


Agenda Item No:	4	
Committee:	OVERVIEW AND SCRUTINY PANEL	
Date:	15 DECEMBER 2014	
Report Title:	ACCOMMODATION REVIEW	

Cover sheet:

1 Purpose / Summary

- This report reviews the needs and options for future accommodation requirements within the town of March for Fenland District Council (FDC), along with associated proposals for modernising working practices.
- A key driver for this review is the requirement to respond to the Government's efficiency agenda, by helping the Council to reduce its costs to align to reducing budgets yet minimise the impact on front line services to the local community.
- Although FDC was not looking to move out of the current Fenland Hall site, this review emanated from the opportunities highlighted by the joint working of the various public sector bodies across Cambridgeshire under the Making Assets Count (MAC) project. Both Cambridgeshire County Council (CCC) and FDC had relatively adjacent office accommodation in March that was severely underutilised, which prompted a detailed analysis of the business case for both organisations to better utilise its assets and potentially make financial gains in terms of both revenue and capital.
- This report is a further iteration of an earlier report considered by the Overview and Scrutiny Committee during a briefing session on 3 October 2014. A presentation was also given at an All Member Seminar on 9 October 2014. This report seeks to address additional information and options requested at both meetings.
- The report covers a range of proposals, all of which could be considered to improve and enhance service provision to the community as well as providing fit for purpose office accommodation for staff.
- The proposals concentrate on 3 core options for the headquarters of FDC:
 - To relocate to the existing Hereward Hall site to reduce annual revenue costs and operate in a more modern office environment.
 - To relocate to the existing Hereward Hall site to reduce annual revenue costs and operate in a more modern office environment. Also to provide a new Council Chamber extension on the site.
 - To remain at Fenland Hall, carry out limited improvements and look to attract partner organisations to share costs and promote joint working.
- All alternatives offer the chance to take the next step in terms of embracing the latest technology in both equipment and systems to embed long term savings and improved services to the community.
- In addition, there are proposals to jointly occupy The Base with CCC Highways team to share services and knowledge related to the overall streetscape of Fenland. It is felt that this proposal can progress independent of what option is chosen for the headquarters site.

2 Key issues

- The Council, along with other partner organisations, is still under increasing pressure to find further efficiency savings (estimated to be £1,005,000 for 2015/16 with further budget savings expected from a new government from 2016 onwards), whilst protecting its front line services. In addition, the lifestyle and expectations of Fenland residents are constantly changing, and the Council recognises that it must align its service provision in a suitable way.
- The core element of the review included either the potential relocation of FDC's current headquarters at Fenland Hall, March to an office building owned by CCC, Hereward Hall, located within 500 metres of the Fenland Hall site OR to remain on the Fenland Hall site.
- In addition, the amalgamation of services and property occupation in both CCC and FDC depots, both located in Melbourne Avenue, March, is considered as part of this report.
- However, during a previous Overview and Scrutiny briefing session held on 3 October 2014 and an All Member Seminar held on 9 October 2014, Members asked officers to investigate further the options of remaining at Fenland Hall. As a consequence, work has also been carried out to determine how revenue costs could be reduced if the Fenland Hall offices were retained. These include 'invest to save' proposals as well as seeking additional income from letting part of the building to partner organisations or SME's (should they show an interest in sharing accommodation).
- In addition Members requested that a further option for the Hereward Hall site should include the provision of a new Council Chamber extension.
- The summary of the financial and associated findings for the various options result in the following:

Option	Capital costs (£)	Net Operational Savings per annum (after financing costs) (£)*
Relocate to the existing vacant Hereward Hall site	831,391	79,222 - 140,134**
Relocate to the existing vacant Hereward Hall site and provide new Council Chamber	1,124,391	48,717 - 122,814**
Remain at Fenland Hall with limited improvements	331,727***	Cost of 8,013 - 22,941****

*These savings do not allow for the continued business rates on Fenland Hall once vacated (currently £65,560 pa).

** The upper figure will be achieved after 6 years following relevant repayments in years 1-5. The savings in years 1-5 will be £22,634 for Hereward Hall without a new Council Chamber. With a new Council Chamber, in years 1-5 the savings will be £5,314.

***Capital costs could be reduced by £100,000 if the cost of replacing windows in Fenland Hall was not considered to be cost effective.

****Further operational savings could be realised in the future if part of the building was let to partner agencies or private SME's (through additional income generation).

Discussions are ongoing with partner agencies to explore the potential to let part of Fenland Hall. Estimated income is between £20,000 and £50,000 per annum.

- This report also highlights a range of associated potential organisational changes which can both improve service provision in line with community needs and modernise the way in which the organisation operates.

3 Recommendation

It is recommended that the Overview and Scrutiny Committee consider the report and the issues presented and determine any points that it feels Cabinet should have in mind/be aware of, and/or suggest further detail on the final report to be considered by Cabinet on 22 January 2015.

