

ACCOMMODATION STRATEGY

SUMMARY

- 1.1 This report gives details of the current design proposals for the refurbishment and extension of the Council House to meet all of the central customer service, office and civic accommodation needs of the Council and provides an updated budget estimate for the whole scheme including decant costs.

RECOMMENDATION

- 2.1 To recommend to Council approval of the design proposals and proceeding with the detailed design and tender for the scheme.
- 2.2 To approve scheme commencement of the alteration and refurbishment of the decant space at Albion Street and Heritage Gate in preparation for staff moving out of the Council House later this year.
- 2.3 To recommend to Council approval of the £1.3m additional unsupported borrowing as detailed in Appendix 1.
- 2.4 To approve the revised capital and revenue budgets, as detailed in Appendix 1.
- 2.5 To approve the budget transfer of £1.4m from the corporate cost / inflation contingency budget to the Accommodation Strategy revenue budget 2010/11.

REASONS FOR RECOMMENDATION

- 3.1 After a full options appraisal, the refurbishment of the Council House is the most cost effective and fit for purpose option of meeting the Council's accommodation needs for the next 50 years and will realise the following benefits...
- the modernisation and retention of a landmark city centre building
 - a much improved, open plan and spacious customer service area that matches our customers' needs
 - a building fully accessible for people with disabilities
 - the optimised usage of space by changing the ways we work including maximising the use of desks, computers and telephones known as 'Derby Workstyle'. This will significantly reduce the amount of office space we need with consequent working, cost and energy efficiencies
 - greatly improve the staff and Member working environment
 - contribute significantly towards the Council's commitment to tackling climate

- change by reducing its carbon footprint
- remove the maintenance backlog for administrative buildings which has been a financial burden on the Council's budgets for many years
- release St Mary's Gate to allow the regeneration of the St George's quarter in line with Cityscape's masterplan proposals
- release Roman House for disposal and save the current leasing costs paid by the Council for other accommodation at Heritage Gate and elsewhere within the city centre
- contribute significantly to the delivery of the Council's transformation change programme – 'one Derby one council' savings.

- 3.2 Given the extent of the proposed refurbishment, it will not be possible to occupy the Council House whilst work is carried out and all Members, staff and customer services will relocate into decant space within the city centre. The decant is being carefully planned so there will be minimum inconvenience for our employees and customers.

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| SUPPORTING INFORMATION |
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- 4.1 Cabinet, on 24 November 2009, approved the proposal to refurbish and extend the Council House. Since that time a firm of consultants – Mace – has been appointed to manage the design and construction of the project. Exciting, outline design proposals have been prepared and, subject to Cabinet approval, the design team will complete the full design in preparation to seeking tenders for the work. The design reflects the Council's requirements for a modern, open plan and energy efficient building meeting BREEAM excellent standards and with an energy performance rating of A.
- 4.2 Members and staff will occupy the decant space from the end of this year until the end of 2012 when the Council House work will have been completed and the refurbished building will be ready for occupation.

The designs show the City centre former shop on the corner of Albion Street as the centre for customer facing services and the main point of contact for customers to access Council services during the refurbishment period.

Heritage Gate will provide the accommodation for Members and decanted staff during the refurbishment period. The design shows Members as being located on the fifth floor of Saxon House with the Chief Executive and Strategic Directors located on the fourth floor. A Cabinet meeting room is located on the ground floor with easy access for members of the public. The majority of staff will be located in Norman House in an open plan environment.

- 4.3 Copies of the design proposals for both the Council House and the decant accommodation have been placed in the Members' Rooms for their perusal.

4.4 **Council House**

Following the DECATS exercise completed by Pricewaterhouse Cooper in 2009, the design team have been working on a design that will accommodate all of the office and civic accommodation needs of the Council. In addition to the Civic and members areas, 1635 staff will be accommodated at 1145 workstations under a 10:7 staff to workstation in line with the modern 'Derby Workstyle' ways of working. The current design provides some additional workstations as a prudent contingency.

- 4.5 The design proposal is based on demolishing the link block and single storey block adjacent to the canteen in the inner courtyard and constructing a new four-storey extension within the inner courtyard.

The existing Council Chamber does not meet the requirements of the Disability Discrimination Act, is regarded as being rather inflexible in its options for usage and is therefore only occasionally used other than for Council meetings. Also, the large number of columns supporting the first floor chamber severely restricts the use and layout of the ground floor below.

