Title: Rationalisation of Corporate Office Portfolio

Report of the Cabinet Members for Finance and Regeneration

<table>
<thead>
<tr>
<th>Fully Exempt Report</th>
<th>For Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wards Affected: Abbey and Heath</td>
<td>Key Decision: Yes</td>
</tr>
</tbody>
</table>

Report Authors:
Andrew Sivess, Group Manager, Programmes & Funding
Andy Bere, Asset Strategy Manager

Contact Details:
Andrew.sivess@lbbd.gov.uk
Tel: 020 8227 5732
Andy.Bere@lbbd.gov.uk
Tel: 020 8227 3047

Accountable Divisional Director: Jonathan Bunt, Chief Finance Officer

Accountable Director: Graham Farrant, Chief Executive

Summary

The level of savings that needs to be made by the Council will have profound implications for the level of services that can be delivered and for the number of staff employed and how they will work. Continuing to retain the current number of offices provides too much capacity; incurs unnecessary costs and does not support the implementation of more efficient, flexible ways of working (FWW) - vital to providing cost effective services in the future.

This report sets out the options that have been considered to reduce and reconfigure the number of corporate offices. If we do nothing and continue to operate from our existing offices the cost will be at least £119.5m over the next 30 years.

The decision regarding future locations of the corporate office hubs for the Council is not clear cut when viewed solely on financial grounds. The information in this report demonstrates that there is no simple single solution which achieves savings significantly over and above any of the other options. There is however a number of other factors that Members’ may wish to take in to account in making a decision regarding the future configuration of corporate office space which are set out in the report. These are:
• Access to central London
• Barking Town Centre Strategy
• Recruitment of Staff
• Alternative use options and disposal values

Recommendation(s)

The Cabinet is recommended to:

(i) Approve Option 4c as the recommended option to rationalise the Council's office portfolio and help increase operational efficiency to support the implementation of Flexible Ways of Working;

(ii) Approve the borrowing of £4.31m from the PWLB to fund the capital expenditure required to implement Option 4c as set out in this report;

(iii) Delegate authority to the Chief Executive, in consultation with the Head of Legal and Democratic Services, the Chief Finance Officer and the Cabinet Members for Finance and Regeneration, to negotiate terms and agree the contract documents to fully implement and effect the projects; and

(iv) Authorise the Head of Legal and Democratic Services, or an authorised delegate on her behalf, to execute all of the legal agreements, contracts and other documents on behalf of the Council.

Reason(s)

To assist the Council in achieving its corporate priorities of:

• Encouraging Civic Pride: the proposals will provide accessible and cost effective municipal centre
• Enabling Social Responsibility: flexible working will take service delivery closer to communities and enable citizens to be actively engaged in requesting services
• Growing the Borough: the proposals will support economic development through the provision of construction related opportunities in Barking and Dagenham and by the long-term support of local retailers.

1. Background

1.1. The Council needs to reduce its budget by approximately £53m over the three year period from 2015/16 to 2017/18. Despite the improvement in the economy this challenging situation is not expected to improve and is anticipated to worsen, particularly if spending on the NHS is prioritised over other areas of public expenditure as indicated in the recent political party conferences. In addition, the rapidly changing and increasing population in the borough is likely to increase demand for Council services so increasing financial pressures further. The need to manage resources efficiently, including lean support services and delivery infrastructure, is fundamental to meeting these challenges and protecting front line services.
1.2. Our office accommodation and corporate buildings need to be used more intensively to reduce the cost base and increase efficiency. They need to support a more modern workforce where staff work increasingly between office, home and nearer to the customer. Our offices need to support different work-styles and promote interaction and communication between staff to help improve services. This can be achieved by open planning our remaining offices and developing our working practices to facilitate modern and flexible service delivery.

1.3. The existing offices account for an annual revenue spend of £3.65m. Without any increase in the underlying office budget for inflation this will amount to £119.5m in revenue over the next 30 years, excluding an estimated £25m of backlog maintenance capital expenditure work. Continuing to retain three large corporate offices (Civic Centre, Town Hall and Roycraft House) and several smaller office buildings provides over-capacity, incurs unnecessary costs and, due to the nature of the buildings, does not support the further implementation of flexible working.

