

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

17 MARCH 2011

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Portfolio - Corporate Management & Finance – Lead Cabinet Member – Councillor Laing

BUILDING ASSET REVIEW - UPDATE

1. Summary

This report outlines progress on the EIT review of building assets, and details a draft Asset Transfer Strategy for consultation which is intrinsically linked to the review.

2. Recommendations

1. Members approve the rationalisation of office accommodation and decant of buildings as outlined in paragraph 14 of the report.
2. Members agree to a period of consultation on the draft Asset Transfer Strategy.

3. Reasons for the Recommendations/Decision(s)

Update on accommodation strategy & need to consult on draft Asset Transfer Strategy.

4. Members' Interests (the text below is fixed and should not be altered by the author, however, extensive guidance on the **Members' Code** of conduct is available to officers if required)

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;

- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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SUMMARY

This report outlines progress on the EIT review of building assets, and details a draft Asset Transfer Strategy for consultation which is intrinsically linked to the review.

RECOMMENDATIONS

1. Members approve the rationalisation of office accommodation and decant of buildings as outlined in paragraph 14 of the report.
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BACKGROUND

1. The Report to Executive Scrutiny Committee on 4 January 2011 set out the aims, principles and baseline information for the EIT Review of Assets. The overall aim of the review is to focus on the Council's building estate to ensure that properties are being utilised efficiently and effectively. This includes developing a strategic overview of facilities in the Borough and considering opportunities for rationalisation, re-location and combining of facilities. The potential opportunities linked to any known or planned service developments will also be considered.
2. The Council owns and operates a significant number of buildings and spends approximately £7m in the management and upkeep of those buildings. There are a range of different management arrangements, and large differences in the condition and the extent of utilisation of those buildings across the estate. A key aspect will be to optimise the use of our buildings and to understand the services delivered in each locality and match the service requirements with the most efficient and appropriate space available.
3. The review has a target saving of £1m and aims to:
 - Determine a methodology as to where, why and how the Council chooses to retain and invest in its building stock.
 - Look more closely at the overall (rather than just the department-specific) effectiveness with which building stock is managed – covering issues such as occupancy levels, building efficiency and duplication of function.
 - Develop an asset rationalisation plan which could result in asset disposals or transfers to community organisations.

DETAIL

Methodology and Structure of the Review

4. Due to the complexity of the review and the many different types of assets the Council owns and manages, the review will be structured around the following themes:
 - Office Accommodation
 - Commercial Properties
 - Community Buildings (including development of Asset Transfer Strategy)
 - Surplus and miscellaneous land and properties
5. The review will not consider schools, given that a separate exercise is being undertaken to develop a school capital strategy, but working with schools it will link closely with that review to assess opportunities for improved utilisation of school space outside of school hours. This report provides an update on progress to date on the Office Accommodation Strand and the approach to the Community Buildings Review and also outlines a draft Asset Transfer Strategy.

Office Accommodation Strand

6. The Workwise Report presented to Cabinet in April 2009 approved an overall strategy of introducing flexible working arrangements and of rationalising office accommodation. The Office Accommodation Strand of the EIT Review builds upon this information and identifies proposals for reducing office buildings. There have been a number of changes to buildings which will be incorporated into the plans and these include:
 - The closure of Wynyard House.
 - The sale of the Alma Street site for redevelopment. The Council still occupies this building under a short term lease arrangement and this review will look to relocate those staff.
 - Potential developments in Billingham Town Centre (Integrated Health Facility).
 - The recent refurbishment of elements of Kingsway House and Bayheath House to accommodate more flexible working arrangements.
 - Changes to the arrangements for Integrated Service Areas (ISA's) and the consequential impact on accommodation requirements.
7. A summary of the current baseline position for office accommodation is set out in **Appendix A**. This shows that the Council accommodates 1700 members of staff, at an average of 12sqm per person. There are however wide differences in the occupancy capacity within these buildings (due to the building layouts), and also in the costs per occupant. A number of buildings also have a significant maintenance backlog
8. Members will also be aware from the recent budget report of the changes in the delivery of Council Services following the EIT reviews and grant reductions. Whilst the final details of the changes are still to be finalised, it is clear that these changes will have a significant impact on accommodation requirements within the Council in that:
 - There will be a reduction overall in the numbers of staff to be accommodated.
 - Some reviews have identified the need or benefits of changes in location.
9. In order to be proactive and avoid freeing up 'pockets' of space in numerous buildings, a fundamental review of office accommodation is required. The potential exists for increasing flexible and homeworking, particularly given the Council are also benefiting from REIP funding to allow investment in ICT infrastructure which will enable much improved access to systems and information from any location.