Wards Affected	N/A
Forward Plan Reference	
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Background Papers	Previous O and S Committee report of 13 October 2014

Report

1 Background

- 1.1 Cambridgeshire County Council (CCC) and Fenland District Council (FDC) are under increasing service and financial pressures. Both Councils are active partners in the Making Assets Count (MAC) Programme and work together to better utilise their buildings to support service delivery. The prevailing economic situation and changing service priorities have given impetus to determining how the cost of office provision can be reduced. This also provides the opportunity for FDC to modernise its working practices and for CCC to rationalise its property estate.
- 1.2 Although FDC were not originally looking to move out of Fenland Hall, it was felt appropriate to explore the option of moving to newer, modern facilities which still allowed for the Council's headquarters to remain in March, whilst potentially saving money for both the district and the county council.

2 Making Assets Count (MAC) Project

- 2.1 MAC is a partnership of all five District Councils, the County Council, Cambridgeshire Constabulary, Cambridgeshire Fire and Rescue and Health Services. It is the public sector programme that brings public sector organisations together in a partnership that uses their combined property portfolio in a more efficient and effective manner.
- 2.2 Both FDC and CCC are fully committed to the MAC partner objectives (which can be found [here](#)) and are keen to pursue financial and service gains through better alignment of existing office accommodation in the March area.

3 Modern working practices

- 3.1 Modern working encompasses a range of practices which help to better align service provision to customer's needs, as well as realising efficiency savings. These include:
 - Working more closely with partner agencies or other internal service teams to share information and deliver joint projects. By locating teams in 'neighbourhoods' within an open plan office environment, staff are able to more easily liaise with colleagues over specific issues or projects.
 - Using new advances in technology (i.e. electronic tablets, 'cloud' based technology) to provide more information at the user's fingertips. The Cabinet's tablet pilot scheme (linked to the Paperless Project) will provide cost savings in terms of paper printing costs as well as access to a vast amount of information, all from one device.
 - Modern technology allows officers to be contacted or to contact others at various locations, through a range of communication channels. For example, an officer investigating a complaint or enforcement issue could receive up to date information from colleagues in the office whilst out in the community, as well as being able to send photographs and information back to the office, drastically reducing non-productive travelling time. This would allow officers to spend more time out 'in the field' carrying out their role rather than travelling to and from the office.
 - Such modern practices are now common within the public sector with Councils being forced to explore and adopt efficiency gains and improved working in these difficult times.
 - In addition, several comments were received about improving accommodation and facilities in the 2012 FDC Staff Survey, which have been echoed in the latest 2014 staff survey. Comments included requests to update rooms to make them open and more pleasant, as well as providing cleaner and more modern facilities. It was suggested that working conditions should be improved through better energy

efficiency (updating the heating system and fixing draughty windows), along with air conditioning, improved kitchen and toilet facilities and the provision of staff showers.

4 The Options Considered under MAC

- 4.1 Officers of both organisations have jointly been investigating the best use of offices in March along with associated service synergies, resulting in a full business case document, which has helped inform this paper. However, it is important to point out that this report takes a more in depth analysis of the case/benefits to FDC and its community.
- 4.2 FDC/CCC jointly set out the scope of the rationalisation proposals, financially and non-financially evaluated the options and detailed the preferred option that best benefits both organisations.
- 4.3 The specific project objectives were developed through the steer given by the joint Project Sponsors, which reflect the critical needs of the two organisations, and the overall objectives for the MAC Programme objectives. The objectives for the rationalisation of the combined property estate in March are:
- Achieving savings for partners (reduced operational running costs)
 - Making best use of assets
 - Maximising receipts (capital/revenue)
 - Improving service delivery for partners and service users
 - Improving partner collaboration and joint working, promoting improved partner synergies and culture
 - Increasing modern ways of working (such as ICT systems, flexible working, space management, mobile working, digital filing etc.)
- 4.4 The scope of this project includes the buildings and sites shown in Table 1 below

Table 1: Assets in Scope

Partner	Building	Address	Tenure	Services currently delivered from this location
CCC	Hereward Hall	County Road, March PE15 8NE	Freehold	Back Office. Older People Social Care, Continuing Care Team, Fenland Carers, LDP, Trading Standards, CCS.
	Highways Depot	Melbourne Avenue, March PE15 0EN	Freehold	Highways services

Partner	Building	Address	Tenure	Services currently delivered from this location
FDC	Fenland Hall	County Road, March PE15 8NQ	Freehold	<p>Back Office.</p> <p>Community Support, Economic Development, Elections, Engineering, Finance, Housing Options, ICT, Leisure Services/Sports Dev/Markets & Events, Mail Room, Member Services, Policy & Communications, Building Control, CMT, Customer Access, Human Resources/Corporate H&S, Legal Services, Neighbourhood Planning, PA's & CMT Support, Planning Delivery, Policy & Strategy, Property & Facilities, Revenues & Benefits, Safer Fenland, Licencing, Police Drop Down, Council Chamber and other small meeting rooms.</p> <p>Ambulance service is in a separate building on the Fenland Hall site.</p>
	The Base	Melbourne Avenue, March PE15 0EN		<p>Depot and workshop services for refuse collection, building and grounds maintenance, print room, office accommodation for Environmental Health, Parks, etc. plus a large and a small meeting room.</p>

