

Cabinet Report



Report of head of economy, leisure and property

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To: CABINET

DATE: 4 October 2013

Proposed lettings of Abbey House

Recommendations

That cabinet

(a) approves the principle of a letting of part of the ground floor and the whole of the first and second floors of Abbey House to Oxfordshire County Council, including shared use of the reception area, and authorises the Strategic Director in consultation with the cabinet member for property to agree terms and enter into a lease agreement and any necessary subsidiary documentation

(b) approves the principle of a letting of part of the ground floor of Abbey House to the Citizens Advice Bureau and authorises the strategic director in consultation with the cabinet member for property to agree terms and enter into the necessary lease agreements

(c) authorises the strategic director, in consultation with the head of legal and democratic services, as an exception to the Vale Council's contract procedure rules to appoint a consultant to undertake project management, detailed space planning and specifying/overseeing proposed works to Abbey House and Crowmarsh

Purpose of Report

1. The report considers a proposal to let a significant part of Abbey House to Oxfordshire County Council (OCC) as a consequence of which significant numbers of staff would be relocated to the offices of South Oxfordshire District Council (South) at Crowmarsh. The report primarily seeks approvals for the

lease agreement with OCC, another proposed lease to the Citizens Advice Bureau (CAB) and for the appointment of a consultant tasked with detailed space planning, preparation of specifications and overseeing works at Abbey House and Crowmarsh.

Corporate Objectives

2. The proposals would make a significant contribution to the corporate objective of effective management of resources. The proposals also have the potential to further the objective of excellent delivery of key services.

Background

3. Partnership working has been in place since 2008, and the majority of functions and staff are now shared and harmonised between the two councils. As a result of the efficiencies that have been achieved the combined headcount has been reduced to a current figure of 420. Of the 364 staff who are based at the two main office locations (July 2013) there were 164 staff based full-time at Abbey House and 149 full-time at Crowmarsh. A total of 51 officers, such as managers with teams in both locations, have desks at both sites. Officers estimate that over 40% of each office building is currently unoccupied and, if modern spatial planning techniques were applied, the two buildings have potential capacity for over 600 additional staff.
4. In recent years, both councils have been exploring options to make more efficient use of their two freehold buildings although there are natural sensitivities around locating at one site or concentrating operations on one site. The relatively depressed nature of the commercial property market has not helped as any proposals for freeing up substantial amounts of space have had to face the reality that finding occupiers of that space would not be easy and potential savings would not be easy to come by.
5. However a new proposal has emerged where there is potentially a ready made tenant for a large proportion of Abbey House, but leaving sufficient space for the Vale Council to retain a significant presence in Abingdon. The potential tenant is OCC and it approached the Vale Council to explore alternatives to remaining in its existing building which is Foxcombe Court on Abingdon Business Park, the lease of which expires in June 2014.
6. This scenario therefore involves the grant of a lease to OCC (who would vacate its existing site) and the relocation of a significant number of district council staff to Crowmarsh. This would have a number of potential advantages:
 - the proposals will allow many teams to cement the advantages of shared working by being wholly, or very predominantly situated in one location
 - the arrangements would include a shared Abingdon reception effectively providing a single multi-function one-stop-shop for residents to provide more accessible, higher quality services for customers while reducing costs
 - the proposals will secure a substantial rental income
 - increasing the number of staff based in Abbey House and attracting the county's visitors to the town centre will support Abingdon town centre vitality

- asset rationalisation means that taken as a whole the arrangements will result in significant savings to the public purse
 - although there will be some security issues to be faced, a public sector tenant, especially one that has close links with the Vale Council, is an ideal joint occupier reducing the need for extensive works compartmentalising the building or creating separate entrance points
 - the financial benefits will enable improvements to be undertaken particularly at Crowmarsh
 - concentration of staff in one location may have other benefits such as more business at the staff restaurant at Crowmarsh, wellbeing courses and treatments and sport and social events will be more sustainable
7. As regards the proposed lease to OCC, negotiations are ongoing with a view to finalising detailed heads of terms. However the proposals are broadly as follows:
- the lease will be of the entirety of the first and second floors (but excluding the plant rooms, toilets and main staircase access) together with a small area of the ground floor and the right to shared use of the reception area
 - OCC will take a ten year lease with a five year break option
 - the rental equates to a total of £203,480 a year on areas agreed in relation to the first and second floor, with the ground floor area still to be finalised
 - the Vale Council will continue to be primarily responsible for the management of the common areas, shared services and external parts of the building
 - OCC will pay a service charge to reflect a fair proportion of the shared costs
 - a lease commencement date of June 2014 has been targeted but there may be some limited latitude in this
 - OCC will be responsible for any improvement works it requires to undertake within those areas it exclusively occupies
 - as regards parking it is proposed each OCC staff member will be given a free staff parking permit allowing them to park in several Abingdon public car parks (Charter multi storey levels 5 and above, Rye Farm and Hales Meadow) but on the basis that the average number of daily county parked vehicles being no more than the available spaces in their current accommodation (which will be at least 132 spaces but not more than 160 spaces) and subject to the further proviso that in the event that the Charter is redeveloped the Vale Council reserve the right to restrict parking numbers further