10. Current indications are that the recent EIT reviews and impact of grants could reduce staff numbers by approximately 200 staff with further changes following subsequent reviews. At the current time the buildings accommodate approximately 1700 staff and a reduction of 200 together with the current spare capacity would allow us to vacate a significant amount of space. In addition, if we were to redesign office layouts and use a benchmark of 10sqm per person, this would reduce our office space requirements to approximately 15,000sqm. This could be further reduced to approximately 11,250sqm if we were to increase the flexible working approach (a number of organisations who have moved forward on this agenda have indicated an average 4:3 ratio of people to desks is achievable). This would mean a significant reduction from the current position of approximately 20,000sqm
11. It is clear there are opportunities for reducing office accommodation and costs and this will result in the need to vacate buildings. Whilst further work is required to confirm detailed staffing numbers and the Services where flexible working is appropriate, we can and need to start planning on space reduction and re-organisation now.
12. It is also worthy of note that a number of the buildings lend themselves to redesign to improve capacity and this has already commenced (e.g. Bayheath House and Kingsway), whilst others do not (e.g. 16 Church Road, Gloucester House). Some buildings also accommodate front line services as well as office accommodation and this review needs to consider the future service delivery requirements before a decision is made on those buildings.
13. The following criteria was used to assess each of the buildings to decide which buildings to retain and which to vacate and subsequently dispose:
- Cost of occupancy
 - Level of occupancy
 - Condition and Suitability (including Accessibility)
 - Potential for disposal and links to Regeneration
 - Potential for development to enable flexible working
14. Whilst this is a long term programme and will need to be carefully linked to service reviews, It is recommended that Cabinet approves the following approach:
- Office Accommodation Buildings to be retained and developed (where necessary):
 - Municipal Buildings
 - Bayheath House
 - Kingsway House
 - Queensway House
 - Tithebarn House

The retention of these buildings alone would allow approximately 11,000 sqm of office space
 - Office Accommodation Buildings to be vacated

	<u>Reason / Potential Use of Buildings</u>
Wrensfield House	Poor condition, demolish & create open space
Alma House (already approved)	Vacation already planned
Billingham Council Offices	Already planned, link to Integrated Health Facility
Gloucester House	Links to Town Centre Regeneration
16 Church Road	Links to Town Centre Regeneration
 - There are a number of other buildings which include an operational service element and a small amount of office accommodation. This will supplement the buildings retained above but further work may also identify rationalisation options in these buildings:

- Ideal House
- Stirling House
- Nightingale House
- Bishopton Lane (Connexions)

Although there may be some up front costs for developing some of the accommodation, the closure of these buildings would save the Council approximately £350,000 per annum, as well as generating potential capital receipts and alleviating significant future maintenance costs. Where appropriate, the decant from buildings will be linked to regeneration activity in order to avoid buildings standing empty for long periods of time.

Community Buildings

15. To date, facilities have been occupied according to the needs and demands of the Council department that uses them. In essence however, many SBC services are potentially 'portable'; in other words they can take place at, or be delivered from a relatively flexible range of buildings or locations. Services or functions that could fall into this category include:

- Children's centres (and the services delivered therein).
- Library provision.
- Community facilities.
- 'Other' centres that accommodate certain forms of youth assembly/activity.
- Training venues.

The review will also link with reviews of services and ensure that the services are accommodated in the most efficient manner.

16. Executive Scrutiny on 4 January 2011 approved an approach and categorisation methodology. We will identify our buildings within 4 categories:

Level 1 – Buildings that accommodate essentially 'fixed' services which we would wish to retain

Those where services need to take place in the building they presently occupy or would require significant re-investment if replaced due to the nature of the building and service. These include:

- Schools
- Leisure Centres
- Social Care Establishments

There may also be opportunities to explore the potential for increasing the use of these buildings by incorporating other community based services.

Level 2 – Identification of a clear need for the building in a location to deliver community based services. (Note – could be different or more services than currently delivered)

These are buildings where there is a clear need to retain the building to deliver one or more community based services. There may be opportunities for these buildings to be utilised to a greater degree to provide different or more services than is currently the case. Buildings within this category would be considered as part of the Council's Asset Transfer Strategy.