- 4.5 CCC and FDC have a significant amount of under-utilised floor space in Hereward Hall and Fenland Hall respectively. CCC has previously identified Hereward Hall within its office rationalisation work for possible disposal/alternative uses and took a report to its General Purposes Committee on 7 October 2014 identifying Hereward Hall as surplus to its requirements. The Committee agreed that that Hereward Hall was surplus to its requirements.
- 4.6 The staff accommodation offices are within 500m of each other in County Road and the depots are similarly close, both being located in Melbourne Avenue.
- 4.7 The tables below show the options considered as part of the Property Rationalisation Business Case:

Table 2: Office accommodation options

	Offices Option 0 (baseline)	Offices Option 1	Offices Option 2	Offices Option 3
Option Description	Continue with the current public sector property portfolio	Retain Hereward Hall, dispose of Fenland Hall	Retain Fenland Hall, dispose of Hereward Hall	Dispose of both Hereward Hall and Fenland Hall, relocate to new site
Properties/ Assets affected	Both office buildings in scope	Both office buildings in scope	Both office buildings in scope	Both office buildings in scope

Table 3: Depot options

	Depot Option 0 (baseline)	Depot Option (a)	Depot Option (b)	Depot Option (c)	Depot Option (d)
Option Description	Continue with the current public sector property portfolio	Retain the Base and dispose of the majority of the County's Highways depot.	Retain the County's Highways depot and dispose of the Base	Dispose of both the Base and the County's Highways depot and re-provide on a single new site.	Dispose of both the Base and the County's Highways depot and do not re-provide.
Properties/ Assets affected	Both depot sites in scope	Both depot sites in scope	Both depot sites in scope	Both depot sites in scope	Both depot sites in scope

4.8 Following the financial and non-financial appraisal of options by both FDC and CCC officers, the preferred option for the **main office accommodation** was :

Option 1 - Retain Hereward Hall, dispose of Fenland Hall

4.9 The other options were discounted for the following reasons:

- Option 0 - Continuing with the current property portfolio would not deliver any significant revenue savings or capital receipts.
- Option 2 - This option did not score as highly as option 1, as estimates based on current running costs indicated that retaining Fenland Hall would not generate the same level of efficiency savings. In addition, the mainly cellular layout of the

accommodation did not lend itself readily to modern working practices. This report goes on to further explore the retention of Fenland Hall in section 5.

- Option 3 - Neither organisation found the option of building new office accommodation financially viable in the current circumstances. The reasoning behind this decision was fundamentally the high capital cost of such a proposal which equated to a total build cost to FDC of around £5.584m.

This cost is made up of land acquisition costs of £304,000 (based on the Carter Jonas valuation advice of May 2014), a build cost for a minimum sized building for current FDC staff (excluding a Council Chamber) of £5.25m (based on the build costs of the recently tendered Awdry House in Wisbech) along with £30,000 for professional fees.

These figures make no allowance for income from the sale of the current Fenland Hall site.

In the current financial climate, with depleting capital funds and continued reductions in revenue due to Government cut backs and, when compared to the other options, it was felt that this did not offer value of money to the Council and in turn the community tax payer.

- 4.10 Following the financial and non-financial appraisal of options by both FDC and CCC officers, the preferred option for **The Base** and the **CCC Highways Depot** was:

Option (a) - Retain the Base and dispose of the majority of the County's Highways depot

- 4.11 The other options were discounted for the following reasons:

- Option 0 - Continuing with the current property portfolio would not deliver any significant revenue savings or capital receipts.
- Option b - The existing County Highways depot was not considered large enough for office or yard accommodation.
- Option c - Neither organisations found the option of building new office and or yard accommodation financially viable in the current circumstances.
- Option d - It was felt that a base was still need in March for County Highways staff and The Base office accommodation is still utilised by FDC. Therefore disposing of both sites and not providing any new accommodation was not a viable option.

- 4.12 CCC intends to vacate Hereward Hall and has already declared the property surplus to requirements by way of a report to its General Purposes Committee on 7 October 2014 CCC would relocate its staff to other under-utilised properties within Fenland, although opportunities may arise to accommodate CCC staff at Fenland Hall (should the headquarters remain here) and other FDC buildings in line with improved service synergies.

- 4.13 It recommended that The Base is retained and modern working practices instigated to facilitate joint working, particularly the co-location of 'streetscene' related teams from both authorities.

- 4.14 The majority of the CCC's Highways depot site would be declared surplus to requirements and disposed of or redeveloped.

- 4.15 CCC would relocate staff to The Base to create 'streetscene' synergies and potential efficiencies between the District and County Councils, retaining the winter maintenance area of the existing CCC site, to mitigate the expense of re-providing the salt dome.

- 4.16 Alterations to The Base property and depot area for parking are shown on the drawing at Appendix A. The majority of costs (internal and external) have been agreed to be

covered by CCC to facilitate its move and will be subsequently recovered from the sale of part of the current CCC depot site.

- 4.17 The relocation of CCC Highways staff to The Base would create additional revenue for FDC, and allow joint working between the authorities. Discussions are yet to take place on what the level of revenue income would be but it would be in line with other local arrangements between partner agencies.
- 4.18 This option for The Base remains the recommended approach and is able to proceed whatever course of action is determined for the main FDC headquarters.

