

## OFFICE ACCOMMODATION STRATEGY OPTIONS APPRAISAL

**Report By: Director of Resources**

### Wards Affected

County-wide.

### Purpose

1. The purpose of this report is to:
  - a. Propose that the Strategic Monitoring Committee forms a working group to consider the briefing paper on office accommodation strategy options attached as an Annex to this report given that much of the detail underpinning it relates to confidential information about the business and financial affairs of the Council and other persons.
  - b. Seek the Strategic Monitoring Committee's views on a proposed process (including joint working with PCT colleagues) and timetable for developing an integrated office accommodation strategy for the Council and PCT.

### Financial Implications

2. There are no financial implications arising as a direct result of this report.
3. The Council has developed a strategic approach to financial planning over the last two years that seeks to ensure that financial resources are allocated in line with corporate priorities. The Council's Medium Term Financial Management Strategy continues to reflect the potential financial consequences of rationalising Council office accommodation using estimates agreed by Cabinet in May 2006.
4. This approach has ensured that there is some financial capacity in the Council's financial resource model for 2008 - 2011 to support the stated priority of rationalising office accommodation during this period. However, the financial implications of a new HQ / office accommodation strategy for both the Council and the PCT will need to be discussed and agreed at the points indicated in the proposed decision making timetable. There will clearly be changes to reflect:
  - a. A new set of HQ / office accommodation requirements to support the organisation development that closer working between the Council and PCT has given rise to.
  - b. A new timetable for delivering the project.
  - c. Final decisions on the procurement strategy.

## Background

### Context

5. The Council recognises that the effective use of accommodation facilitates the improvement of services for people in Herefordshire. Indeed, this was one of three areas for improvement identified by the Audit Commission in their Corporate Assessment Report 2005. Rationalising office accommodation therefore remains a key priority as set out in the draft Corporate Plan 2008 - 2011 that Council will consider next month. The relevant theme, long-term objective and commitments from the draft Corporate Plan are as follows:

<b>Corporate Plan Theme 2008 - 2011:</b>	Organisational improvement and greater efficiency
<b>Long term objective</b>	To work in an ever-closer partnership with the Herefordshire Primary Care Trust, so as to improve outcomes for service users and citizens and provide better value for money for tax-payers
<b>Key commitments during 2008 / 09:</b>	Begin a revised accommodation strategy to rationalise the Council and PCT estate
<b>Key commitments for 2009 - 2011:</b>	Complete the rationalisation of Council and PCT estates

6. An office accommodation strategy was agreed in May 2005. This strategy was based on a proposal to purchase the Plough Lane office building and land adjacent for an extension to create a back office facility for the Council. The strategy was reviewed in May 2006 following consideration of a detailed project plan and budgetary estimates.
7. The office accommodation project did not go ahead as planned because, contrary to all earlier indications (including an agreed price), the landlord decided not to dispose of the Plough Lane office building and adjacent site. At the time (July 2006), the Council only had lease interests on the ground and second (top) floor of the building.
8. The Council acquired a lease on the first (middle) floor in order to accommodate the Herefordshire Connects team on the second floor. This lease was agreed to December 2008 to coincide with the expiry of the lease on the ground and second floors. No investment in the first floor was planned given the relatively short period of time the Council was then expecting to be in occupation.

9. The leases on all areas at Plough Lane occupied by the Council have now been extended to December 2010 in order to establish security of tenure whilst a revised accommodation strategy is developed. This position is reflected in the Council's Medium Term Financial Management Strategy for 2008 - 2011.
10. A longer period of occupation at Plough Lane makes investment in the site to improve occupancy rates as part of an interim strategy for rationalising Council and PCT office accommodation potentially viable. Given the lead time for new office accommodation to be ready for occupation, the Chief Executive has commissioned a feasibility study to determine how, making best use of existing assets, a joint headquarters for Council members, PCT non-executive directors (NEDs) and the new joint senior management team and a base for the joint provider teams could be established whilst the long-term strategy is progressed. The feasibility study will be ready for formal decision in June 2008.

