

Meeting:	Cabinet
Meeting date:	11 February 2016
Title of report:	Corporate property strategy 2016 - 2020
Report by:	Programme director growth

Classification

Open

Key Decision

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function to which the decision relates.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

Wards Affected

Countywide.

Purpose

To approve the corporate property strategy 2016-2020 and to approve a lease for Elgar House, Hereford.

Recommendation(s)

THAT:

- (a) the corporate property strategy 2016-2020 attached at appendix 1 be approved and used to guide the development and delivery of the property programme; and**

(b) the acquisition of a 10 year lease of the property known as Elgar House, Holmer Road, Hereford, at an annual rent of £87k be approved.

Alternative options

- 1 Not to approve the corporate property strategy 2016-2020 – the corporate accommodation strategy 2013-2016 no longer reflects the current organisational needs of the council nor the changed partnership arrangements between the council and its partners. Failure to approve a new strategy would mean the council will spend higher amounts of its capital and revenue budgets to maintain unsuitable, non-compliant premises that negatively impact on efficiency and transformation targets.
- 2 Not to approve the proposal to enter into a lease on Elgar House – the council would be unable to address a forecast shortfall in capacity resulting from the need to withdraw from unsuitable premises and would not achieve the organisational and financial benefits outlined in the business case attached to this report.

Reasons for recommendations

- 3 The current corporate property strategy covers the period from 2013-2016 and there is, therefore, a need to put in place a strategy for the period 2016-2020. The new strategy reflects the current and planned needs of the organisation, taking into account the new corporate plan.
- 4 The opportunity to secure a lease on Elgar House will ensure there is suitable office accommodation for the council's planned establishment. Acquisition of this property will give the council enough capacity to allow it to dispose of unsuitable and non-compliant premises. This will provide a working environment that will support more modern and efficient ways of working while costing less than maintaining the current operational estate.

Key considerations

- 5 The progress and performance to date in delivering the key objectives of the existing corporate accommodation strategy 2013-2016 are summarised below:
 - ✓ Refurbishment of Plough Lane to provide an administrative centre;
 - ✓ Refurbishment of the Shire Hall complex (including 33-35 Union Street);
 - ✓ Rationalisation of locality accommodation to create staff multi-agency office hubs (MAO's)
 - ✓ Part implementation of better ways of working (BWOW) supporting staffing reductions and a reduction in operational accommodation;
 - ✓ Implementation of phase 1 of electronic document records management system (EDRMS);
 - ✓ Completion of Herefordshire Archive and Records Centre (HARC) project;
 - ✓ A programme of disposals and termination of leases, enabling a number of operational properties to be vacated with consequential savings of £0.9m pa and capital receipts of £4m;

- ✓ IT infrastructure implemented to enable flexible working;

Some operational properties that have been vacated as part of the 2013-2016 corporate accommodation strategy programme are currently in the process of being disposed of (e.g. Brockington, Bath Street), therefore the full capital and revenue benefits have yet to be fully realised.

The corporate property strategy 2016 - 2020

- 6 The draft strategy is attached at appendix 1. This builds on the previous strategy which ran from 2013-2016 and which has defined the council's recent approach to asset management, however the new strategy is required as the previous strategy is coming to an end. A number of circumstances have changed since the previous strategy leading to a slight change in emphasis for the new strategy although the overall direction of the strategy remains the same.
- 7 Delivering the corporate objectives in the face of continuing funding reductions from central government requires the council to become more commercial in outlook by seeking to secure maximum value from property assets and creating operational efficiency by the best use of those assets.
- 8 The vision for the corporate property strategy has not changed significantly and is as follows:

'To support the efficient, integrated delivery of public services across the county by providing modern, fit for purpose buildings, shared by public agencies'
- 9 The key objectives of the strategy are:-
 - To improve and simplify access to public services, as appropriate;
 - To enable service integration and agile working with modern, fit for purpose workspaces supporting higher productivity;
 - To maximise the economic benefits of the councils property asset base;
 - To support economic development and housing growth;
 - To enhance the working environment for our employees and our partners' staff;
 - To provide a catalyst for physical and social regeneration;
 - To reduce running costs and release budget for reinvestment in frontline services;
 - To support our public sector equality duties;
- 10 The 2013-2016 strategy has led to a number of successes including: co-location of many of the public sector organisations operating in the county; an improved administrative headquarters for the council and multi-agency offices across the county.
- 11 However, the council's operational estate could be rationalised further to provide better support for service delivery and for staff to practice more modern and efficient

ways of working. This type of improvement will be a principle of the new property strategy and key part of the corporate property programme for 2016-2020.