1.4 Currently, over 2,100 workstations are provided throughout our offices. However, only around 1,840 are currently occupied as a result of previous staff relocations and staff reductions. Whilst some desk-sharing is in place many staff still work to a 1:1 desk to staff ratio, demonstrating that there are too many workstations being provided relative to our current and projected future needs. This is an inefficient and costly use of space and does not accord with best practice in both the private and public sector.

1.5 Based on current budget projections and savings targets, the Council’s workforce is expected to reduce by up to 20% by 2017/18 (c360 office based staff). Consequently fewer desks will be needed and this number can be reduced further by the introduction of industry standard best practice working practices. The table below sets out the workstation reduction scenarios that have informed the options identified in this report.

<table>
<thead>
<tr>
<th>Workstation scenarios</th>
<th>Workstations</th>
<th>Workstation reduction</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>1,840</td>
<td>Nil</td>
<td>• workstations used by staff in existing offices</td>
</tr>
<tr>
<td>Workstations following assumed staff reductions</td>
<td>1,472</td>
<td>368</td>
<td>• represents the ‘do nothing’ option following assumed 20% staff reductions applied to current occupied (1,840) desks • would not enable the required office cost reductions to be made</td>
</tr>
<tr>
<td>7:10 workstation to staff ratio</td>
<td>1030</td>
<td>442</td>
<td>• standard workstation to staff ratio achieved by most public &amp; private sector peers • requires introduction of flexible working practices throughout the organisation • would require an extension to be built at one of the main corporate office buildings</td>
</tr>
<tr>
<td>5.5:10 workstation to staff ratio</td>
<td>810</td>
<td>662</td>
<td>• workstation to staff ratio being targeted by several public and private sector organisations ¹ • requires fundamental review (usually</td>
</tr>
</tbody>
</table>

¹ Wokingham Borough Council; Department of Trade & Industry; Cambridgeshire public sector partners; Monmouthshire County Council
1.6 It should be noted that achieving the proposed average desk ratio of 5.5:10 will be challenging and few organisations to date appear to have achieved this level of efficiency. However, as an example Bristol City Council approved in 2013 that the Council’s average desk: staff ratio should be reduced from 7:10 to 5:10 as the realistic base line for a Local Authority operating model. This decision was taken following research to establish best practice using Birmingham City Council, Manchester City Council, North Somerset Council, Wiltshire County Council and Zurich Insurance as case studies. Conversely, Hampshire County Council has found implementing a 5:10 ratio difficult. Generally, the implementation and achievement of ambitious efficiency ratios will reflect local circumstances such as building form, design and development and integration of working practices with the physical space provided. However, it must be emphasised that if this can be achieved this will enable us to not increase the savings target in excess of £16m to £23m as would be required under options 5 and 6b below.

1.7 The works previously undertaken in some of the existing portfolio has demonstrated the spatial and financial efficiencies that can be achieved by open planning offices. Whilst Roycraft House is already largely open plan, significant investment would be required to increase the level of open planning at the Civic Centre and the Town Hall in order to fully support the introduction of flexible working and maximise the efficient use of space.

1.8 It is essential that the Council retains flexibility to vary the amount of office space provided until the long-term impact of financial savings are known with greater certainty. Consequently, the need to generate savings whilst retaining flexibility to meet future office space requirements has influenced the proposals in this report.