5 The revised options - Issues and Work Streams

- 5.1 In light of the recent Overview and Scrutiny briefing session and the All Member Seminar, this report further compares the Hereward Hall relocation option (together with an option for a new Council chamber on the site) with options to remain at Fenland Hall. There are many issues to address whichever option is pursued. Therefore this section highlights the various aspects. The additional work needed to fully understand the financial and non-financial implications of the move are also outlined below:

Member Accommodation:

- 5.2 Members at Fenland Hall currently have access to a Member's Room, a Leader's Room, a Chairman's Room and the Council Chamber.
- 5.3 There are several meeting rooms located on the ground floor of Hereward Hall. It is envisaged that a Member's Room, a Leader's Room and a Chairman's Room could all be accommodated in this area.
- 5.4 There is also a large meeting room on the ground floor of Hereward Hall, which could be used for the majority of member meetings, including Cabinet and smaller committees e.g. Overview and Scrutiny, Licensing, Corporate Governance. However, it is recognised that this room would not be suitable for Planning Committee meetings or full Council meetings of which there are usually a combined number of 18 meetings per year.
- 5.5 FDC is fortunate to have two exceptional business centres, containing conference rooms, located in the south and north of the district along with other meeting facilities within its property estate. Therefore, should a move to Hereward Hall take place, Planning Committee could rotate around the towns by using South Fens Business Centre, the Boathouse and the Manor Leisure Centre. However, full Council meetings would most likely need to be held at The Boathouse in Wisbech due to the large number of members and officers attending.
- 5.6 On assessing the usage of these business centre facilities and the potential implications on external bookings, the estimated financial impact will be approximately £1,500 per annum, which is seen as minimal compared to the alternative of providing bespoke facilities at Hereward Hall.
- 5.7 Member travel expenses associated with Full Council and Planning Committee meetings held at Fenland Hall currently equate to £2,400 per year. An assessment has been carried out allowing for these meetings to be held at The Boathouse (assuming that membership remains as at the time of writing this report) and the projected costs for current members would be £3,800. This shows a small cost increase of £1,400.
- 5.8 Members requested further information on providing an extension housing a similar sized Council Chamber on the Hereward Hall site. It is estimated that this would cost in the region of £293,000 (this is a professional estimate of the costs as a tender process has not been carried out), and would provide a single storey extension with associated facilities as shown in appendix B. It should be noted, however, that the provision of this extension will also increase running costs for Hereward Hall through the need for additional heating and lighting, as well as an increase in business rates due to the additional area added to the rateable footprint of the building.

Accommodation description and condition

- 5.9 The majority of the Fenland Hall site is 90 years old (a newer rear wing was added in the 1990's) with traditional construction of the time (i.e. solid walls, single glazed, cellular offices). Fenland Hall is in need of regular maintenance and repairs along with major improvements i.e. mechanical and electrical plant.
- 5.10 Hereward Hall was purposely built as modern open plan office accommodation in the early 2000's, with triple glazing, cavity walls, along with solar panels on the roof and achieved a BREEAM rating of very good which relates to its environmental and energy efficient aspects. It is set within a large site that offers outside facilities and parking.
- 5.11 The solar panels were retro fitted to Hereward Hall in October 2012 and are generally expected to last for around 25 years, although the parts of the panel called an inverter is likely to need replacing at some time during this period, at a rough cost of around £1,000. The panels are fairly low maintenance, and just need to be kept clean periodically and to ensure there is no shading from over grown trees etc. which can affect efficiency. The projected energy use benefits from the solar panels are included in the overall Hereward Hall operational costs.

Staff numbers

- 5.12 The total number of staff employed by FDC has reduced (from 704 in 2009 to 487 in 2014) over recent years, due mainly to the governments reductions in budget provision. As a result, only around 65% of the office space available at Fenland Hall is currently utilised.
- 5.13 Hereward Hall does offer more modern, open plan accommodation which could help to promote more cross team working and allow the organisation to modernise both its accommodation and working practices aligned to its proven successful culture. By placing teams in 'neighbourhoods' within the building, important information sharing and relationship building can take place to provide a more joined up service to our customers.
- 5.14 There is currently 244 staff located at Fenland Hall (191) and The Base (53). This includes 2 staff from a partner organisation, who currently rent 2 desks at The Base.
- 5.15 A number of restructures and changes are taking place within the organisation, which will result in the loss of 24 staff from the organisation by early 2015. Therefore, the number of staff located at Fenland Hall and The Base will reduce to 220.
- 5.16 Of these 220 staff, 10 are classed as 'remote' staff or field workers who would not always need access to a workstation. These staff, along with a small number of colleagues from partner organisations who are currently working part time at Fenland Hall, could be allocated a desk at a 1:4 ratio (therefore only needing 2 to 3 desks between 10 staff).
- 5.17 All other staff would be allocated desks on a 1:1 ratio where possible and then at a 7:10 desk ratio for those staff who could be accommodated through shared space arrangements (e.g. those job sharing or who spend large amounts of time away from their desk at meetings or events).
- 5.18 The total number of workstations available for use at Hereward Hall, The Base and other FDC and partner locations is 203.
- 5.19 Therefore, if a move to Hereward Hall were to take place, staff could be accommodated as follows:

Percentage of staff	Number of Staff	Desk ratio	Number of workstations	Location
81.8%	180	1:1	180	Hereward Hall, and other FDC and partner locations
4.6%	10	1:4	3	
13.6%	30	7:10	20	

