

 Executive – 3 December 2014		Agenda Item No. 7
Title	Council HQ Relocation Project – Update Report	
For further information about this report please contact	Bill Hunt Deputy Chief Executive bill.hunt@warwickdc.gov.uk 01926 456014 Duncan Elliott Senior Project Coordinator duncan.elliott@warwickdc.gov.uk 01926 456072	
Wards of the District directly affected	All wards.	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	Council 25 June 2104 Minute number 16	
Background Papers	Council June 2104 Executive May 2104 – Council HQ Relocation Project – Update Report. Executive Mar 2014 – Relocation of the Council’s HQ offices, Parts A and B and Addendums; Executive Dec 2012 – Proposed Regeneration LLP, Parts A and B; Executive May 2012 – Feasibility Study of Leamington Assets, Parts A and B; Executive Feb 2011 – Feasibility Study of various WDC assets in Leamington; Executive June 2010 – Customer Access in Leamington; Executive April 2010 – Accommodation Review. EC Harris Asset Optimisation feasibility study report and background working papers, 2010/11 Accommodation Review background working papers 2010 One Stop Shop background working papers 2009	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes

Equality & Sustainability Impact Assessment Undertaken	No
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Officer/Councillor Approval		
Officer Approval	Date	Name
Deputy Chief Executive		Joint author
Head of Service		n/a
CMT	10/11/14	Chris Elliott, Andrew Jones, Bill Hunt
Section 151 Officer	10/11/14	Mike Snow
Monitoring Officer	10/11/14	Andrew Jones
Finance	10/11/14	Mike Snow
Portfolio Holder(s)	17/11/14	Cllr. Mobbs, Cllr. Hammon
Consultation & Community Engagement		
N/A		
Final Decision?		No
Suggested next steps (if not final decision please set out below)		
Further report to be brought to full Council to recommend final site option after detailed appraisal of selected shortlist sites.		

1 SUMMARY

- 1.1 On 25 June Council considered the Executive's conditional decision to relocate the Council's HQ offices to the land at the front of the Royal Spa Centre. Council resolved to defer this provisional relocation site decision, and instructed officers to undertake a further assessment of all potential site options for an office relocation using a wider remit. This report now sets out the further site appraisal work undertaken since June, and recommends a shortlist of sites for further more detailed consideration.

2 RECOMMENDATIONS

- 2.1 That Executive notes the long-list of relocation site options, as set out at **Appendix One**, the appraisal of those sites, as set out at **Appendix Two**, and agrees a short-list of sites for further detailed feasibility analysis, as set out at paragraph 3.6.
- 2.2 That Executive notes that, subject to approval of Recommendation 2.1, detailed feasibility work will be commissioned through the Warwick Limited Liability Partnership (LLP) for each of the short-listed sites and that a further report will be presented to Full Council, as soon as practicable after the May 2015 elections, for a final decision on a relocation site.
- 2.3 That Executive delegates authority to the Deputy Chief Executive (BH), Senior Project Coordinator (DE) and s151 Officer, in consultation with the Leader of the Council and the Development Portfolio Holder, to amend the short-list to include any new, suitable privately owned sites or properties should they become available prior to the completion of the assessment exercise for the shortlisted sites.

3 REASONS FOR THE RECOMMENDATIONS

- 3.1 The previous Executive reports considered potential relocation sites that met a set of criteria previously agreed by members:

• Sites located within or near to Leamington town centre.
• Council owned Freehold sites.
• That the relocation project should achieve £300,000 per annum revenue savings.
• That the overall scheme should be broadly capital cost neutral.
• That the relocation should stimulate new ways of working.
• That the relocation should stimulate regeneration in Old Town.

- 3.2 These criteria were revised by Full Council in June, with the first two criteria being widened as follows:

- All sites district-wide (rather than just in or near Leamington town centre) should now to be considered; and,
- Privately owned sites and options (not just Council owned sites) should now also to be considered.

- 3.3 This has resulted in the following categories of site options being scrutinised for this report:

Site locations:

The three main town centres in the district.
Edge of town.
Out of town.
Rural

Property types:

Existing buildings.
Development sites and plots.
Buildings that would form part of major development schemes.
Warwickshire County Council's property stock.