2. **Strategic Approach**

2.1. It is proposed to consolidate staff into the fewest number of buildings possible within the next 18 - 24 months (subject to staff reductions) to generate savings and help to deliver the Council’s strategic objectives. It is important that the preferred option meets the following objectives:

- contributes to achieving the Council's objectives
- generates financial savings and minimises borrowing
- enhances and protects the community's civic heritage
- increases efficiency by reducing officer time in moving between buildings for meetings within the borough and throughout London
- enables more integrated working across service areas through the co-location of staff spatially centralised and co-ordinated open plan offices

2.2. Feasibility studies have been undertaken by external consultants to understand the

---

2 Bristol City Council Cabinet Report: Bristol Workplace Programme, 29 July 2013
practicability and viability of developing each of the three main corporate offices (Roycraft House, Barking Town Hall and the Civic Centre) into a single corporate hub. These studies have been based on the assumption of moving the organisation on to a totally agile working pattern, where fixed workstations are complemented by other styles of working. This approach, in line with good practice, enables the level of staff (following an expected 20% reduction - c360 posts - in staffing levels) to be accommodated in significantly less office space.

2.3. All three sites are considered capable of being enhanced (open planning works and/or construction of an extension) to accommodate the majority of the Council's staff and to deliver the outcomes required. However, this would require significant capital investment estimated (up to a maximum of £30m) and would involve disruptive works. The preferred option should make best use of existing assets whilst minimising borrowing to be commensurate with achieving long-term and sustainable savings.

2.4. In line with best performing organisations such an approach would need to be supported by a programme of change around the way the organisation works and manages its staff: a greater reliance on home and mobile working would be required, underpinned by the embedding of a performance management system focusing on outputs rather than 'presenteeism'. We would need to focus on the perceived barriers to effective flexible working and how these can be overcome, it is estimated that this programme would take at least two years to deliver.

2.5. As part of the implementation preparation programme it is proposed that the Council's Planning Team will be used as a pilot to develop new digitised and agile working practices. This department has been selected because its work is public facing; involves the use of considerable amounts of paper requiring commensurate storage space; and space to accommodate several different activities and work styles is required.

2.6. Pondfield House has been identified as a building to be retained within each of the options in the short to medium term. It accommodates the majority of Housing Landlord Services including the housing repairs service which includes a building materials storage facility) and parking for a considerable fleet of vehicles used by the service. In the short-term it would be difficult to find an alternative location given the property's suitability to deliver the services it accommodates. It is also funded via the Housing Revenue Account.

2.7. All options assume that Maritime House will be vacated by May 2015 shortly before the lease is due to expire.

3. Options and Implementation

3.1. The options identified involve consideration of the closure of Roycraft House, Barking Town Hall or the Civic Centre. The smaller freehold offices (Frizlands House and John Smith House) would also be closed and would be made available for redevelopment or disposal under all options. The programme of office closures and open planning works would be implemented over a period of 2-3 years as the Council is restructured in response to the expected financial reductions.

3.2. The long-list of options identified is set out in appendix 1. The detailed implications
and costs associated with implementing the options are outlined in Appendix 3. Summary information relating to each of the buildings included within the current corporate office estate is provided in Appendix 4.

3.3. The table below sets out in detail the short-listed options (using the option numbering in appendix 1 for consistency) that are considered to contribute most to the assessment criteria set-out at 2.1 above.

<table>
<thead>
<tr>
<th>Option</th>
<th>Details</th>
</tr>
</thead>
</table>
| **Option 2** | Retain and open plan the Civic Centre and Town Hall and retain Pondfield House  
- Dispose/ redevelop Roycraft House, Frizlands offices and John Smith House for office/residential use |
| | • Would deliver significant savings and help to deliver corporate objectives  
• Retains flexibility to further consolidate the Council's offices if required in the future as a 7:10 desk to staff ratio is assumed  
• Two culturally important corporate buildings would be retained  
• No additional economic impact on BTC retail offer from relocation of staff to BTC  
• Would not provide additional secondary school places the demand for which is likely to increase in the future |
| | £14.0m  
| Capital Expenditure | £9.76m  
| Net borrowing (after disposal receipts) | £1.24m  
| Net Annual Savings | 3  
| Short-list ranking |