It is therefore proposed that the Council Chamber and curved meeting rooms will be demolished and a modern central atrium area will be constructed in its place incorporating the inner courtyard. A new Council Chamber will be constructed at first floor level in the centre of the atrium with customer facing areas beneath it.

The proposals will provide:

- creation of modern, flexible open plan offices with break-out spaces and separate meeting rooms
- a modern, spacious open plan customer services area located on the ground floor of the new atrium
- creation of a fourth floor extension, capable of accommodating approximately 134 staff. This additional space could be used by partner organisations to improve the single site service offer for customers. It could also provide some flexibility in layout should staff numbers to be accommodated centrally, increase above those allowed for. Building the extension as part of the refurbishment is a one-off opportunity to provide the accommodation economically as part of the main project. To consider doing so afterwards would incur significant disruption and additional construction costs
- the civic area will be completely remodelled, with the exception of the main staircase and Mayor's Reception Room both of which will be refurbished to a high specification standard
- the new Council Chamber will function as a flexible use area, suitable for full Council meetings but also as a multi-purpose room for a variety of functions and presentations, capable of sub-division when smaller spaces are needed
- a café situated in the atrium area with the potential for usage by our staff and customers
- the extensions will have little visible impact on the building's external appearance
- the public and ceremonial entrances are maintained with a proposal to significantly remodel the public entrance which will be much more prominent and welcoming for customers
- a new entrance for staff in the position of the current arch to the inner courtyard
- new lifts fully accessible for people with disabilities
- work on the design to date shows an energy performance certificate rating of a high B and BREEAM very good, but our target is to achieve a rating of 'A' and BREEAM excellent as the design proceeds.

- 4.6 Refurbishing and extending the Council House has a number of major advantages:
- it provides the most cost effective option for our customer, member and employee needs in a prominent city centre location
 - it will retain the Council House, a landmark public building highly regarded by Derby citizens and visitors, as the centre for civic and administrative functions
 - from an energy conservation perspective, the re-use of an existing building, given comparable energy performance on refurbishment, is more sustainable than a new build solution.
- 4.7 The proposals are essential to facilitating 'Derby Workstyle' new ways of working and will:
- support the delivery of our transformation change programme 'one Derby one council' savings which are needed to balance the Council's budget
 - improve customer service by concentrating customer-facing services in one location - The Council House - and providing improved reception, contact facilities and facilities for people with disabilities. The opportunity for co-locating other public services will be explored with partners with a possible 'one-stop shop' approach and the opportunity to accommodate partner organisations on the fourth floor of the new extension.
 - use space more effectively and, together with Derby Workstyle, significantly reduce the amount of office space occupied with consequent cost and operational efficiencies, including savings in lease costs and running costs and reduction in energy use
 - provide for more effective and efficient working practices by co-locating appropriate services and providing the opportunity for more rationalisation / re-engineering of service delivery. It will also facilitate the introduction of the information and communications technology necessary for Derby Workstyle
 - greatly improve the staff and Member working environment
 - contribute towards the Council's commitment to tackling climate change by improving insulation, heating and electrical installations including controls, using 'green technologies' and reducing the area of buildings occupied
 - remove the maintenance backlog for administrative buildings.
- 4.8 Consolidating services on a single Council House site will allow the disposal of the St Mary's Gate premises, facilitating the redevelopment of the St George's Quarter in line with the Derby Cityscape's masterplan proposals. It will also allow for the disposal of Roman House and enable a number of leased properties currently occupied by the Council to be surrendered.

Decant accommodation

- 4.9 Council Cabinet approved, at its meeting on 20 April 2010, acquiring leased accommodation to temporarily house services when the Council House is vacated. Customer Services, the 'one stop shop', will be based on the corner of East Street and Albion Street. Staff and members will be based in Heritage Gate. Tenders for the alteration and refurbishment of the decant space will shortly be sought with work on site programmed to start in August and be completed in October. The decanting of the staff and Members will take place during October to December this year. Work on the Council House will start in January 2011 and will be completed by the Autumn of 2012 with everyone moving back into the building by December 2012.

Proposals

It is proposed that:

- 4.10 The current outline design for the Council House is approved, detailed designs completed and tenders are sought for the work.
- 4.11 The design for the decant space in Albion Street and Heritage Gate be approved and the scheme commencement is approved.

