

Calderdale MBC

Wards Affected All

Cabinet

18 June 2012

Asset Management Review – Halifax Town Centre Office Strategy

Report of the Director – Economy and Environment

1. Issue

- 1.1** To update Cabinet on the conclusions of the Halifax Town Centre Office Strategy undertaken as part of the Council's Asset Management and Facilities Management Transformation Programme, and seek Cabinet approval to the recommended next steps as approved by the AM/FM Programme Board on 17 May 2012.

2. Recommendations

- 2.1** Cabinet is asked to approve and recommend to Council the following:
- The Halifax Town Centre Office Strategy as summarised in section 6 of this report and as approved by the AM/FM Programme Board.
 - Inclusion in the Council's capital programme of £11.873 million to deliver the programme of works for the Halifax Town Centre Office Strategy to be funded from prudential borrowing of £10.773 million, capital receipts of £800,000 and from use of an existing IT reserve of £300,000.
 - One off revenue costs of £588,000 to deliver the proposed changes in working practices required under the strategy, and the associated relocation costs, to be funded from the property rationalisation reserve of £348,000 and Council revenue balances of £240,000.
- 2.2** That Cabinet, subject to the approval of Council of 2.1 above, delegate to the Director – Economy and Environment, in consultation with the Portfolio Holder for Economy and Environment and the Head of Democratic and Partnership Services, authority to negotiate and agree the contractual terms for the implementation of the Halifax Town Centre Office Strategy up to the budget ceiling figures noted above.
- 2.3** That Cabinet, subject to the approval of Council of 2.1 above, delegate to the Director – Economy and Environment, in consultation with the Portfolio Holder for Economy and Environment and the Heads of BCPM, HR and D&PS, authority to agree the design and implementation of suitable 'flexible working' policies, working arrangements, information technology and electronic document management and retrieval systems for Halifax town centre offices that will subsequently be adopted as the corporate standard for all of the Council's office accommodation.

3. Need for a Decision

3.1 The Council's existing office premises in central Halifax are spread over a number of disparate properties, and in some cases are in poor condition or in a form which is not conducive to modern ways of working. Approval of the recommendations in this Halifax Town Centre Office Strategy will enable:

- Modern and flexible ways of working to be implemented across the property estate in central Halifax, in fewer properties. Flexible working will deliver significant operational benefits and facilitate better utilisation of office accommodation.
- Savings forecast at £7.6 million over a 25 year period, and year on year savings forecast at £1.2 million per annum thereafter, to be delivered.
- Increase workstation capacity in Westgate House to facilitate the early migration of officers from parts of Northgate House.
- A sustainable long-term solution for Princess Buildings to be implemented that retains and restores Princess Buildings as a key heritage asset whilst providing modern office accommodation in a flagship building.

3.2 Approval to the recommendations for Halifax Town Centre office accommodation will also:

- Provide a strong catalyst for organisational change. An accommodation strategy based on Princess Buildings and Westgate House will improve operational efficiency and create centrally located flexible working hubs for headquarters based functions
- Allow leases for Dean Clough, Hoover Buildings and Elsie Whiteley to be terminated at the earliest opportunity, and Northgate House, Park Road and Horton House to be disposed of.
- Retain a mixture of freehold and leasehold premises across the town centre estate, which will provide flexibility to meet the future occupational demands of the Council.
- Retain a significant focus of Council staff in the town centre to the benefit of the local economy.
- Represent a substantial investment in Halifax's heritage buildings, with the support of English Heritage.

4. Background and Details

4.1 In order to help deliver budget cuts of £55 million by 2014/2015, Calderdale Council is assessing how its property estate might be better utilised in the future, the opportunities for making better use of the properties it has, and the fiscal benefits of disposing of assets surplus to requirements.

4.2 As part of the Asset Management and Facilities Management transformation programme, this asset management review has appraised a range of options for how the existing office portfolio in Halifax town centre might be rationalised, modernised and better utilised in the future. The review has assessed the office accommodation required in central Halifax, and a more detailed condition survey and feasibility study has been undertaken on Princess Buildings as part of the options appraisal work.