| Option 4b | Retain and open plan the Town Hall, Roycraft House, retain Pondfield; convert Civic Centre to secondary school use  
- Dispose/ redevelop Frizlands offices and John Smith House for office/residential use |
| | • The secondary school would be either a council school (funded from Basic Needs Grant) or could alternatively be considered as a possible free school.  
• Conversion of the Civic Centre to secondary school use could be used to extend the Robert Clack School and this would be seen, in strategic education planning terms, as preferable to a free school, because of the high number of schools in the area. It should be noted that conversion of the Civic Centre to a secondary school is difficult in design terms and will not provide teaching space to modern standards. Therefore some compromises in terms of design and teaching would need to be made. Furthermore, the revenue costs will be higher than for a comparable new build school  
• This would require the reconfiguration of school development proposals to provide a new primary, sports hall and secondary school on land to be purchased from the GLA to ensure that the new primary school proposals (serving the Lymington Field area) would be suitable and would adequately link to the Robert Clack Green Lane site.  
• The development timetables for the conversion of the Civic Centre to secondary school would need to be reviewed in consultation with Children's |
| | £13.2m  
| Capital Expenditure | £9.26mm  
| Net borrowing (after disposal receipts) | £1.35m  
| Net Annual Savings | 2  
| Short-list ranking |
The likely availability of the Civic for school use in its entirety may be too late to meet the expected demand for school places from September 2016.

- Alternatively, the proposal to convert the Civic Centre to a school could theoretically generate a capital receipt (based on the best alternative use value) if the site was disposed of to a Free School. This would be considered as an overprovision in the locality. However, the Council might be required to provide the site at nil or reduced cost depending on free school demand in the area.
- This proposal to convert the Civic Centre to school use would provide a long-term and financially viable use for the Civic Centre, ensuring that the property provided a vital and widely accessible use for the community.
- The Council would retain involvement and commitment to an historic and culturally important building
- By retaining the Civic Centre as a Council funded secondary school could generate a savings of up to £2m than by constructing a new through primary and a secondary school on the GLA site
- In addition the refurbishment option may enable the GLA site to be redeveloped as a residential/ school mixed use site providing a new primary school and school sports centre extension to the Robert Clack school

<table>
<thead>
<tr>
<th>Option 4c</th>
<th>Retain and open plan the Town Hall; retain Pondfield; convert Civic Centre to secondary school use; dispose of Roycraft House to Agilisys with leaseback of 2 floors for Council office use</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Dispose /redevelop Frizlands Offices and John Smith House as offices / residential use.</td>
</tr>
<tr>
<td></td>
<td>• Would deliver significant savings, minimise borrowing and would help to meet Corporate objectives</td>
</tr>
<tr>
<td></td>
<td>• The relocation of a major London based business to Barking Town Centre would help to support the commercial vibrancy of the area and would further underpin retail activity in the area</td>
</tr>
<tr>
<td></td>
<td>• Elevate would use four floors of Roycraft House to accommodate their staff, with the Council leasing back two floors for their use.</td>
</tr>
<tr>
<td></td>
<td>• This option is cheaper than option 4a in that less capital is required at Roycraft House, but would mean radically changing the workspace: staff ratios from 7:10 down to 5:10. This would be an extremely challenging ratio to achieve and would require a significantly different approach to flexible working with greater numbers of staff working from home on a regular basis; however, achievement of this level of efficiency would yield the highest level of efficiency savings. Some space lost through workstation saving, would need to be put back to provide more communal / breakout space.</td>
</tr>
<tr>
<td></td>
<td>• Would ensure the future of the Civic Centre as a secondary school as set out in option 4b above</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The Preferred Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>£11.2m £4.31m £1.90m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Option 5</th>
<th>Retain and extend the Civic Centre and retain Pondfield House</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Dispose/ redevelop the Town Hall, Roycraft House, Frizlands offices and John Smith House for office residential use</td>
</tr>
</tbody>
</table>
3.4 Summary of short-listed options

3.4.1 The table above shows that the most advantageous solution is to adopt option 4c as the preferred option.

3.4.2 This option produces the highest annual savings whilst minimising borrowing costs to undertake the open planning and urgent backlog maintenance required works to modernise the building. The future of the borough's most important municipal buildings will be secured: with Barking Town Hall becoming the civic and administrative hub whilst the Civic Centre future would be secured as a secondary school and continuing to provide Members with access for Members activities. Consolidating staff into Barking Town Centre is in line with the Council’s Barking Town Centre strategy: this will support the economic development of the area and will support the introduction of flexible ways of working necessary to help the Council respond to the financial pressures ahead.