- 12 A recent review of existing corporate accommodation arrangements identified that three properties currently occupied by children's wellbeing services are no longer suitable for use as office accommodation. These properties are Bath Street (New Media Centre), nos 8 and 10 St. Owen's Street (the wings either side of the town hall) and Moor House.
- 13 In light of these findings a series of option appraisals were undertaken to consider the future needs of these services in the context of the objectives set out in the emerging property strategy. These identified the need to bring the services together in order to realise operational and financial benefits and overcome the projected shortfall in desk spaces resulting from the vacation of the unsuitable premises.
- 14 At this point, Elgar House, Holmer Road, Hereford became available for lease on the open market. Inspections of the property identified that it offered significant, good quality accommodation with parking, good public access and would also enable all the groups of staff currently occupying the unsuitable offices to be accommodated.
- 15 Given the forecast shortfall in capacity in the operational estate and following the principles of the revised property strategy for 2016-2020, it is recommended that the council complete the leasehold acquisition of this Elgar House to provide suitable, modern accommodation within the city of Hereford that will be used as a base for a number of its administrative teams. A summary of the business case for the acquisition of Elgar House is attached at appendix 2.
- 16 Cabinet is, therefore, recommended to approve the new property strategy and to approve the acquisition of Elgar House to consolidate a number of back-office functions.

Community impact

- 17 The council's strategic objectives defined in its draft corporate plan 2016 – 2020 are:
'Helping residents to live safe, healthy, independent lives; keep children and young people safe and give them a great start in life; support the growth of our economy and the number of people in work; and to secure better services, quality of life and value for money'.
- 18 The objectives set out in the corporate property strategy 2016-2020 seek to improve and simplify access to public services, improve productivity, maximise economic benefits and reduce running costs to enable budget to be released for investment in public services. The proposals are intended to re-focus spending upon council priority services and the improvement of service delivery accommodation for vulnerable and target groups.
- 19 The strategy also supports the key principles of the health and wellbeing strategy for Herefordshire specifically in relation to securing sustainable services, working together and improving access to information and support. The proposal to co-locate staff within children's wellbeing services should positively impact on the operational efficiency and cost effectiveness of services.

Equality duty

- 20 The corporate property strategy objectives include supporting the council's public sector equality duty. Furthermore, amongst the list of achievements the strategy aims to secure the following is identified:-
- accessible buildings that promote equality of access for customers and staff
- 21 The public sector equality duty requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying "due regard" in our decision making in the design of policies and in the delivery of services. In delivering the forward work programme associated with the corporate property strategy individual equality impact assessments will need to be undertaken.

Financial implications

- 22 The business case attached as appendix 2 illustrates that inclusive of capital borrowing costs the indicative revenue benefit of the proposal is circa £1.1m, compared to continuing with the existing properties over a 10 year period. The annual rent identified is £87k per annum.
- 23 There will be a period of transition during 2016/17 during which the Council will still be liable for the existing properties as well as Elgar House, which will result in additional costs of £187k during 2016/17, to be borrowed from revenue reserves and repaid in subsequent years when the authority has been released from financial obligations at Bath Street and Moor House. The net saving over the period will contribute to the accommodation strategy savings target included within the Medium Term Financial Strategy.
- 24 The business case assumes Moor House is disposed of during 2016/17. There is a risk given its listed status and covenants that disposal may be delayed. This would result in a ongoing revenue cost of circa £50k per annum until it is disposed of. The business case for acquisition is still valid in these circumstances.
- 25 The capital costs of refurbishment and exiting surplus premises of £1.3m are included in the £1.7m capital expenditure for the corporate accommodation programme approved as part of the 2016/17 capital programme.

Legal implications

- 26 Elgar House is to be the subject of a lease for a term of 10 years at a rent which is subject to review at the fifth year of the term. This lease is to be granted on a full repairing liability basis. To secure the site, an agreement for lease has been put in place with the landlord.
- 27 The council has a general power of acquisition enabling freehold purchase or lease pursuant to s120 Local Government Act 1972 (LGA). Under s120 LGA, a "principal council" (a non-metropolitan county, London borough or district council) may acquire by agreement any land inside or outside its area for the purposes of (a) any of its statutory functions or (b) the benefit, improvement or development of its area.

- 28 The corporate strategy will enable a number of further property transactions. These will be the subject of further reports which will require particularised legal comment pertinent to each transaction.

Risk management

- 29 The four year strategy and component elements maybe subject to potential changes in national policy and funding arrangements. The strategy and appendices will need to be kept under review in order to respond to events that may constitute a risk to the delivery of the strategy or risks emanating from the implementation of its component parts.
- 30 It is proposed that a strategic risk register be created and individual risk registers for each element. Reporting of risk will be monitored and reporting through the council's normal governance arrangements.
- 31 With specific reference to the proposal to acquire Elgar House a detailed business case is attached at appendix 2. The broad case for the acquisition of Elgar House sets out concerns regarding the suitability of the current accommodation arrangements and the associated health and safety concerns would represent an ongoing risk in the event the business case was not supported.

Consultees

- 32 The corporate property strategy 2016 – 2020 will inform ongoing discussions with our statutory and non-statutory partners having regard to their respective property strategies. The council has already participated in Herefordshire Clinical Commissioning Group (CCG) estates planning discussions that will continue to explore opportunities for common approaches to property.

Appendices

- Appendix 1 Corporate property strategy 2016 – 2020
Appendix 2 Corporate property strategy – Business case for the acquisition of Elgar House.

Background papers

- None identified.