4.3 The current arrangements with staff dispersed across eleven office properties' in central and fringe locations in Halifax town centre is not operationally efficient. A number of the existing properties are small and offer only limited workstations and future organisational flexibility. This has contributed to disparate facilities management and localised decision making on ways of working.

4.4 There are opportunities to better utilise some of the office properties, increasing density of use through the introduction of modern workstations and furniture, improved use of electronic document management and storage, and through the implementation of flexible working practices, such as 'hot-desking'.

5. Options Considered

5.1 The Halifax Town Centre Office Review appraised a range of options for the rationalisation, modernisation and better utilisation of the town centre office accommodation.

5.2 The options appraisal identified that three of the Council's existing buildings (Princess Buildings, Westgate House and Park Road) could accommodate the majority of the Council's staff. When considered within the context of other key properties, such as Mulcture House, which houses the Council's ICT servers, the appraisal concluded that one of these three properties was surplus to requirements.

5.3 The options considered are set out in Appendix A.

6. Proposed Solution

6.1 Based on the financial and qualitative options appraisal work undertaken by the project team, the following solution was reported to and approved by the AM/FM Programme Board:

- The refurbishment of existing Council premises at Westgate House to provide an increase in accommodation from 250 to 320 workstations
- The refurbishment of the existing Council premises at Princess Buildings to provide an increase in accommodation from 229 up to 339 workstations, and to address the significant backlog maintenance and functional limitations of these important heritage properties.
- Continued occupation of Mulcture House to provide for 129 workstations.
- Occupation of the new Halifax Customer First facility at Broad Street Plaza, to provide for 52 workstations (Council approved this corporate priority on 7 December 2011).
- Fit out of vacant accommodation at The Shay for a new training facility to include for 28 workstations.
- In accordance with existing Cabinet approvals, vacation and disposal of Northgate House.
- At lease expiry, vacation of the Council's existing accommodation at Dean Clough and Hoover Building in 2022 and 2018 respectively.
- Vacation of the Council's leased accommodation at the Elsie Whiteley Centre.

- Vacation and disposal of the Council's properties at Park Road and Horton House.
- The implementation of new flexible working measures for the town centre office properties on a phased basis starting with Westgate House.

6.2 Further information about the proposed solution is set out at Appendix A.

6.3 Refurbishing Westgate House and Princess Buildings would allow the number of workstations in these properties to be increased from the present 479 up to 659, and utilising a workstation to person ratio of 7.5 to 10 would enable 879 officers to operate from these two key properties; an increase of 400. The design will incorporate a modern ratio of meeting rooms and break-out areas. In addition to the 52 staff to be accommodated at Halifax Customer First in Broad Street, and 37 staff at The Shay, 161 staff will be able to operate from the 129 workstations in Mulcture House (at a workstation to person ratio of 8 to 10). This solution would provide very good flexibility for the Council.

6.4 The benefits of flexible working are well understood, in terms of driving significant accommodation efficiencies. The appropriateness of adopting flexible working practices has been discussed with senior officers as part of the asset management review, and there is broad agreement that such practices should be implemented across the Halifax town centre office estate. The preferred option for Westgate House and Princess Buildings assumes the implementation of workstation sharing arrangements at a ratio of 7.5 desks per 10 officers, and that similar workstation sharing is introduced across the estate on a phased basis. Critical to the implementation of this will be the development of a flexible working policy and:

- Suitable IT and telephony arrangements that support officers moving around the Halifax office estate. Discussions with BCPM indicate that this is broadly in place, save for the hardware required by each individual. Costs for this new hardware are therefore included as part of this report.
- Cultural and management changes that manifest themselves in less rigid workplace practices and increased management through results. The proposals include support for change management.
- Electronic and physical storage and archiving solutions to support clear workstation policies, consistent with individuals occupying a workstation for a period of time rather than having a personal workspace. The proposals include suitable electronic document management systems.
- Managed meeting facilities that allow equal access to all, and proactively manage spaces to ensure they are efficiently used. The intention is that this will be addressed as part of the facilities management arrangements currently being developed.