3.4.3 A summary of the short-listed options and how they contribute to the objectives in 2.1 above is provided in the table below.

<table>
<thead>
<tr>
<th>Evaluation criteria</th>
<th>Option 2</th>
<th>Option 4b</th>
<th>Option 4c</th>
<th>Option 5</th>
<th>Option 6c</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution to corporate objectives</td>
<td>Partially</td>
<td>Partially</td>
<td>Fully</td>
<td>Partially</td>
<td>Partially</td>
</tr>
</tbody>
</table>
4. Economic and organisational implications

4.1. The information in this report demonstrates that there is no simple single solution which achieves all objectives over and above any of the other options. There are however a number of other factors that Members may wish to take into account in making a decision regarding the future configuration of civic office space:

4.2. Access to Central London

4.2.1 The Leadership of the Council have set out a clear agenda for becoming more fully integrated in the London agenda. This is significantly enhanced by a location in Barking Town Centre due to its advantageous connectivity and reduced travel times. Barking Town Centre is within a 15 minute train journey of Fenchurch Street which is a convenient station for meetings at the GLA headquarters at City Hall and for meetings with the Mayor. Already it has proved much more accessible for senior figures within the GLA and Mayoral team to come out to visit the borough. It is also more convenient for Parliament and therefore for attracting visitors from Government and opposition parties. Many of the key growth features of the borough are within short travelling time from Barking Town Centre and therefore this location is convenient for those visiting Barking Riverside, Barking Town Centre developments etc.

4.2.2 The close proximity of Barking Town Centre to the City of London is also important and this has attracted the Barbican Guildhall to work in partnership with Barking and Dagenham College and the Council on the Broadway Theatre. We are striving to engage more closely with the Corporation of London and a Barking location will help this.
4.2.3 This geographical convenience is difficult to measure or to price but is of real significance to the Council in enhancing our profile and reputation within London.

4.2.4 Dagenham Civic Centre, in contrast, is not located within a convenient walking distance of either the underground railway systems, although it does have a number of bus routes that service Dagenham East underground station and Romford mainline station. It is often seen as being an outpost of the main thrust of London's development and is not particularly conveniently located for access by residents.

4.2.5 The building has minimal public accessible services delivered from it and therefore generally only used by the public when attending meetings within the Chamber or committee rooms.

4.3. **Barking Town Centre**

4.3.1 The long term strategy for Barking Town Centre is to encourage employment uses as well as residential. Having the majority of Council employees located in Barking Town Centre is a significant boost to the local economy and brings well paid office workers within the town centre. Demand for office accommodation in the town centre has reduced in recent years and there are less salaried employees located within the town centre than historically. If the Council were to pull its remaining corporate employees out from the town centre this would have an adverse effect on retail and other employment uses within the town centre. Barking is the largest town centre within the borough and there is a clear logic to having the Council's headquarters within the principal town centre of the borough.

4.3.2 The Dagenham Civic Centre in contrast is located outside of the main retail hub for Dagenham and does not contribute to the economy within Dagenham.

4.4. **Recruitment, retention and efficiency of staff**

4.4.1 There is no doubt that the Dagenham Civic Centre and Barking Town Hall serve different employment areas with Dagenham being accessible to potential employees from Havering, particularly Romford, Hornchurch and Rainham and beyond into Essex. However, Dagenham Civic Centre is less accessible to those travelling from London or from wider afield as the public transport links are poor and road transport is congested as there are no significant roads accessing Dagenham any closer than the A13 and A12.