- 5.20 In order to better understand specific staff locations, Members requested a planned layout of Hereward Hall. It is suggested that, if the Hereward Hall option is further pursued, then such information will be shared with members following proper consultation with the affected staff and Staffside in order to maintain effective staff relations within the organisation.
- 5.21 Members should note, however, that this arrangement would not allow for any 'hot-desking' by partners.
- 5.22 The potential relocation of CCC Highways/Skansa staff to The Base does not affect these figures as they have expressed an interest in utilising part of the building which is currently used for stores (therefore, they will not be using any existing workstations).
- 5.23 Members should also note that unfortunately, looking to the future, it is expected that the size of the organisation will reduce rather than increase, directly linked to continual Government budget reduction, which will occur whatever the result of the May 2015 general election.
- 5.24 It is also proposed to consider the provision of drop down offices for FDC and other public partners to work remotely in existing FDC facilities across the District, which will include one stop shops, business centres, leisure centres etc.
- 5.25 The staffing and building utilisation associated with the option to remain at Fenland Hall is covered later in the report.

ICT management

- 5.26 As part of this modernisation, ICT will play an increasing role. Therefore careful consideration of the requirements of equipment and services related to moving to Hereward Hall is necessary. It is worth highlighting that such modernisation would be necessary even if FDC remained at Fenland Hall.
- 5.27 Current thinking around the transfer of equipment such as servers along with the use of 'cloud' based technology and remote management/hosting are under investigation, and will form part of a separate project stream. For the purposes of this review, current proposals and estimates could mean that an estimated £75k would need to be invested to relocate our ICT systems into Hereward Hall. A breakdown of these costs can be found in Appendix C.
- 5.28 A report on ICT modernisation was presented to Cabinet on 20 November 2014 along with an implementation plan which would fit with a proposed accommodation move (please [click here](#) to access the report). The report includes details of transformation changes which could accrue savings for the organisation of £175,000 in 2015/16 and £217,000 in 2016/17.
- 5.29 As the report has now been approved, work is already underway to deliver this internal transformation programme as these proposals are not dependent on any office move. The proposals will still go ahead whether the Council moves from Fenland Hall to Hereward Hall or not.

- 5.30 Further work is needed to assess other potential ICT costs, including additional equipment for field workers, allowing them to complete paperwork or search for information when they are outside of the office. Again, this would also help to generate savings going forward as travel costs are reduced and efficiency is increased. The equipment may take the form of smart phones or tablets, depending on the results of the additional research and would form part of the wider ICT transformation process. These proposals and associated costs will not be dependent on any move to Hereward Hall so are not considered part of this analysis.

Existing and future storage needs

- 5.31 There are large amount of paper files currently stored at Fenland Hall and The Base. A percentage of this paperwork needs to be kept for a certain periods of time (in line with legislation), either in paper or electronic format. The Paperless Project, already in train, has helped to reduce paper storage and improve systems for the increasing use of electronic formats going forward. However, there are still significant quantities of files to be reviewed as Hereward Hall has reduced storage space and the current volume of documentation we have at Fenland Hall exceeds any available additional storage at The Base.
- 5.32 The Data Retention and Disposal Policy has been reviewed to ensure it minimises future document storage requirements. This document has also been used to help managers identify documents which can be disposed of, therefore reducing any potential storage costs in the future.
- 5.33 All Heads of Service have been consulted and it has been estimated that there are around 2,500 linear metres of files currently in storage at Fenland Hall and The Base, a significant proportion of which are planning files. It has been estimated that further rationalisation of files will allow the amount of storage space required to be reduced to 1,800 linear metres.
- 5.34 An area at The Base has been identified as suitable for storage of these files, along with a smaller 'garage' type building located on the Hereward Hall site. However, to make best use of the space and to provide a purpose built document storage facility, moveable racking will need to be purchased and installed at a cost of £53,000. A breakdown of these costs is show in Appendix D.
- 5.35 Space will be allocated to each service area linked to the proportion of space that they currently need. All teams will need to reduce their storage requirements through disposal or scanning (by the teams themselves to minimise costs). It is thought that this process could take up to 12 months.
- 5.36 Once the files are moved to the purpose built storage facility at The Base, should any files need to be removed for reference, they will be scanned and provided electronically. The hard copy of the file will then be destroyed, freeing up storage space capacity.
- 5.37 With such a finite amount of storage available, it will also be essential that each team takes responsibility for reviewing their storage requirements annually and destroying any documents no longer needed, in line with the Data Retention Policy.
- 5.38 As an organisation, and regardless of any potential office move, we will be starting to use a number of Document Management Systems (DMS) from early 2015 to reduce the number of paper documents used and stored throughout the Council.

Adaptions to Hereward Hall if FDC move to Hereward Hall

- 5.39 To accommodate FDC's requirements, certain adaptations will be required to Hereward Hall. These include removal of the current 'barrier' type reception, minor internal wall

modifications related to meeting rooms and offices and the creation of additional parking spaces within the site. The costs of these building adaptations are estimated at £24,620.

