

Agenda Item No: 13

Report to: Cabinet

Date of Meeting: 7 July 2014

Report Title: Office Accommodation

Report By: Richard Homewood
Director of Environmental Services

Purpose of Report

This report outlines the works proposed by the freeholder to refurbish Aquila House and how the Council can use this opportunity to support organisational change and the transition to more flexible working practices. The aim would be to improve efficiency and coordination of service delivery and further embed the 'One Council' philosophy. The report seeks approval for an increase in the capital budget provision for additional building works and outlines an invest to save proposal which will support this transition.

Recommendation(s)

- 1. That the Cabinet acknowledge that the freeholders proposals for the refurbishment of Aquila House provide an opportunity to drive organisational change. The changes will support the transition to more flexible working practices, improved productivity and efficiency, more focus on coordination of service delivery and a further development of the 'One Council' philosophy.**
- 2. That Cabinet approve an increase of £200,000 in the budget allocation in the Capital Programme for Office Accommodation work.**
- 3. That the IT reserve be increased by £50,000 to support more flexible working and improved efficiency.**
- 4. That the invest to save proposal to support the transition to a 'One Council' philosophy be supported.**

Reasons for Recommendations

To ensure that the office accommodation is fit for purpose following the refurbishment by the freeholder and to support the transition to a 'One Council' philosophy, improving flexibility and efficiency to support service delivery in response to the medium and long term financial pressures faced by the Council.

Introduction

1. The Council's Accommodation and Smarter Working Strategy was approved by Cabinet in March 2004 outlining our commitment to consolidate our office accommodation into fewer, higher quality, larger buildings near the town centres of Hastings and St Leonards over the next 5 years. This was reviewed in September 2007 when Cabinet resolved that we would, amongst other things, consolidate our operational services in Aquila House.
2. The Accommodation and Smarter Working Strategy has also increasingly been seen as a key strand of work, alongside cultural change, to support the Council's transition to a smaller, more efficient and flexible organisation in response to the significant financial constraints it faces in the medium and long term and the need to better embed a 'One Council' philosophy amongst staff.
3. Members will be aware that in order to progress this strategy officers have been in negotiation with the freeholders to agree new long term leases (10 years) on Aquila House and to secure a programme of repair and refurbishment of the building before these leases are entered into, and to address the significant problems with water penetration through the roof and the front elevation in particular.
4. The freeholders have now proposed an extensive programme of refurbishment of Aquila House, including the renewal of the roof, replacement of all windows (front and rear), replacement of the front cladding and the internal refurbishment of floors 1 to 5 and partial external works on the upper ground floor.
5. The Heads of Terms of the new leases have been agreed and the Council has indicated its commitment to signing the leases subject to the satisfactory completion of the repair and refurbishment works.

Proposed works

6. The works proposed by the freeholder are estimated to cost £1.9m. In addition to the major structural works this will also include the stripping out and refurbishment of the five main floors, refurbishment of the lifts, welfare facilities and common areas. It will leave the offices completely open plan and provide the opportunity for the Council to review how it uses its workspace and propose changes to create a more flexible and efficient workspace that is fit for purpose for our future requirements. It will also provide the opportunity to adapt our working practices and potentially reduce our office space requirements and costs at a time when the Council is under significant financial pressures.
7. These works are scheduled to start imminently and are programmed to be completed in a 26 week timeframe.
8. There will however be some additional structural works required to the refurbished floors to adapt them to meet our needs and whilst we are not contributing to the £1.9m refurbishment programme, we will need to make provision for the additional

adaptations to make the building suitable for our needs. It is proposed that these works are carried out at the same time as the refurbishment.

9. There will inevitably be significant disruption to staff and services during the refurbishment and staff will need to relocate at various stages incurring removal and some storage costs. There will also need to be some additional project management support during the refurbishment programme. It is therefore recommended that the Capital Budget provision for Office Accommodation be increased by £200,000 to cover these one off costs.
10. In order to take full advantage of the opportunity to review how we operate this work provides, officers are also looking at how we operate and hope we can become more flexible and make more efficient use of and thereby use less office space. This can, we believe be achieved by further investment in technology and by adapting the way the offices are laid out and furnished to provide greater flexibility and efficient use of space. Officers have visited other local authorities who have taken this approach and have sought advice from office suppliers. It is believed that by introducing more desk sharing, hot desking and home and mobile working, we can reduce our floor space requirements by a significant amount. We believe there is good potential sub-let the space we would save, and this will generate a source of income to help reduce our revenue costs into the future.
11. Much of the investment in technology to support the transition to more flexible working is already provided for in the IT reserve and the accompanying action plan, but there will be some additional costs in this area in order to speed up the process. This would include areas such as electronic records and document management systems, more mobile working technology etc.
12. There will of course be one off investments required to achieve this change, as our current office equipment and furnishings are no longer fit for purpose or adaptable to this new type of working environment. For example, many of our large shaped desks were designed when PCs and monitors were much larger than the compact and flat screen technologies we use today, this therefore restricts the flexibility we have for layouts and accommodating more staff on a floor. It is therefore proposed that £250,000 of the 'Invest to Save' budget be allocated to support this move to more flexible working and that the IT reserve be increased by £50,000 to fund the additional technology investment required.
13. In terms of the 'Invest to save' proposals it is estimated that by reducing our floor space requirements, and subject to sub-letting office space no longer required, we could potentially generate up to £90,000 per annum which would result in a payback of the invest to save element of these proposals in approximately three years after which it would contribute to the ongoing revenue savings we need to make.
14. The costs of movements during the refurbishment and the additional adaptations to meet our requirements and make the building fit for purpose for our use would have been necessary in any event as part of the negotiated agreements on the new leases. It is only recently however that the size of this contribution has been established and the capital programme therefore needs to be adjusted.

Financial Implications

15. Since the Accommodation and Smarter Working Strategy was adopted the Council's accommodation costs have been reduced by over £500,000 per annum and these proposals will generate further reductions in ongoing accommodation costs in the future.
16. Structural adaptations to the offices following refurbishment to make them fit for our purposes, along with the costs associated with the refurbishment programme itself (removals, storage and short term arrangements) are estimated to cost up to £200,000 and additional provision for this needs to be made in the capital programme.
17. Additional investment in technology over and above that already provided for in the IT reserve is required and the reserve needs to be increased by £50,000.
18. In order to make the building fit for purpose and introduce more efficient and flexible working practices and support the transition to a more effective 'One Council' it is proposed to earmark up to £250,000 from the 'Invest to Save' budget.

Conclusions and recommendations

19. The consolidation of the majority of the Council's operational services into one building in accordance with the Accommodation and Smarter Working Strategy is nearing completion.
20. Negotiations on new leases for Aquila House are concluded and include a £1.9m major refurbishment of the building by the freeholder prior to the new leases taking effect. There were always going to be additional one off costs to the council in addition to these refurbishment costs to make the building fit for our purpose and we now have a better understanding of what these might be.
21. The refurbishment provides the Council with an ideal opportunity to review how it operates and with some additional one off investment from the 'Invest to Save' budget can further support the transition to the 'One Council' philosophy with improved efficiency and flexibility to provide services into the future in response to the significant financial constraints the Council faces.
22. Members are therefore recommended to support these proposals and the proposed budget provisions set out in this report.

Wards Affected

None

Area(s) Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

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Equalities and Community Cohesiveness	Yes
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	Yes
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	Yes
Local People's Views	No

Background Information

Officer to Contact

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