4.4.2 Barking Town Centre is conveniently accessible for much of East London and also via the C2C line for those travelling in from further East, as far afield as Southend. It has good road networks with the North Circular running immediately adjacent and through this, links to North London by car and to the M11 corridor.

4.4.3 In summary Barking's geographical position and transport infrastructure opens up the opportunity for employment from a much wider area than Dagenham Civic Centre does. Whilst we do wish to encourage employment opportunities for people in the Borough, we have to recognise that we also need the ability to draw from a wider pool.

4.4.4 Whilst there is a lack of empirical evidence, anecdotal evidence from managers suggest that it is easier to recruit to scarce professions e.g. accountancy, social
works etc. for jobs that are located within Barking than it is for jobs located within Dagenham. In addition to the enhanced transport infrastructure servicing Barking, there is a more general impression that employment in Barking is more closely linked to the London employment markets than employment based in Dagenham. There are opportunities for the rotation of staff between London Boroughs that are important in terms of career progression and gaining wider experience which Barking accesses more easily than Dagenham.

4.4.5 Closing the Civic Centre would reduce the amount of officer time (and money) spent on travelling between Barking based locations and the Civic Centre and therefore not only increase staff efficiency but promote networking and interaction having staff within walking distance of its main corporate offices.

4.4.6 It is very difficult to quantify the above measures and to input any value from these characteristics into the financial consideration of alternative locations. However, they are material and Members may take them into account when considering their decisions regarding long term office accommodation strategy for the Council.

4.5 On balance Members are presented with three possible scenarios within the options analysis set-out above:

1. Focus on the Dagenham location built around the existing office accommodation in Dagenham Civic Centre, enhanced by a future extension and improved through being made through open planning.
2. Focus on Barking Town Centre primarily based on enhancement to Barking Town Hall and Roycraft House with potentially some overspill in the Barking Learning Centre until works are completed.
3. Retain a balance between Dagenham Civic Centre and Barking Town Hall, which option would need to include clarity around how functions are to be split between the two.

4.6 The case is not overwhelming for any of these solutions over and above the others. However, this has been discussed for many years within the Council and it would be helpful to get clarity about the long-term solution in order to progress one or the other of these options. Officers will then draw up a detailed implementation plan and budget for Members' approval which will implement the agreed outcome.

4.7 The table in appendix 2 summarises the wider economic and organisational implications of the proposals.

5. Implementation

5.1 The preferred option would see two of the three corporate offices vacated and closed, with staff relocating to the Barking Town Hall and the two floors that would be leased back from Agilisys at Roycraft House. The practical implications of each option are outlined in Appendix 3, along with the assumptions, costs and implementation timetable. As the organisation downsizes over the next three years, the smaller offices listed in Appendix 4 would be vacated and sold or redeveloped.

5.2 Project governance

Senior project governance would be provided by a project sponsor nominated by
the Chief Executive and progress reports will be regularly submitted to Cabinet.

5.3 Project delivery structure

The Initial project tasks would be carried out at levels A, B and C
6. Consultation

6.1. The relevant elements of this report have been circulated to appropriate Corporate and Divisional Directors for review and comment.

7. Financial Implications

Implications completed by: Jonathan Bunt, Chief Finance Officer

7.1. If option 4c is adopted it is anticipated that a significant amount of the required capital funded will be covered by anticipated capital receipts of £6.89m with the remainder of approximately £4.31m being funded by prudential borrowing. However, as it will take several years for the capital receipts to be realised it will be necessary for the capital costs to be met from either reserves or from short-term borrowing. Depending on the option selected the estimated capital funding profile (net of capital receipts from assumed disposals) is as follows.