Subject to the Cabinet decision officers would seek to progress negotiations with a view to achieving an agreed heads of terms and be in a position to instruct external solicitors.

8. Putting aside the details of the lease the proposals raise numerous issues, some of which are highlighted below:
- which teams/staff are to be relocated to Crowmarsh and which are to be retained at Abbey House, or indeed in some cases how teams would be split across sites
 - the precise timing of the works and for relocation of staff (although currently being targeted for March 2014)

- the scope of appropriate works to Abbey House and Crowmarsh to make ready for the new arrangements including Information Technology (IT)
 - the proposed new office layouts at both buildings
 - Human Resources (HR) issues around the consequences of relocating staff to a new place of work
 - details of operation of the shared reception at Abbey House
 - the scope of works that will be undertaken at Abbey House by OCC and minimising their adverse impact on staff and customers
 - the process of physically moving all furniture, equipment, files and other items to Crowmarsh
 - any interim moves required prior to each team being located to their final destination
9. Many of these matters necessitate consultation with staff and/or with the heads of service to ensure as far as possible that all teams' requirements and preferences are met. This report cannot therefore consider these matters in any depth. To take forward the proposals a project group has been established with representatives including facilities, HR, IT, Communications and from SMB and these issues will fall to that team to address, using outside support where required. Consultants have initially been employed to develop a project plan and their first draft has been received. The process as a whole will inevitably involve a number of consultants and contractors including those to undertake the detailed space planning exercise and to specify and oversee the proposed works, the building and facilities contractors to undertake the required works as well as a removal company to oversee the actual move.
10. The target date for the move from Abbey House is March 2014 to allow time for OCC to undertake their required works and for a move of staff in June. The timing is challenging but achievable subject to hitting certain critical dates. However in order to assist in meeting the deadlines Cabinet is asked to agree that the consultant undertaking the project management, space planning/ specifying and overseeing of works (and whose fees are expected to be £30,000 – £40,000) can be appointed directly without the usual three written quotes. For continuity this could potentially be the consultant who is presently involved in preparation of the project plan. If officers believe this was the best course of action then subject to being satisfied that the terms were reasonable it is requested that cabinet authorises the strategic director, in consultation with the head of legal and democratic services, as an exception to the Vale Council's contract procedure rules to appoint a consultant to undertake this work. This exception is as provided for under paragraph 147 of the contract procedure rules. It is proposed that the works themselves will be tendered, or alternatively procured under a framework agreement, in accordance with the usual contract procedure rules. It is further proposed that cabinet approves the appointment of the consultants and building contractors on a joint contract with South.
11. In addition to OCC, there is also preliminary interest from the CAB whose lease of Old Abbey House terminates in June 2014. This interest is at an early stage but an opportunity exists to provide a modern accessible facility for them. The financial benefits of this are less significant especially as the CAB rent is currently grant funded by the Vale Council, but this arrangement would compare

favourably to a situation where the subsidy was paid to a private sector landlord. This would also deliver vacant possession of Old Abbey House which could then be considered for disposal.