- 5.40 In order to increase the parking offer at Hereward Hall to provide a similar number of spaces to Fenland Hall to accommodate FDC staff and members, an extension to the existing car park to create additional 40 spaces would be needed. This is estimated to cost of £36,071.
- 5.41 A breakdown of the costs of these adaptations is shown in Appendix E.

Future Use of the Fenland Hall site if FDC move to Hereward Hall

- 5.42 Should members decide that a move to Hereward Hall is in the best interest of the Council, the Fenland Hall site will be identified for disposal or alternative use. Potential alternative uses, and the capital receipt expected, have been assessed in the following section.

- 5.43 Options include, but are not limited to:

- Sale of building and site for conversion into residential apartments
- Sale of building and site for sub-divided or self-contained office suites
- The potential demolition and subsequent residential development of the whole site for a medium/higher density housing scheme

Sale of part of the site for redevelopment, whilst retaining the newer 'Annexe' at the rear of the building for office accommodation, was previously considered. However, the site orientation and size would not allow for an effective redevelopment of the rest of the site should this part of the building be retained.

All 3 options detailed in the bullets points above have been considered agreeable in principle by the Council's Planning Team.

- 5.44 Officers have been liaising with the Ambulance Service to determine the options for their current occupancy of the site. Discussions to date shows that, although the Ambulance Service are more than happy with the current arrangements, they are not opposed to investigating a potential move to be co-located with a partner organisation within March. As the existing occupancy on the Fenland Hall site is covered by a long term lease agreement, a compensation payment to the Ambulance Service may be necessary to exit the current arrangements.
- 5.45 The former ICT Portakabin site is already under offer to an adjoining land owner for development purposes. It may be possible to include this area in a far larger development to the rear of Fenland Hall. This would create a very neat rectangular site for development and may also yield additional 'marriage' value, by merging the existing site accessed from Queen Street Close, with the remaining area and that of the Portakabin site.
- 5.46 For the total Fenland Hall site it is thought that a low density development could produce around 29 dwellings, although there is scope to increase this number, dependant on design, density, orientation and the inclusion of the additional land as described above. With the inclusion of the Ambulance Stations site, 35 dwellings could potentially be delivered.
- 5.47 The estimated valuation figures for the site disposal are covered in the confidential annex. To demolish and make good the Fenland Hall site is estimated to cost in the region of £127,000 following discussions with a local demolition contractor.
- 5.48 FDC could take the developer 'lead' role but we would need to ensure that the risks of such a proposal are fully understood and appreciated. In addition, the availability of

capital finance and the implications on cash-flow need to be considered, along with the resources and expertise required to prepare and deliver such a scheme.

- 5.49 The future use of the site will, of course, affect the capital receipt and/or revenue income received. It is recommended that a policy is developed which determines when FDC should consider taking a 'developer-role', together with a standard appraisal of the other methods of disposal. A detailed business case and financial appraisal will be required to determine whether FDC should develop the Fenland Hall site or seek disposal.
- 5.50 The current business rates on Fenland Hall are £65,560 a year and these would continue to be paid by the Council until a point in time that the building was demolished or had been sold to another party.

Efficiencies and improvements to the Fenland Hall site if FDC remain

- 5.51 During the recent Overview and Scrutiny Briefing session and the All Member Seminar, Members asked officers to explore the potential for reducing the running costs of Fenland Hall, and therefore achieve a level of efficiency savings without moving to alternative office accommodation. The following options have been assessed:
- 5.52 **Generate additional revenue through letting excess office accommodation to partner organisations.** Discussions have been held with several local partner organisations to assess their appetite for sharing office facilities at Fenland Hall. Although interest has been shown by some of these organisations, no definitive commitments or agreements have been made to date. However, dialogue continues and officers expect to receive further feedback shortly to help further inform the report scheduled to go to Cabinet in January 2015.
- 5.53 Should Members decide that the organisation should stay at Fenland Hall, further attempts would be made to engage with partners, assessing their accommodation needs and how we may be able to meet them and in turn create much needed revenue income to FDC from current vacant office space. Work that has already been carried out shows that the Annexe part of the building could be let to a partner or partners, and that staff currently located in this part of the building could be accommodated elsewhere in Fenland Hall or other Council buildings.
- 5.54 Should public partner interest not be forthcoming then there is the option to attempt to attract private SME's (small and medium enterprises) to a 'separated' part of the building.
- 5.55 Any such office sharing would require a review and potential upgrade of the current security and access arrangements to maintain the Council and its staff's safety and security requirements. Such proposals cannot be developed or costed until the precise requirement for the building and occupiers are better understood.
- 5.56 **Close/demolish part of the building to reduce running costs.** Although 'mothballing' part of the building would reduce running costs, the savings would be minimal compared with that which would be accrued through a move to Hereward Hall or letting part of Fenland Hall to partner agencies. There would be significant costs involved with actually demolishing part of the building and Officers view is that such an approach is not viable due to the configuration of the current building and its limited redevelopment potential.
- 5.57 **Let the Council Chamber for functions.** Any revenue generated through the letting of the Council Chamber would be impacted by staff costs for opening, closing, supervising and cleaning of the room. The Council Chamber would also be out of use for extended periods each year as the Council prepares for local, general or European elections.
- 5.58 The security arrangements currently in place would also need to be assessed, as members of the public entering the building through the civic entrance would still have access to some offices, as well as the Chairman's, Leader's and Member's Rooms. The Civic entrance is not currently DDA compliant, which is not an issue during normal office

opening, as the main reception entrance can be used. However, this may not be an option for evening or weekend functions.