<table>
<thead>
<tr>
<th>Option</th>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option 2</td>
<td>£1m</td>
<td>£9m</td>
<td>£3m</td>
<td>£1m</td>
<td>£14m</td>
</tr>
<tr>
<td>Option 4b</td>
<td>£1m</td>
<td>£6m</td>
<td>£5.2m</td>
<td>£1m</td>
<td>£13.2m</td>
</tr>
<tr>
<td>Option 4c</td>
<td>£1m</td>
<td>£5m</td>
<td>£4.2m</td>
<td>£1m</td>
<td>£11.2m</td>
</tr>
<tr>
<td>Option 5</td>
<td>£1m</td>
<td>£7m</td>
<td>£9m</td>
<td>£5.2m</td>
<td>£22.2m</td>
</tr>
<tr>
<td>Option 6b</td>
<td>£1m</td>
<td>£5m</td>
<td>£14m</td>
<td>£10m</td>
<td>£30m</td>
</tr>
</tbody>
</table>

7.2 The proposals are based on a number of assumptions which, if different, could significantly alter the savings figures. In particular it is assumed that a baseline 1,472 staff will need to be accommodated following the projected 20% reduction in staffing levels. A change to this assumption could affect the number of buildings required and therefore the anticipated levels of savings.

7.3 Future service needs may dictate that it is not possible to close buildings that are anticipated for closure. It is therefore important to regularly review the Council’s accommodation requirements and to report significant changes to Cabinet.
7.4 Each option requires significant capital expenditure to implement the options. The assumption in this report is that the capital costs will be funded by a combination of site disposals/ redevelopment and from borrowing from the PWLB over a period of 50 years.

7.5 Alternatively, the Council could investigate funding the proposals by entering into financing arrangements with an institutional investor, such as a pension fund. Such funding could potentially be structured so that the debt payments could be less than the debt payments required for PWLB financing which may be financially more efficient for the Council. Such funding arrangements have been used by a number of local authorities, sometimes as part of wider regeneration funding package and have provided greater financing flexibility to the Council.

7.6 If the Civic Centre is converted as a free school there is a risk, following consultation with the Education Funding Agency, that such a disposal would be expected to be made for nil consideration.

7.7 However, the Council's external property consultant has advised that in their experience, although the value of free schools sites is difficult to value, that on sites where there is potential for residential development free schools need to outbid residential developers to secure sites. Typically this will be market value plus a small margin.

8. **Legal Implications**

Implications completed by: Jason Ofosu, Property Lawyer, Legal and Democratic Services

8.1 The Council has the powers to approve the recommendations set out in this report. All property related transactions will be conducted through Legal Services in accordance with the Council Constitution.

8.2 This report is seeking approval for the disposal of freehold properties and surrender of some leasehold properties. The Council has the power to implement all the options in this Report. The Council is required to obtain best consideration in the disposal of its assets. Under section 123 of the Local Government Act 1972 the Council has the power to dispose of freehold land. The only constraint is that the land must not be sold at less than market value unless there is ministerial consent or the transfer is to further local wellbeing. The Council has the power to enter into the proposed sale of the freehold properties mentioned in this Report.

8.3 The Council will need to review the terms of the leases of the leasehold sites. It will need to examine carefully if the leases permit early termination, any pre-conditions and security of tenure that the Council would need to comply with in order to terminate the leases early. If the leases do not permit early termination then the leasehold interests would need to be surrendered by agreement of both parties in the Lease.

8.4 The Council has the power to convert the Civic Centre into a school, which is the preferred option. If the Council intend to dispose to a third party education provider then the statutory constraints mentioned above would apply.
8.5 The Council has the power to sell Roycraft House to Agilisys and enter into a lease. The terms of the sale and the leaseback should be negotiated and agreed in consultation with the Head of Legal and Democratic Services.

9. Other Implications

9.1. Risk Management

9.1.1 The refurbishment works have been scoped and cost estimates prepared in consultation with the Council's Capital Delivery team. Construction risk will be mitigated through the use of external professional advisors who are advising on design, construction, build costs and the appropriate form of contracts for a complex refurbishment project.

9.1.2 Refurbishment projects contain an inherently greater level of risk than new build projects due to the fact that it is not possible, without a great deal of intrusive surveys, to know the exact nature and condition of the existing building structure; there is therefore the potential for significant cost increases in refurbishment projects. However, this risk has been mitigated through the employment of external consultants who are advising on design, construction and build costs. Additionally, a 10% contingency allowance will be held against unforeseen costs beyond cost risk not laid off to contractors.