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| OTHER OPTIONS CONSIDERED |
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- 5.1 Options for alternative accommodation for both the main administrative functions and decant space have been detailed in previous reports.

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| Background papers: | None |
| List of appendices: | Appendix 1 – Implications |

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| IMPLICATIONS |
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Financial**Capital**

- 1.1 A total budget of £32.8m is included in the 2010/11 to 2013/14 Capital Programme for the Accommodation Strategy. This excludes the provision of the long-term IT solution for 'Derby Workstyle', which will be funded from the 'one Derby one council' transformation programme and Corporate IT capital budgets.

The latest capital cost estimate for the accommodation strategy is £32.3m. This allows for a funded contingency of £0.5m. A contingency at this amount rather than the recommended contingency for a project of this type of £2.4m is considered to be the most prudent option at this stage. Project costs will be carefully monitored during both the design and construction periods. Should the contingency become under pressure before the completion of the project, design refinements or further funding options could be considered then.

Within the overall proposed floor space, the cost of which is detailed above, there is the possibility that there will be some excess floor space not required for Council employees which could be let to a partner organisation. This could create rental income of between £100k and £130k per annum, which would generate a saving to the Treasury Management revenue budget. Alternatively, this revenue saving could fund additional capital of around £1.5m should the contingency budget become under pressure.

There will be an additional capital cost of £1.3m, subject to Council Cabinet approval, for the inclusion of the fourth floor extension in the final build specification, as detailed in paragraph 4.5 of this report. This cost will be funded from additional unsupported borrowing. The annual revenue cost of the additional borrowing would be £84k for 40 years, which can be contained within the Treasury Management revenue budget. Alternatively, if the additional floor space is not required for a Council service and is leased to a partner organisation, the £84k would be recouped through rental income, assuming suitable tenants can be identified for the lifespan of the asset. No provision has been made in the revenue budget at this stage for the furniture and IT costs for this additional space.

- 1.2 The capital programme 2010/11 to 2013/14 is relying on the following corporate capital programme resources being generated as a result of the accommodation strategy:
- £10m of unsupported borrowing in 2012/13, the revenue costs will be covered by the £600k rent saving from Heritage Gate from 2013/14
 - £4.6m capital receipts in 2013/14 from the sale of St Mary's Gate and Roman House buildings.

Revenue

- 1.3 There is £4.9m earmarked in the 2010/11 – 2012/13 Revenue Budget for the Accommodation Strategy. However, the latest revenue cost estimate for the accommodation strategy is £6.3m, resulting in a revenue funding gap of £1.4m which primarily falls in 2010/11.

The gap has emerged because:

- a) of inclusion of dilapidation costs resulting from the surrender of leases which will be met from the corporate Accommodation Budget, rather than departmental budgets as previously assumed
- b) Council House employees are all being decanted to temporary accommodation in one go, rather than decanting employees one 'wing' at a time, as previously anticipated
- c) the cost of the customer service 'one stop shop' in Albion Street is at a higher, prime retail location rent level as opposed to office space as was assumed in the original estimates. This has resulted in increased lease and fit out costs.

This additional cost in 2010/11 can be funded from our £1.4m general cost/inflation contingency budget as there is currently no foreseen need to call on this contingency budget for its original purpose.

- 1.4 Council Cabinet is asked to:

- approve the revised total capital budget of £34.1m and recommend to Council to approve the additional unsupported borrowing of £1.3m
- approve the revised revenue budget of £6.3m and revenue budget transfer of £1.4m from the cost/inflation contingency budget to the Accommodation Revenue Budget.

Legal

- 2.1 The procurement process is being carried out in accordance with the European Procurement Directive.

Personnel

- 3.1 Communication with staff and staff representatives is being managed through the Change Champions, working groups, meetings and publications.

Equalities Impact

- 4.1 The refurbishment and extension of the Council House will be designed to meet the needs of people with disabilities. The Derby Workstyle Equalities Group and the Disabled People's Advisory Forum will be consulted at the design stages of the project.

Corporate objectives and priorities for change

5.1 The overall project will contribute to the Council priorities of a City of Growth and Council Organisational Development, in particular:

- creating a modern, efficient and effective organisation through the 'one Derby, one council' transformation programme
- to deliver value for money across all services
- to continuously improve support services across the Council to facilitate the delivery of excellent customer-focussed services
- contributing to reduce the effects of climate change in Derby.