Ownership and Tenures types:

Freehold.
Long leases (i.e. 99 + years)
Short leases (i.e. 5-25 years)

- 3.4 To assess the availability and suitability of non-WDC owned sites discussions have taken place with the County Council's Property and Inward Investment teams, commercial agents, private landowners and developers known to officers to be keen to bring forward new developments. Officers have also checked the local property market for details of all potentially suitable buildings on the market for sale or leasing.
- 3.5 As a result officers have constructed a 'long-list' of potentially suitable sites, as set out at **Appendix One**. All members have also had the opportunity to comment on the long-list via the briefing held on 3 November and to add any sites that they are aware of through their local knowledge. The outcome of the assessment of the advantages and disadvantages of each of the 'long-list' sites is set out at **Appendix Two**.
- 3.6 This assessment has concluded that the majority of sites are unsuitable, as their disadvantages outweigh their advantages, but that the following sites should be listed as a 'shortlist' for further detailed assessment:
- Court Street car park and adjoining WDC owned land, Old Town, Leamington
 - Redevelopment options for the existing Riverside House site, Leamington
 - Land adjacent to the Royal Spa Centre, Leamington
 - Covent Garden surface car park, Leamington
- 3.7 All the shortlist sites are on WDC owned land. This is predominantly a consequence of demand for offices of the type we are seeking currently exceeding supply. For example, potential privately owned building options, highlighted by members, such as Brandon House and the former Wright Hassall offices in Waterloo Place (both in Leamington town centre) are not available. Officers are also aware of two or three other parties similarly searching for town centre office sites at present. At the time of writing only one privately owned existing building is available, Wedgnock House in Warwick and this only partially meets our criteria, being slightly too small and unattractive in terms of location, specification, and its ability to minimise our occupational costs.
- 3.8 Consequently, the only other private property options would be new 'design and build' options whereby a landowner/developer would develop a new HQ building for us. There are a few such possible options at present, all set out in Appendices One and Two. One caveat here is there is a reluctance on the part of some private landowners at present to develop out-of-town sites for offices,

as they hope (in their view) that such sites may be capable of gaining planning permission for residential development, which produces higher land values. In these cases land that upon first viewing appears suitably for our offices, is not currently being released to the market.

- 3.9 In any case the assessment recommends that out of town options are not considered for the shortlist. Whilst it is considered that the requisite annual savings could be achieved from an out of town building and, depending on the outcome of the commercial negotiations with the various site owners, a broadly capital cost neutral scheme is potentially feasible there are significant disadvantages. For example, some of the functions that could be suitably accommodated in town centre located HQ (e.g. One Stop Shop; CCTV control room) could not be accommodated out of town. Although revenue costs could potentially be minimised were these functions to be housed in existing WDC assets this would have a significant opportunity cost in addition to the operational dis-benefits of working across split sites.
- 3.10 The Council would also be seen to be leaving a town centre location and taking its staff and their economic spending power away from the district's primary retail centre. There is likely to be an adverse reputational impact from residents, retailers and representative bodies such as BID Leamington and the Chamber of Trade. The town centre would lose the lunchtime and after-work spending power of the c.340 Council employees. This could hinder delivery of the Prosperity agenda and the future ability to attract future retail investment. These sites have therefore been marked down accordingly.
- 3.11 Following previous comments from members discussions have been held with the County Council regarding potential relocation options involving their stock of assets. They have confirmed that the only suitably sized property they might be able to offer at a future date would be all or part of their Barracks Street offices (Note: This building has yet to be declared surplus and available by WCC). This building is far inferior to Riverside House, with no car parking provision or solution, and it crucially requires between £5-10m of investment to refurbish it to a modern, 'future-proof' standard. This option has accordingly been discounted.
- 3.12 Consideration has also been given to the criterion that relates to the ambition 'to stimulate regeneration in Old Town'. The Council is in the strong position here given its ownership of the Court Street car park site, the adjoining former Dovecote area and the Old Tyre Depot buildings. The LLP also owns the adjacent former Stoneleigh Arms pub site. The Council, therefore, has two options for stimulating regeneration in Old Town by either:
- Developing the new HQ offices on these sites, or
 - Developing these sites for new housing.
- Each of these options would deliver regeneration and, consequently, officers believe that the regeneration of this area could be achieved by the Council regardless of which HQ relocation option is chosen.
- 3.13 Officers are aware that the County Council is developing a series of Local Service Centres across the county, for supporting both children and adults in need or at risk. This covers all main social work needs and support but also include safeguarding needs of the locality. They are a local administration base and a hub for staff based in an area. In addition they host assessment meetings (assessment of need and capability) and case conferences with a wide range of public agencies.