9.1.3 The desk-sharing ratios that underpin the preferred option present a significant shift in the Council’s approach to flexible working with a greater reliance on home working, performance management and all teams being allocated 5.5 workstations for every 10 members of staff. With some staff requiring access to a fixed workstation due to specialist software, some teams would be required to go down to 5 workstations for 10 staff.

9.1.4 Many public and private sector organisations have achieved a 7:10 desk-sharing ration and those that have achieved greater levels of desk-sharing have had a highly mobile workforce, a large range of alternative work settings (touchdown space etc) and ICT that supports a truly flexible workforce.

9.1.5 Option 4c therefore presents a much greater risk in its implementation and requires a change programme to move the organisation to the proposed level of desk-sharing.

9.1.6 Additional space savings will be possible by combining the current separate reception areas located at Roycraft House and John Smith House in order to consolidate face-to-face public access points in line with the digital by design and community network agendas.

9.1.7 Alternatively, it may be possible to locate a number of desks in the Council’s community hubs, once established. The hours of working could also be extended to allow staff to work over extended opening hours; this could have benefits for access to services and would allow the demand for desk spaces to be spread over a longer time period.
9.2. **Contractual Issues**

9.2.1 The proposals contained in this report have significant implications for staff relations and for the terms and conditions of people currently employed by the Council.

9.2.2 There are likely to be issues with people who feel unable to move and this may result in redundancy, although every effort would be made to avoid it (and we will of course offer as much flexibility as possible around working arrangements). Staff may be concerned about additional travel time and associated costs such as car parking. Such issues will have greater significance for staff who:

- have caring responsibilities;
- are disabled (various including car parking spaces);
- cannot work flexibly or from home (as not everyone can or wants to)

9.2.3 Most staff have contracts which allow us to ask them to work in alternative locations, but some may be on contracts which do not.

9.2.4 Successful implementation of the proposals will require careful and detailed consultation with staff and union representatives and implementation of the changes are based on the reasonableness of the proposals.

9.3. **Health Issues**

9.3.1 The proposals in this report will enable staff to adopt a healthier work life balance, due to the greater use of flexible working. It is anticipated that this will reduce levels of sickness.

9.4. **Property / Asset Issues**

9.4.1 Property valuation estimates used in the preparation of this report have been provided by the Council's external property advisors. The valuation estimates reflect relatively low land values in the borough and reflect the limited redevelopment potential considered achievable on the sites.

9.4.2 The valuation estimates are indicative and would be subject to detailed redevelopment proposals, timing of any redevelopment and disposal terms negotiated for each site. There is the potential for values to be higher than the estimates given due to the rising property market but this situation will not last indefinitely.

Free school valuations

9.4.3 The Council's external property consultants advise that Free schools sites can be difficult to value as the price the Free school sponsor is willing to pay for a site depends upon their desire to be situated within a particular location which can often have little regard for the actual requirement for school places within an area.

9.4.4 However, in scenarios where there is limited redevelopment potential on sites/ existing properties or where property uses are limited to D1 then the values achieved will reflect this. The experience of the Council's external advisor of recent site disposals throughout London is however that on sites where there is potential
for residential development free schools need to outbid residential developers to secure sites. Typically this will be market value plus a small margin.

9.5. **Staff Issues**

9.5.1 The issues around changing the base from which staff work has been referred to in the section on ‘Contractual Issues’. There is a need to engage with staff fully around the reasons for the proposals and the link both to savings and the broader business changes in the Council. Formal consultation will need to follow, as greater flexible working will be lead to cultural change in some areas of the Council.

**Background Papers Used in the Preparation of the Report:** None

**List of appendices:**
- **Appendix 1** – Options Appraisal
- **Appendix 2** – Economic and Organisational Implications
- **Appendix 3** – Reducing Corporate Offices – Assumptions for Flexible Working
- **Appendix 4** – Current Office Property Portfolio