Level 3- No clear rational for retention of building

Buildings about which further analysis of the rationale for their retention or disposal may be required because of, for example:

- Level of usage may question viability
- Poor condition of building
- Potential contribution to oversupply of buildings in the area

- Services provided are portable and can be delivered at either a Level 1 or 2 building

These assets will be considered for disposal, or alternatively could also be considered as part of the Asset Transfer Strategy.

Level 4 – Buildings identified for Sale

These are buildings where there would be a benefit to the Council of disposal e.g.

- Buildings that are in poor condition and will, if retained, cost a substantial amount to retain at a serviceable level.
- Buildings/sites with a high or good sale value.

The review will also consider associated land located on or around the current facilities.

17. In deciding on the categories, the following issues will be considered for each building:

- Current asset condition
- Current Running Costs
- Present occupancy
- Use of existing space
- Value
- Potential to release space or value in other buildings
- A building's capacity to accommodate additional and multiple functions
- Links to regeneration initiatives
- Potential for disposal/replacement to enable other developments
- Opportunity and Suitability for Asset Transfer
- Location to and opportunities for integration into other Council buildings/providers (including schools).

Community Asset Transfer Strategy

19. As part of the Council's ongoing support to the Voluntary and Community Sector, the Council is committed for the development of an Asset Transfer Strategy and will work proactively to ensure that this works for the benefit of the Community and the Council.

20. The Council will identify assets we feel are appropriate for transfer (see paragraph 16) where we will proactively market the opportunity, but we will also consider ad-hoc approaches from organisations.

21. There are currently a range of different lease arrangements in place with the Voluntary and Community Sector for some of the Council's buildings and this will need to be considered as part of the process. Whilst this would not preclude any transfer, the Council would need to be mindful of the current arrangements and express agreement would be required from the organisation benefiting from the lease (should it be a third party wishing to explore transfer)

22. A draft Transfer Policy has been developed and is attached at **Appendix B**. It is recommended that Cabinet agree to consult on the draft policy with the Voluntary and Community Sector. It is also recognised that the Council, could at any time receive a request to consider transfer. If such a request is received, it is proposed that this would be considered in line with the draft policy and reported to Cabinet for approval at the appropriate time.

Commercial Properties

23. Work has not yet commenced on this element of the review, but this will consider the rationale for retaining commercial properties, which include shops, industrial units and also the management of these facilities.

NEXT STAGES

24. The next stages of the review are:

- Develop an action plan for the relocation of office based staff and commence decant from buildings to allow disposal. The full process will be a long term plan
- Continue the review of community buildings and categorise the buildings to identify those relevant to Asset Transfer
- Undertake assessment of Commercial Properties
- Begin consultation on the draft Asset Transfer Strategy.

25. An update report will be presented to Cabinet in the summer which will include the responses to the consultation on the draft Asset Transfer Strategy.

FINANCIAL IMPLICATIONS

26. Contribute to the delivery of EIT savings of £1m per annum.

LEGAL IMPLICATIONS

27. None directly associated with the report.

RISK ASSESSMENT

28. This (subject matter of report) is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

29. Contributes to the Council's support mechanisms to the Voluntary Community Sector.

EQUALITIES IMPACT ASSESSMENT

30. None

CORPORATE PARENTING

31. None

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CURRENT ACCOMMODATION

Building	Available Space	No. of Staff	m2 per person	Annual Running Costs inc utilities £	Cost per person	Cost per m2
16 Church Road	2,316	226	10.25	119,753	530	52
Alma House	828	95	8.72	83,048	874	100
Bayheath House	2,638	257	10.26	194,962	759	74
Billingham Council Offices	1,037	86	12.06	53,945	627	52
Gloucester House	1,247	93	13.41	72,491	779	58
Ideal House ¹	592	44	13.45	57,698	1,311	97
Kingsway House	2,281	142	16.06	80,851	569	35
Municipal Buildings ²	3,926	360	10.91	466,406	1,296	119
Queensway House	1,425	144	9.90	50,742	352	36
Stirling House ¹	1,440	70	20.57	102,662	1,467	71
Titherbarn House ¹	1,129	101	11.18	117,909	1,167	104
Wrensfield House	945	83	11.38	58,685	707	62
	19,804	1701	11.64	1,459,152	858	74

NOTE:

1. Ideal House and Titherbarn House are not exclusively administrative accommodation but also provide service delivery
2. Municipal Buildings includes some costs in relation to the overall estate which had not been re-allocated
3. Some buildings have vacant space (e.g. Kingsway House, which impacts on the information above)