7. Financial Implications

7.1 The estimated costs of the Halifax Town Centre Office Strategy are set out in the table below:

Component	£
Capital Costs	
• Refurbishment of Westgate House, including new workstations, cabling, design and professional fees	£1,560,000
• Refurbishment of Princess Buildings, including new workstations, design and professional fees	£7,200,000
• ICT equipment for officers based in Halifax town centre office accommodation	£653,000
• ICT Infrastructure Costs	£150,000
• Electronic Document Retrieval and Management Systems and scanning	£300,000
• Fitting out of vacant accommodation and provision of new training facility at The Shay	£550,000
• Separation of services to Northgate House and the Library	£830,000
• Essential works or disposal costs to other town centre accommodation	£687,000
Total Capital Costs	£11,873,000
One-Off Revenue Costs	
• Removal and storage costs (one-off costs spread across 2012 to 2015)	£348,000
• Change management support (one off costs spread across 2012 to 2015)	£240,000
Total one-off Revenue Costs	£588,000
Total investment required	£12,461,000

7.2 Savings, such as from reduced facilities management costs, will start to accrue once officers are able to be moved from other accommodation within the existing Halifax town centre estate to the refurbished Westgate House. The preferred option would realise average savings of around £303,000 per annum over a 25 year period, or £7.6 million in total, even after allowing for the cost of repaying the prudential borrowings required.

7.3 As properties, such as Park Road and Horton House, are vacated there may also be the opportunity to secure capital receipts. As part of the financial modelling work undertaken as part of the asset management review no allowance has been made for capital receipts, other than £800,000 remaining uncommitted from the capital receipt for the Broad Street development.

- 7.4** The costs of refurbishing Westgate House and Princess Buildings would need to be funded from a combination of prudential borrowing, existing capital resources and reserves, as set out below:

Funding source	Amount
Prudential borrowing	£10,773,000
Capital receipts	£800,000
IT reserve	£300,000
Property rationalisation reserve	£348,000
Council balances	£240,000
Total	£12,461,000

- 7.5** The amount of prudential borrowing required will be reduced if other capital receipts become available from the disposal of accommodation identified as being surplus to requirements as a result of the town centre office strategy.
- 7.6** Operational costs for the properties will continue to be met from the existing revenue budgets allocated against the town centre properties.

8. Consultation

- 8.1** The former Chief Executive, interim Chief Executive, Directors and Heads of Service in each Directorate have been consulted throughout the asset management review and development of the Halifax town centre office strategy. The recommendations from the asset management review have been discussed with the Senior Management Team and Extended Management Team, who are very supportive of the recommendations. The AM/FM Programme Board approved the proposals in this paper on 17 May 2012.

9. Equality and Diversity Issues

- 9.1** The works to the properties will be designed having reference to current Disability and Discrimination Act legislation. The reception areas will remain and therefore there is no impact on the public.
- 9.2** The project will support flexible working. These arrangements will be designed to comply with relevant Council policies and other best practice guidelines, and are expected to have a positive impact on staff as flexible working supports work/ life balance.

10. Contribution to Delivering Population Outcomes

10.1 Approval to the recommendations in this paper for Halifax town centre office accommodation will address the following population outcomes contained within the 2011 Fresh Start for Calderdale Programme:

- MVM2 – Completing the asset and facilities management review of Council buildings.

10.2 The proposal will also contribute towards the following outcome by facilitating the migration of staff from Northgate House:

- GTD2 – Working out the plans for the future provision of Council office space and the Northgate House site.

11. Risk

11.1 If this investment is made, it will refocus the provision of Council office accommodation within fewer properties within the town centre. This does mean however that a commitment is being made for Westgate House to be retained as one of the Halifax town centre core office properties until 2024.

