

## **AGENDA ITEM**

### **REPORT TO EXECUTIVE SCRUTINY**

**8 MARCH 2011**

### **REPORT OF HEAD OF FINANCE & ASSETS**

## **BUILDING ASSET REVIEW - UPDATE**

### **SUMMARY**

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

### **RECOMMENDATION**

That the report be noted.

### **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 Policy)
  - 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 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 Policy.

### **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 the following:
- That the Council accommodates 1700 members of staff, at an average of 16.5sqm 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 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 occupy 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 12sqm per person, this would reduce our office space requirements to approximately 18,000sqm. This could be further reduced to

approximately 13,500sqm 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 28,000sqm

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 16,000 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	Potential for development
16 Church Road	Potential for development

- 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).
  - Local 'branch' libraries.
  - Community facilities.
  - 'Other' centres that accommodate certain forms of youth assembly/activity.
  - Training venues.
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 Policy.

### ***Level 3- No clear rationale 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 Policy.

### ***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 Policy**

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 Policy 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 Policy

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 Policy.

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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	3,352	226	14.83	119,753.21	529.88	35.73
Alma House	1,296	95	13.64	83,048.25	874.19	64.08
Bayheath House	3,246	257	12.63	194,961.60	758.61	60.06
Billingham Council Offices	1,690	86	19.65	53,944.93	627.27	31.92
Gloucester House	1,812	93	19.48	72,490.75	779.47	40.01
Ideal House <sup>1</sup>	878	44	19.95	57,697.78	1,311.31	65.72
Kingsway House	2,959	142	20.84	80,851.36	569.38	27.32
Municipal Buildings <sup>2</sup>	5,792	360	16.09	466,406.12	1,295.57	80.53
Queensway House	2,127	144	14.77	50,741.57	352.37	23.86
Stirling House <sup>1</sup>	1,440	70	20.57	102,662.15	1,466.60	71.29
Titherbarn House <sup>1</sup>	2,023	101	20.03	117,909.17	1,167.42	58.28
Wrensfield House	1,513	83	18.23	58,685.34	707.05	38.79
	<b>28,128</b>	<b>1701</b>	<b>16.54</b>	<b>1,459,152.23</b>	<b>857.82</b>	<b>51.88</b>

**NOTE:**

3. Some buildings have vacant space (e.g. Kingsway House, which impacts on the information above)