- 3.14 The County Council are seeking such a facility for Leamington and Warwick. Their chosen priority order of locations is as follows: (i) South Leamington, (ii) North East Leamington; and (iii) Warwick. They require a building of a similar size and type to our new HQ. There would be obvious synergies and cost savings (i.e. shared reception and meeting rooms etc.) if the two buildings could be co-located on one site. Soundings were taken from the Member Reference Group (comprising of the 4 Group Leaders and the Development and Finance Portfolio Holders) as to the potential merits of co-location. These discussions concluded that whilst there might be potential operational and financial benefits to co-location this should not be a primary consideration when selecting shortlist sites.
- 3.15 A report elsewhere on the agenda also refers to the potential consideration of a future relocation of the Leamington Library from its current location within the Royal Pump Rooms. Whilst any such relocation would only ever be considered were a suitable, viable and accessible town centre site to be identified this also potentially opens up the potential of co-location at some of the shortlisted sites. An assessment of the potential of the shortlist sites to deliver either co-location option is set out at **Appendix Three**
- 3.16 The Warwick Limited Liability Partnership (LLP) was the subject of a report to the November Executive. The LLP was specifically created as a vehicle to advance and unlock complex development projects and identify innovative ways to create added value to ensure their delivery. Integral to its establishment was the core principle that any project that is to be delivered through the LLP vehicle has to be independently validated and demonstrated to better than any other potential delivery options open to the Council.
- 3.17 The LLP has previously undertaken, and funded, all the site option feasibility assessments for the relocation project to date at its own risk but, after Council's June decision not to proceed with a preferred site has been effectively 'stood down' with the work to produce and assess the 'long-list' be undertaken by officers.
- 3.18 Officers have full confidence that the LLP's credentials have been proven to date; and this has been endorsed by the November Executive's decision that the LLP be authorised to look at the Council's non-operational property assets to assess how it could drive out revenue savings and efficiencies. As the LLP has carried out the previous site feasibility appraisal work, including a range of financial feasibility and development modelling work, some of which relates to sites on the shortlist it is therefore proposed they are used for the detailed assessments that will form the next stage of the project.
- 3.19 The next stage will comprise of a detailed evaluation of each shortlist site and including:
- An evaluation of what facilities are to be included in the new HQ building and whether all sites can accommodate all options.
 - An analysis of any co-location proposals with any other organisation/service.
 - Comparisons between the short-listed site options, including financial feasibility modelling.
 - A re-assessment of the anticipated revenue savings for each option.
 - Scheme deliverability and risk assessments.
 - Conclusions as to which site option best meets the Council's criteria.
 - LLP proposals for taking the project forward to completion.
 - Provisional agreement of any necessary Heads of Terms (between the Council and the LLP) for a scheme and its delivery.

- A formal evaluation undertaken by the LLP Operations Board, to validate that its proposition is better than any other open to the Council.
- An updated programme timetable.
- Formal sign off by the LLP Members Board
- A formal proposal for the Council to provisionally lock itself into taking the project forward, and through to the next Design and Assessment stage (subject to further report back to Executive on a date to be agreed).

3.20 Bearing in mind the various site caveats, the revised estimated outline and provisional project programme for our new building is now:

Date	Activity
December 2014	Executive approves short-list of sites
January– June 2015	The LLP undertakes detailed financial, design and deliverability feasibility work. LLP recommends a specific site option. External validation completed.
July 2015	Report to Executive, recommending a single relocation site, and Heads of Terms (with the LLP) for its delivery.
September 2015	Completion of Development Agreements.
October 2015	Appointment of design team
March 2016	Planning application submitted
October 2016	Construction works commence
April 2018	Completion and opening of new HQ offices

- 3.21 The final proposal is designed to accommodate the possibility of a suitable privately owned property becoming available during the shortlist evaluation stage. If, following assessment against the agreed criteria, it is deemed to be a potentially suitable site is highly likely that the Council would need to act quickly in the current market.
- 3.22 For example, some members have made reference to the current Royal Mail sorting office in Leamington town centre just south of the river as a potential relocation site. At the time of writing this report the site is not currently available but we it to become so it would be a site that would be recommended for inclusion on the shortlist (and could potentially accommodate co-location with the Library and/or local service centre)
- 3.23 Other privately owned sites might also become available and, consequently, it is recommended that officers should be given delegated authority to be able to respond on a timely basis and undertake negotiations and evaluations as appropriate.