11.2 The refurbishment of Westgate House and Princess Buildings would be supplemented by the implementation of flexible working as set out in section 6 of this paper. Not only will the introduction of flexible working arrangements allow for more efficient use of Council offices, it is expected to deliver significant operational benefits and improve collaborative working. However, the implementation of new flexible working arrangements will need to be properly managed. Early implementation of flexible working practices is important to the delivery of the programme of works, and will require the full engagement of all affected staff and their managers. Change management arrangements are to be put in place to manage the controlled implementation and adoption of the agreed approach for flexible working. With support from the Communications team, a communications strategy is being formulated to update affected staff and wider stakeholders on the plans and timescales for implementation.

11.3 There is a significant backlog of maintenance required to Princess Buildings. A detailed condition survey and feasibility work has been undertaken as part of the asset management review in order to estimate the costs of refurbishing Princess Buildings, but there remains a risk that additional works will be required once the detailed works are started on site. Contingencies have been included in the cost estimates for works to the buildings, and these will continue to be reviewed as the design evolves prior to works commencing on site.

11.4 The proposals for Halifax town centre office accommodation will be funded through invest to save, with the total package of works forecast to deliver savings of £7.59 million over a 25 year period.

- 11.5** Vacation of Northgate House will realise annual cost savings, and mitigate against unforeseen costs of repairs on the basis of no longer being in occupation of the property. Phased vacation of Northgate House will be dependant on early implementation of flexible working practices within the town centre offices to allow for a reduction in desk numbers relative to current staffing levels and refurbishment of Westgate House.
- 11.6** Any cost savings from vacating sites and disposing of the Council's legal interests in sites can only be achieved through exit of surplus premises. No assumptions have been incorporated for capital receipts and any future capital receipts from vacating surplus properties will further contribute to Council savings.
- 11.7** Northgate House and the Central Library and Archive occupy the same site with shared utility services. Advice is that the whole site is appropriate for retail development. The disposal of the whole site for comparison goods retailing would also address some of the town's economic weaknesses. This would be through provision of greater number of shops, improving consumer choice, enhancing linkage with the Broad Street Plaza development, creating a sustainable retail and leisure circuit, and improving the experience of shopping in Halifax town centre with resultant increases in linked trips, dwell time and footfall. Redevelopment would also provide a key anchor to the town centre through the provision of larger floor-plates to minimise the risk of retailers seeking alternative locations. This is particularly important within the context of Halifax's drop in national retail rankings from 174 to 204 between 2004 and 2008, as highlighted in the 2009 Retail Needs Assessment.
- 11.8** The Council has been advised that the retention of the Central Library and Archive and disposal of the Northgate House part of the site only is not considered to be attractive for retail redevelopment on its own. This is informed by, but not limited to, considerations such as the break up of the visibility and retail frontage of the site affecting pedestrian flow, and the reduction in the site area by approximately half.
- 11.9** Realisation of value from the disposal of the Northgate House site only would be at significant risk if the decision is made to retain the existing Central Library and Archive. This needs to be considered in the context of wider economic regeneration of the town, and separately public consultation is taking place on the future of Halifax town centre and Central Library and Archive. On this basis, no sale receipt from the disposal of the Northgate House site has been provided for in the business plan. It should be noted that no cost has been included for demolition of Northgate House in the event of non-disposal and these issues will form part of the considerations for a separate decision in due course on the future of the library.
- 11.10** The business case takes into account an assumed reduction in Halifax town centre accommodation. The precise reduction achieved will affect the amount of savings which might be realised.

12. Legal Implications

- 12.1** The Public Contracts Regulations 2006, which implement European Union procurement rules, will be followed for the procurement of partners for the refurbishment works on Westgate House and Princess Buildings.

13. Corporate Implications

- 13.1** The recommendations set out in this report will offer the following corporate benefits:
- Core office accommodation based on Princess Buildings, Westgate House and Mulcture House in close proximity in Halifax Town Centre, providing significant operational efficiencies and the opportunity for better corporate working.
 - The ability to introduce more modern and flexible ways of working, and for the refurbished Westgate House to be developed as a corporate standard for new ways of working.
 - The opportunity to restore Princess Buildings as a historic building in line with English Heritage recommendations and make better use of an important and well-located building in central Halifax.
 - The retained town centre office estate will be a mixture of freehold and leasehold premises which will provide flexibility to meet the future occupational demands of the Council.
 - Retain a significant focus of Council staff in the town centre to the benefit of the local economy.