- 5.59 **Improve energy efficiency at Fenland Hall.** A quotation has been prepared by Sustain Services for photovoltaics (PV) panels to be installed on the roof of Fenland Hall. The cost of the works is estimated to be £61,677 (exclusive of VAT) with annual income estimated in the region of £5,250 and the payback period would be approximately 12 years. Further information can be found in appendix F.
- 5.60 **Potential improvements to Fenland Hall.** Members also requested at the last meeting as to what improvements to Fenland Hall could be made to improve the environment for officers taking into account the superior offer of Hereward Hall.
- 5.61 Linked to this as stated earlier in this report, are the comments that have been received from staff via staff surveys, suggesting improving accommodation and facilities at Fenland Hall.
- 5.62 Several suggestions for improvements should Fenland Hall remain as the Council's headquarters are proposed. These include, but are not limited to:
- Double glazing of 197 windows in Fenland Hall, which would cost approximately £550/per unit with a replacement frame and sealed unit. This would cost a total of approximately £100,000 (actual price is subject to a detailed survey and quotations). Although it is noted that there would be limited financial benefit in terms of cost recovery through energy savings, it would go some way towards improving the comfort of the offices at Fenland Hall.
 - Refurbishment of existing toilets, deep clean/replacement of carpets, internal redecoration and inclusion of a staff shower room. The estimated costs of such changes are approximately £99,000.

Repairs and maintenance of buildings

- 5.63 In order to compare the future repairs and maintenance of both buildings, full repair surveys have been carried out which indicates the following, as shown in table 4:

Table 4: Future repairs and maintenance costs

Condition Survey - Urgency/Cost of Required Works					
	Urgent (Category 1)	Essential (Category 2)	Desirable (Category 3)	Long Term Desirable (Category 4)	Total
Hereward Hall	2,950	8,300	10,000	-	21,250
Fenland Hall	49,000	22,050	4,500	266,000	341,550

- 5.64 These figures relate to 10 year projection of maintenance and obviously show a differential between the older Fenland Hall and the newer Hereward Hall property. Further details of these categories and costs are shown in Appendix G.

6 Financial implications and benefits

6.1 Work carried out to date has shown that there are 3 preferred options for relocating or improving FDC's headquarter office accommodation:

- Move to Hereward Hall with existing layout
- Move to Hereward Hall and build an extension to house a Council Chamber
- Remain at Fenland Hall but improve the accommodation offer

Calculations have been carried out to determine the capital costs and operation savings for all 3 options and are included in confidential annexe 1.

Site Valuations

6.2 The details and results of site valuations carried out on the Hereward Hall site and the Fenland Hall site are also show in confidential annexe 1.

Capital Costs

6.3 The capital costs used for further calculations around the first 2 options (relocating to Hereward Hall) include:

- The purchase price of Hereward Hall, based on the figures in confidential annexe 1
- Building and car park adaptations, referred to in the main report
- Relocation of ICT systems, referred to in the main report
- Additional racking for paper storage, referred to in the main report
- Urgent and essential works as highlighted in the condition survey
- Project management fees (should there be no capacity to manage this project with existing staff)

6.4 The capital costs used for further calculations associated with the third option (remaining at Fenland Hall) include:

- Improvements to the building through double glazing all windows, referred to in the main report
- Refurbishment of existing toilets, redecoration and the provision of shower facilities, referred to in the main report
- Urgent and essential works as highlighted in the condition survey
- Installation of solar PV panels on Fenland Hall, referred to in the main report

Capital Receipts

6.5 Should the move to Hereward Hall take place, FDC could receive a substantial capital receipt for the Fenland Hall site. Although a higher figure could potentially be achieved through selling the site and building for office accommodation, research has shown that there is a very limited market for this size of office accommodation. Therefore, the average estimated development value for the site is used in further calculations (please see confidential annexe 1).

6.6 It should be noted that any capital receipt from the sale of the Fenland Hall site is unlikely to be realised at the time of any move and would more likely be received 2 to 3 years afterwards. Therefore, the Council would need to front fund any capital costs for this period and a series of financing options are included in the confidential annexe.

- 6.7 Although any future disposal of Fenland Hall for residential development could lose FDC business rates income, it would benefit from additional council tax income and New Homes Bonus grant.

Net Operational Savings

- 6.8 The net operational savings for each option have been calculated by comparing current running costs for Fenland Hall and the future running costs for Hereward Hall.

- 6.9 Other costs have then been included such as:

- Additional running costs linked to the provision of a new Council Chamber at Hereward Hall (utility costs and an increase in rateable value of the site)
- Expenses for the provision of Hall Keepers as this was not included in the running costs figures received from CCC for Hereward Hall
- Should a move to Hereward Hall take place and a Council Chamber not be provided, there will be some additional travelling expenses for members attending full Council meetings and Planning Committee meetings at other locations (The Boathouse has been used as the location for these calculations).