4. **POLICY FRAMEWORK**

- 4.1 The Council's Fit for the Future programme designed to ensure that the Council meets the challenges of decreasing finances, increasing expectations and changing demand. The recommendations in this report are fully consistent with the Fit for the Future programme's principles. A more efficient new HQ building will enable service delivery to be reconfigured to the benefit of customers, facilitate behavioural change amongst the Council's workforce to the same end and deliver substantial financial savings.
- 4.2 The principle of using assets efficiently and seeking regeneration opportunities is also consistent with the Council's vision and Sustainable Community Strategy's general focus of furthering economic, social and environmental well-being for the district and the specific focus on the town centres of Leamington, Warwick and Kenilworth to underpin and develop economic activity.

5. **BUDGETARY FRAMEWORK**

- 5.1 There are no particular budgetary implications arising from this report. The relocation project's budget was examined in detail in the reports presented to the May Executive and then on to the June Council.
- 5.2 The current operating costs (including business rates) for Riverside House are c. £535k per annum (based upon the latest Budgets being presented to Members elsewhere on this agenda). The new HQ office site has yet to be chosen, and the building (which will be site specific) yet to be designed and specified, making it difficult to precisely ascertain its future operating costs. However, it is possible to make robust estimates of its likely future operating costs using industry standard rates for new buildings of this type, and actual running costs of new buildings now being operated by other local authorities. Our current estimates are that the annual gross operating costs (including business rates) will be in the range £330k - £350k per annum.
- 5.3 There is then the issue of when these future revenue savings, now built into the Medium Term Financial Statement (MTFS) from 2017/18 onwards, are capable of being realised. Depending on which site is chosen, full year revenue savings are now likely to be realised from 2018/19 (the MTFS Has been updated to reflect this and is also on this Agenda as Part of the Budget Setting Report). However, an option to possibly tie the relocation into a larger development scheme, would delay the build and subsequent occupation until later, with the consequence that full year savings would not be realised until 2019/20 onwards.
- 5.4 The Budget Setting Report shows the profile of savings required by 2019/20. Whilst the level of overall savings will not change, assumed savings from the move will mean that further savings of some £400,000 in addition to those already in the profile would have to be achieved in 2017/18. . Therefore, this project delay will become increasingly problematic in financial planning terms.
- 5.5 A decision to approve a short-list of sites, rather than one specific site has inevitably disrupted the previously reported project timetable, and will result in a minimum 12-18 month delay, assuming that the best of the short-listed sites is subsequently proven to be viable. This places significant pressure on the MTFS.

6 **RISKS**

- 6.1 The risks around the proposed approach are negligible at this stage in the project. The recommended next-stage work would be undertaken by the LLP, at

its cost and risk. Only Council staff time is likely to be incurred. Any proposals arising from the work will be subject to a report to, and approval of, the WDC Executive; and still not seeking commitment to the project, but further detailed feasibility and delivery option work by the LLP.

6.2 An externally driven risk is, and will continue to be, the availability of any suitable private property. We would be competing in a fast moving property market for any privately owned property. Bearing in mind that it is now likely that the Council will not be selecting its final preferred relocation site, provisionally until next summer, and unconditionally until the end of next year, properties now available to us may have been sold. Conversely, there will almost certainly be new potentially suitable properties coming onto the market during this period. The Council will therefore be obliged to respond to the vagaries and dynamics of this market.

6.3 The risks associated with the relocation project were examined in detail in the report presented to the May Executive. A project Risk Register is set out at **Appendix Four**. This will be updated appropriately as the project develops, with any significant risks reflected in the corporate Significant Business Risk Register.

7 ALTERNATIVE OPTIONS CONSIDERED

7.1 The Council could progress the next-stage feasibility work itself, if it was prepared to take all of the risk, and allocate all of the funding and resources required. This has been rejected as, having taken the decision to establish the LLP, and bearing in mind its excellent performance to date, to under-utilise its expertise and ability to take this project forward and provide 'added value' would constitute a missed opportunity.

7.2 Executive could change, or add to, the short-list of sites recommended by officers; or opt for a relocation option that would not achieve the projected savings. However, officers believe the recommended shortlist of sites best meet the Council's criteria, and potentially offer the most cost effective and value for money options worthy of further consideration.

7.3 At the May Executive, and June Council, meetings a full debate took place (in the private part of the agenda) on an innovative development model proposed by the LLP for the development of the Riverside House site. The conclusion then was that any scheme proposals should fully comply with all aspects of the Councils planning policy.

7.4 The next-stage site feasibility work will revisit any/all innovative options suggested by the LLP, which will be reported back to Executive in July next year. Members should be reassured that the LLP and officers will still be seeking the most cost effective and best-value solution for the Council.