14. Conclusions

- 14.1** Approval to the asset management strategy for the improvement of Halifax town centre office accommodation as set out in this paper will initiate the move to modern and flexible ways of working across the core office estate in Halifax town centre, significantly improve the utilisation of core office accommodation, and enable the Council to vacate Northgate House in accordance with previous Council decisions.

For further information on this report, contact:

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Part 1 – Options Appraisal

The options considered can be broadly defined under four main scenarios:

- A. The “do minimum” option, involving limited redecoration and maintenance of eight existing premises, limited rationalisation and reuse of existing fixtures and fittings from properties to be vacated such as Northgate House. The option would still require significant investment to existing buildings, primarily to Princess Buildings, to address backlog maintenance and repairs. It would still retain a larger number of premises, and not address the constraints of the premises in terms of usability.
- B. Rationalisation of the estate to five or six properties with a focus on the refurbishment of Princess Buildings and Westgate House. Within this option, scenarios were tested to determine the level of works necessary to Princess Buildings to make the property fit for purpose and suitable for flexible working. The option included for disposal of Park Road and Horton House, and depending on the extent of the refurbishment works to Princess Buildings, vacation of Hoover Buildings and Dean Clough on expiry of the leases in 2018 or 2022 respectively.
- C. Rationalisation of the estate to seven properties but with Westgate House vacated. In addition to Princess Buildings being comprehensively refurbished, Dean Clough, Hoover Buildings and Park Road would be retained and in the latter case refurbished.
- D. Vacation of Princess Buildings, with office accommodation to be provided from seven buildings including Westgate House, Dean Clough, Hoover Buildings and Park Road.

In all cases Mulcture House, The Shay, Halifax Customer First would be occupied.

Part 2 – Financial Appraisal

A summary of the financial appraisal of each of these options is shown below:

<u>Affordability Analysis (Over 25 Years)</u>					
	Option A (£000)	Option B1 (£000)	Option B2 (£000)	Option C (£000)	Option D (£000)
Total investment required	6,958	12,461	8,403	11,118	7,917
<u>Operating costs over 25 years</u>					
Existing budget	62,982	62,982	62,982	62,982	62,982
Forecast cost	47,984	37,467	41,478	37,047	45,525
Gross surplus	14,998	25,515	21,504	25,935	17,457
Borrowing costs	9,468	17,925	11,690	15,864	10,944
Net surplus	5,530	7,590	9,814	10,071	6,513
<u>Operating costs on average per annum</u>					
Existing budget per annum	2,519	2,519	2,519	2,519	2,519
Forecast cost per annum	1,919	1,499	1,659	1,482	1,821
Gross surplus per annum	600	1,020	860	1,037	698
Borrowing costs per annum	379	717	468	635	438
Net surplus per annum	221	303	392	403	260

The table demonstrates that each option involves a different level of capital investment and on-going savings. Each option would, however, provide revenue savings to the Council even after allowing for the repayment of the borrowing costs associated with the prudential borrowing required.

In addition, after repayments and expiry of the 25 year period, the recommended option is forecast to provide year on year savings of £1.2 million per annum.

Part 3 – Proposed Solution

Based on the financial and qualitative options appraisal work undertaken by the project team, the following was identified as the preferred solution for Halifax Town Centre Office Accommodation:

- The lease for Westgate House is varied to provide for a rent reduction and removal of the Council's existing break clauses in October 2014 and October 2019.