Financing Options

- 6.10 A range of financing options has been modelled, should a move to Hereward Hall take place. The options are as follows and are shown in more detail in confidential annexes 1a and 1b:

- Option 1 – Borrow 100%
- Option 2 – Borrow 50% and use reserves for 50%
- Option 3 – Use reserves for 100%
- Option 4 – Payment to CCC by instalments using reserves

- 6.11 Calculations for leasing Hereward Hall have not been included as early indications from Members highlighted this as a less favourable option. In addition, CCC is looking to dispose of the Hereward Hall asset, rather than lease, and a lease option would impact on revenue savings over time.

- 6.12 Although financing costs will be reduced through increased use of reserves (options 2 and 3), it should be noted that there will be increasing financial pressure on the Council's reserves over the coming years due to further budget reductions and other local issues. For these reasons, using reserves to fund 100% of the costs is not thought to be sustainable.

- 6.13 Officers have discussed the potential for repaying the purchase price to CCC by interest free instalments over a period of 5 years (option 4) and this approach has been agreed in principle. However, as with all other options, it subject to Member approval. It should also be noted that the sale of Fenland Hall prior to the end of year 5 would result in all remaining instalments being paid in full.

- 6.14 The chosen financing option will affect the net savings accrued from any move to Hereward Hall.

Summary of Capital Costs and Net Operational Savings

- 6.15 The capital costs and net operations savings associated with all 3 options are show in confidential annexe 1.

- 6.16 A summary of this information is shown in the table below:

Capital Costs and Net Operational Savings

Estimated figures		Options		
		Move to Hereward Hall with existing layout	Move to Hereward Hall and build extension (Council Chamber)	Remain at Fenland Hall but improve accommodation
Total Capital Costs		£831,391	£1,124,391	£331,727**
Net Operational Savings (before financing costs)		- £149,890*	- £144,290*	- £5,256***
Net Operational Savings (after financing costs)**	Borrowing 100%	- £79,222	- £48,717	Cost of £22,941
	Borrowing 50%, use of reserves 50%	- £97,928	- £74,016	Cost of £15,477
	Use of reserves 100%	- £116,634	- £99,314	Cost of £8,013
	Payment by instalments for purchase/use of reserves	- £22,634 (rising to - £140,134 after year 6)	- £5,314 (rising to - £122,814 after year 6)	N/A

*These savings do not allow for the continued business rates on Fenland Hall once vacated (currently £65,560 pa).

**Capital costs could be reduced by £100,000 if the cost of replacing windows in Fenland Hall was not considered to be cost effective.

***Further operational savings could be realised in the future if part of the building was let to partner agencies or private SME's (through additional income generation). Discussions are ongoing with partner agencies to explore the potential to let part of Fenland Hall. Estimated income is between £20,000 and £50,000 per annum.

Project Delivery

6.17 Learning from Best Practice

6.18 Whichever of the options is chosen, Officers are keen to learn from best practice throughout the public sector and will be carrying out ongoing and additional research in relation to:

- Storage of paperwork, both current and historic
- The use of ICT equipment for field working
- The co-location of partner agencies in one building

Good practice has been cited at Melton BC, St Albans BC and Ipswich BC, where officers will follow up to establish what Fenland can learn to inform its own transformational journey.

Project management and relocation

- 6.19 Again whichever option is chosen, it is essential to consider and plan all aspects thoroughly to minimise any risks to both the organisation and services. It is intended that CMT will act as the project board to ensure close monitoring occurs with CMT members leading on discrete elements of the project supported by key managers and staff.
- 6.20 It may be necessary to engage project management assistance (only if Hereward Hall options are selected) should in-house resources not allow such a role to be covered. Therefore, costs for such along with external removal costs are detailed in the cost summary in confidential annexe 1.

Communications

- 6.21 A key element of any successful project is regular and up to date communications. This is essential for staff (including Staff Side) and members who will be affected by the proposals. Therefore a detailed communications strategy will be included in the project plan to ensure all stakeholders are engaged in an appropriate and timely manner.

7 Estimated timetable of tabling at Committee Meetings

- 7.1 The current estimated timetable for the tabling of this and other related reports at CCC and FDC committee meetings is shown below. CCC meetings are highlighted in grey.

ACTION	DATE
FDC O&S Informal Briefing session	03.10.14
CCC General Purposes Committee Meeting	07.10.14
FDC All Member Seminar	09.10.14
FDC O&S Meeting	15.12.14
FDC Cabinet meeting	22.01.15 or 26.02.15
FDC Council meeting	26.02.15

8 Conclusion

- 8.1 FDC has been through continual transformation over the years, ranging from its journey from 'fair' to 'excellent' to positively addressing its budget challenges. Such challenges continue to test the Council and this report is a further response to budget pressures without detrimentally affecting services to the community, by embedding new ways of working and potentially moving to new headquarters that aligns to a leaner and fitter organisation.
- 8.2 Change is always difficult for both staff and members. However, it is important to recognise how successful our change programme has been, jointly developed and delivered over the years.
- 8.3 Unfortunately, the Council is not in the financial position of savings via this project alone against another initiative, as savings will have to come from every source possible for the foreseeable future.
- 8.4 These proposals presents an opportunity for members to consider the annual operational savings should a move to Hereward Hall take place, or to reduce overheads at Fenland Hall by actively encourage the co-location of partners in the building.