working in a flexible way designed to ensure Collaborative, Confidential and Concentration spaces are available and a 7:10 desk ratio in place for 380 staff. The build would include 10% flex space for growth and total size 3,300 square meters. These numbers will be revisited at detailed design phase in 2019 as the outcomes of the People Strategy, Technology Strategy and ongoing cultural change are measured in terms of effect on organisational design.

Reasons for Proposed Decision:

The recommendation delivers the strategic objectives of the accommodation project and supports the overall aspirations of the Council Corporate Plan – Stronger Council, Stronger Communities, Stronger Place.

The subsequent decisions would move the project forward and enable partner discussions to move to expressions of interest, greater certainty on the land value at the rear of the site, open up opportunities for partners on other sites to look at alternative office provision and provide staff with more certainty on office location in the future as EFDC transitions through the People Strategy and new ways of working.

Other Options for Action:

The 'do nothing' option has been used as the baseline case. The Council currently occupies and pays for significantly more space than it needs to accommodate current and future headcount. There are currently more workstations provided than there are staff (505 workstations, 446 staff). Average workstation occupancy is only 60% throughout the day. The amount of space per workstation is high compared to sector benchmarks. The running costs are high compared to freehold local government offices.

Consolidation of staff into the Civic Offices building and sale of the rear of the site could be achieved. In financial appraisal PwC ranked this option as preferred although noted it does not meet many of the strategic objectives. Consolidation involved a decant strategy cost of £310k as staff / members moved into Condor whilst a £5.6m refurbishment over 2 years took place.

The recommended option for retaining the Civic building and new build also appraised a number of uses such as residential on the 2nd floor and looked at sale and leaseback opportunities. PwC concluded the market did not see these as viable options and as such they were discounted.

Resource Implications:

The accommodation programme has benefitted from the external expertise of PwC and Bissett Adams since 2016. There has also been a strong focus from internal resources in the Transformation Team and a considerable amount of information and assessment of options has been undertaken all of which informs the recommendation.

Going forward the resources required will need to have capacity and skills to run a programme with a Governance Board and Project Team/s moving at some pace in order to keep workstreams aligned and minimise risks of dependencies causing further delays. A Programme Management resource will be engaged upon a recommendation being agreed by Cabinet.

In order to move forward there is also a requirement to fund professional services at an estimated cost of 10% total cost. A significant proportion is expected to be allocated to the

new build project, other work would include valuations, design services for the Civic Centre and refurbishment specifications of works, in addition procurement services for work across the programme would be sought.

Appendix 1 to this report includes indicative values and costs for the programme. The key figures at a summary level are:

Activity	£m	Key assumptions
Sale of land to the rear of the Civic site in Epping	10	Scheme density as per Local Plan allocation.
Cost of New Build	8.5	Includes contingency and fees
Refurbishment of Civic Building	1.5	Dependent on actual mix of use and partners Income derived from rent (£300kpa) to be used to cover running costs of building – cost neutral position

There is an existing budget for refurbishment and maintenance of the Civic site, currently £1.2m. In order to proceed for the remainder of 2018/19 and throughout 2019/20 Cabinet are asked to approve a total of £425k from this existing budget. This will be used for professional fees and programme governance and is based on 10% of new build cost / 1year. It is suggested that this sum is met from a virement to be taken from the on-hold planned maintenance capital budget.

The new build costs and sale of land numbers all include contingency at 15% and fees.

Legal and Governance Implications:

Any professional consultancy services will be procured in line with the Council procurement rules. The Civic Offices site has a draft allocation of housing within the Local Plan to be bought forward in the early years. There will be a Governance Board in place and regular reports of progress back to Cabinet.

Safer, Cleaner and Greener Implications:

The new building and will be safer by design and energy efficient.

Consultation Undertaken:

A six-step process has been undertaken since 2016 to date that has informed the recommendation. This has involved engagement with members, senior officers, design champions and Historic England.

A series of workshops including 'visioning' and 'design' have informed the design principles that are in operation today and are the basis of the future new build design.

The creation of the Community Safety Hub on the second floor of the Civic building is the showcase area for the design concepts.

The Leadership Team base also on the second floor will also model the design concepts and desk ratio of 7:10 by late December 2018.

There will be further consultation required within each workstream going forward including customers, partners and staff and both formal and informal depending on the project. Where practicable the intention is to offer Board membership to key partners and begin customer consultation across the district to inform Customer Hub design and function.

Since Sept 2018 a number of partners and agencies have been approached or have approached EFDC to discuss the opportunity of locating services in the Civic building. Interest has been expressed from Essex CC, Police, CCG, and Corporation of London. Parish and Town Council opportunities working within EFDC estate are also being explored where this accommodation project could work for customers, residents and organisations. Exploratory discussions with a variety of businesses are in progress and a decision to move forward with soft market testing would enable further viability to commence.

Background Papers:

Cabinet report March 2017

PwC Service Accommodation Review: Stage 1, Strategic Outline Case for Change Dec 2016

PwC Outline Business Case, Stage 2, October 2018

PwC Service Accommodation Review: Stage 2, Strategic Design Brief. October 2018.

Risk Management:

A full risk register will be produced at both programme and project level. The management of risk will be the responsibility of the Board. For the purposes of high level risk management, the work to date by PwC has highlighted these key risk areas:

Risk: Access/egress to the rear of the Civic site

Mitigation: Engage formally with Essex Highways at an early stage and procure the advice services needed.

Risk: Untested market for renting out of office space in the High Street (Civic building), income assumption is a risk

Mitigation: Early engagement with businesses already operating in the market of renting out space, valuers and agents in order to assess demand currently and looking at their predictions as well as looking outward across the areas at competition and complimentary offers.

Risk: People strategy including ways of working and common operating model does not deliver the cultural changes required for 7:10 desk ratios and new office layouts (flex working, collaboration spaces, hot desks etc.)

Mitigation: Leadership team focussed on outcomes, investment in management and leadership skills, deliver structural changes through the management layers at pace, focus on communication and engagement of staff – refreshing all engagement already completed since 2016.

Risk: Car park provision for Customers and users of the Civic building.

Mitigation: Overarching deployment of the Travel Plan scheme. Apply flexibility in approach to interim and transition proposals across all EFDC sites.