- Westgate House is refurbished to increase workstation capacity from 250 to 320. The installation of a new layout to a new corporate standard would include the removal / revision of internal partitions, and the improvement of ICT and small power installations to facilitate the increased density of use. The Council's current forward plan notes that the decorative state of the occupied areas will require attention in the near future, and this would also be addressed. It is also proposed to upgrade the lift installation at the Westgate entrance to support the increased density of occupation. The total cost of these works (including the new furniture) is estimated to be up to £1.56 million, inclusive of professional fees, inflation, etc. The refurbishment of Westgate House offers a quick win in terms of being able to improve utilisation and introduce flexible working practices.
- Princess Buildings is refurbished to increase workstation capacity from 229 up to 339. The costs of the refurbishment work is expected to amount to £7.2 million, inclusive of fit out costs, furniture costs, professional fees, inflation etc. A lesser redecoration and repair option of £3.15 million was considered; however this is not recommended to offer value for money since no increase in workstations would be achieved and would not address the constraints of these three historic buildings such as the many rooms that make up each of the floors, the noticeable level changes between the buildings and the poor circulation areas, all of which mean these buildings are severely restricted in their current form and not well suited to modern ways of office working. Princess Buildings are in an ideal location, next to the Town Hall and close to the new Broad Street development. Disposal for alternative uses is considered improbable due to the current economic climate, building condition and constraints, and the costs required to refurbish or redevelop this building which would make this unviable for an investor or developer. Vacating the buildings is also not considered a suitable option, given the "blight" that this would cause, and the visibility of this building in a busy part of the town centre close to the new Broad Street development, the Town Hall, any new development on the Northgate House site. Whilst some level changes would remain between the buildings, a significant refurbishment of Princess Buildings would address the backlog investment issues, create a central lift and stairs core to improve staff circulation and importantly extend out the rear of the properties to open up the floors as a more modern work environment for the Council. English Heritage supports a substantial refurbishment of the building.
- Mulcture House is retained. The office areas within the main building are very heavily used at present, and there is some merit in trying to secure the car parking services space of Mulcture House on a longer term similar to the main building. This would give the Council the opportunity to create a single integrated building. Any substantial investment in this building should be deferred until the tenure issues are resolved, after which a long term strategy can be finalised and a 'whole-building' solution developed and appraised on its own merits at that time.
- Halifax Customer First. This is forecast to go live in spring 2013 and will create 52 workstations and fulfil the predominant requirements for customer facing and Contact Centre activities for the headquarters functions. This will become the Council's public reception point in Halifax.

- Vacant accommodation on the first and second floors of The Shay East Stand is fitted out as a new training centre to provide both training space and office accommodation for the training staff. Should training be downsized or restructured, then this investment may not be necessary. This was treated as a constant in all the options appraised and a corporate decision is required on the accommodation requirements for workforce development.
- Accommodation in Hoover Buildings and Dean Clough G Mill is retained until the leases expire in 2018 and 2022 respectively.
- Premises surplus to requirements (Northgate House, Park Road and Horton House), are vacated as it becomes possible to migrate officers to refurbished space in Westgate House and Princess Buildings.

The current workstations in the majority of the existing buildings are those designed for the old style CRT (Cathode Ray Tube) computer monitors. In order to drive an efficient layout and deliver the preferred accommodation option these will require replacement and modern workstations and furniture will need to be introduced as part of the refurbishment. The programme will also include for the implementation of flexible working practices and associated hardware, and greater use of electronic data storage.

Operational costs for the properties will continue to be met from the existing revenue budgets allocated against the town centre properties.

Part 4 – Timescales

Set out in the table below are the significant milestone events within the implementation programme for Halifax Town Centre Office Strategy. These dates will evolve and will be refined once Cabinet approval is granted to proceed with the implementation of the programme. Clear and concise communication of these timescales with affected staff will be important to the success of the project.

Indicative Dates	Key Milestone
June 2012	Cabinet Approval
July 2012	Council Approval
Late 2012	Commencement and implementation of initial phase of flexible working arrangements
Mid 2013	Commencement of works to refurbish Westgate House
Phased from 2013	Vacation of upper floors of Northgate House
Early 2014	Completion of works to refurbish Westgate House. Vacation of remainder of Northgate House
Mid 2014	Commencement of works to refurbish Princess Buildings
Late 2015	Completion of works to refurbish Princess Buildings. Park Road vacated