12. The arrangements for Vale Council committee meetings will need to be considered. These could remain at Abbey House but as part of the reorganisation this may be an opportunity to consider other options including a greater role for the Civic Hall in Wantage. Again this will be a matter for future consideration but would meet a further corporate objective to increase usage of Wantage Civic Hall.
13. These proposals rely of course on the co-operation of South and joint agreement over the financial arrangements in respect of initial building works and the much greater use of Crowmarsh to accommodate shared staff. Senior officers have kept the South's cabinet apprised of progress in this matter and are confident that the proposals have firm political support. The precise financial arrangements between the two councils will need to be concluded, assuming these proposals are approved and once all the financial costs are established. Officers will seek separate approval of the financial arrangements in due course. Decisions will be taken by the two cabinets to avoid officer conflicts of interest.
14. Officers are working on the basis that a formal legal agreement between the councils covering the costs and the new working arrangements will not be required and these matters will be picked up by an informal agreement, but one that is clear on where obligations lie.
15. In respect of the space planning, design and construction works associated with the area that the County Council will occupy at Abbey House, these services will be procured separately and directly by the County

Options

16. The most obvious option is the 'do nothing' option where the proposed letting to the OCC is aborted and the present working arrangements continue as existing. Clearly the significant potential advantages that have been highlighted would not be realised.
17. It may be possible to seek to let a smaller area of Abbey House, whereby existing Abingdon-based staff remain at the site but by means of a more efficient layout, space is released for third party occupation. This could include CAB or external parties, although demand for offices in the town is poor. A similar approach could also be taken for the South offices. However in the case of Crowmarsh, letting surplus space has already been considered in some detail and again the poor level of demand and the costs of dividing the space into separate office suites are such that this is not an attractive option. So the outcome might be to generate modest income at Abbey House (or recycle grant monies in the case of CAB) but this will not be on the same scale as those generated by these recommendations.

Financial Implications

18. The detailed financial implications are difficult to quantify at this stage given that the precise rental payable by OCC and the costs of the works and associated costs of the move of staff have not been finalised. However, as noted above the rent payable by OCC will be over £203,000 a year. Other property overheads will be reduced by more efficient use of space – particularly the fixed costs associated with Abbey House, notably the NNDR liability, the majority of which will fall to OCC when they commence occupation.
19. On the cost side this will include one off costs including building works, consultants costs and removal costs, plus ongoing revenue costs such as the contribution made to South to reflect the greater use of Crowmarsh and reimbursement of relocated staff for additional travelling costs in accordance with existing policies. Whilst these costs cannot be confirmed at this time there is no doubt that the proposals will produce significant revenue benefit, significantly outweighing the initial up front costs.
20. The initial upfront costs will be contained within existing approved council budget, from contingency virements and/or other revenue underspends.

Legal Implications

21. Given existing workloads it is anticipated that the proposed leases will be dealt with by external solicitors.

Risks

22. The potential risks:
 - Unexpected costs
 - Contractor issues
 - Delays in the programme
23. As ever it will be necessary to keep a close watch on costs as the process unfolds. The project plan consultants are tasked with producing estimates of such costs which will be further refined as a strong project manager is appointed and the space planning consultants get involved. Members will be kept informed of budget costs through the project.
24. There are a number of potential delays some of which partly or wholly fall outside the control of the Vale such as non performance by contractors and consultants or indeed by the prospective tenant, OCC. Careful appointment of contractors ensuring as far as possible that key deadlines are appreciated and adequate capacity exists within their organisations can mitigate this risk, but not eliminate it. OCC will also need to undertake its elements of the process in a timely fashion in order for the June occupation target to be met. To ensure co ordination between the councils a joint project plan will also be developed. Internally it will be important to meet the deadlines in the project plan to ensure slippage does not occur and this will be the responsibility of the project team, headed up by an experienced project manager.

Other implications

25. This report seeks the first decisions in this important process which has the potential to deliver significant financial and service benefits. However numerous issues will have to be addressed as the project unfolds. As far as possible these are being anticipated and addressed by the project team. Many issues will relate to the buildings, facilities and logistics but HR issues will also be a vital element of successfully managing the project.

Conclusion

26. The interest from OCC in taking a lease of a substantial part of Abbey House presents an opportunity to achieve a significant rental return, but more widely to develop a new accommodation strategy with significant advantages to the Vale Council in financial and operational terms with important benefits to South and to OCC also and their customers.

27. The fine details of the proposed lease terms are still to be finalised but the essential framework of the lease and the rent have been agreed. On this basis Cabinet is asked to approve the principle of a lease to OCC and delegate the final terms to the strategic director, in consultation with the cabinet member for property.

28. In relation to CAB, discussions are at an early stage but officers believe the case for a move into Abbey House is a strong one and again Cabinet is asked to approve the principle of a lease to CAB and delegate the final terms to the strategic director, in consultation with the cabinet member for property.

29. This is a fantastic opportunity for the council, in collaboration with South Oxfordshire, the county council and other partner organisations to save public money, improve customer service, generate greater economic activity in Abingdon and make more efficient use of public assets.