### **Office Accommodation Strategy Options**

11. Work on developing a new, long-term office accommodation strategy for the Council has been continuing as outlined in the attached Annex. The focus has been on identifying suggestions for **where** such a facility might be located and **what** the Council's needs are likely to be. Progress beyond this stage has been limited by the need to consider the implications for location and design of new office accommodation given the strategic intent of both the Council and PCT is to work ever more closely together. Organisational development plans, details of which are now starting to unfold, could clearly have an impact on what facility is eventually commissioned and where.
12. The Strategic Monitoring Committee's views on whether all key issues have been identified and assessed appropriately in the work to date on identifying office accommodation strategy options will undoubtedly assist developing the integrated strategy. There is however a lot of material underpinning the information provided in the Annex to this report, much of which is commercially sensitive to the Council and third parties. It is therefore suggested that the Committee establishes a working group with the specific task of reviewing and commenting on the work carried out to date. It is further suggested that this review is completed in time to report back to the Committee's next meeting on 13 June 2008.

### **Proposed Process**

13. The Strategic Monitoring Committee is asked to review and comment on the proposed process and timetable for developing an integrated office accommodation strategy as outlined in Appendix 1 to the Annex of this report.
14. Stage 1 of the process (initial options identification and appraisal) has been completed from the Council's perspective.
15. Stages 2 - 4 of the process sets out how it is anticipated that decisions on the integrated office accommodation strategy will be taken in partnership by the Council and PCT, having due regard to each organisation's governance framework. From the Council's perspective, the Strategic Monitoring Committee will be asked to consider draft proposals in September 2008 for recommendation to Cabinet in October / November 2008. The draft strategy will include officer recommendations for members / NEDs to consider on the following issues:

- a. The viability of current office accommodation, including identification of the whole life cost of maintaining the status quo.
  - b. An appraisal, including whole life cost, of the provision of a public sector back office on short listed sites.
  - c. An appraisal, including whole life cost, of the options for the retention of and future use of the Shire Hall and / or Town Hall as a civic headquarters.
  - d. The optimum procurement and funding method for the options identified in b. and c. above.
  - e. The quantification of revenue savings associated with the options identified in b. and c. above.
  - f. The exit strategy for disposal of surplus accommodation so that assets no longer in operational use best support strategic priorities.
16. Linkages to other projects will be taken into account as HQ / office accommodation strategy options are developed for members / NEDs to consider. The linkages include:
- a. The provision of ICT data centres.
  - b. The provision of locality offices.
  - c. The provision of modern records storage and retrieval.
  - d. The provision of a modern archive facility suitable for public access.
  - e. The provision of staff training facilities.
  - f. The feasibility of a new headquarters library facility.
  - g. The provision of a public sector front office within the Edgar Street Grid area.
17. Stage 5 of the process outlined in Appendix 1 to the Annex (consultation and development) could begin in December 2008 if the decision-making timetable was adhered to. This would allow a two year period to build and commission a new back office accommodation facility. This is a tight but achievable timescale dependent on the outcome of the statutory consultation processes that will need to be undertaken.
18. The need for joint working to develop an integrated strategy is self-evident. It is however recognised that the proposed Strategic Monitoring Committee working group on office accommodation might wish to meet before it engages with PCT colleagues to discuss and gain a thorough understanding of the background to the information provided in the Annex to this report.

### **Conclusion**

19. The Council has signalled its commitment to developing and implementing an integrated office accommodation strategy with the PCT by 2011. This report outlines the process by which this could be achieved within that timeframe. The suggested process includes both partners and, from the Council's perspective, provides the

scrutiny function the opportunity to assist the executive with policy development in this area.

## **RECOMMENDATIONS**

### **THAT:**

- (a) the Strategic Monitoring Committee forms a working group to consider the briefing paper on office accommodation strategy options attached as an Annex to this report;**
- (b) the working group be asked to present their findings to Strategic Monitoring Committee on 13 June 2008; and**
- (c) the Strategic Monitoring Committee reviews and comments on the proposed timetable for developing an integrated HQ / office accommodation strategy for the Council and PCT.**

### **BACKGROUND PAPERS**

- Accommodation Strategy Update Cabinet report dated 25 May 2006.