



## Cabinet 16 February 2011

### Asset Management Plan: Council Offices, Haverhill (Feb11/16)

#### 1. Summary and Reasons for Recommendations

- 1.1 The Borough Council has been taking part in a county-wide Single Public Sector Estate (SPSE) study which seeks to identify under utilised property and consolidate space requirements across the public sector. This approach is in line with the priority objective of the Government to achieve co-location across the public sector agencies.
- 1.2 The Council Offices, Haverhill could be more effectively used if they are retained as the customer hub for public services at Haverhill, providing a single point of contact solution for both the public sector and a range of complementary voluntary services.
- 1.3 A joint business plan has been prepared with Suffolk County Council for shared ownership, using the 'West Suffolk House model'. Ownership of the offices would be shared between the Borough and County Councils, and revenue and capital costs of refurbishing, running and repairing the building split 50:50.

#### 2. Recommendations

- 2.1 It is recommended that:-
- (1) the Borough Council implements the 'West Suffolk House model' of shared ownership with Suffolk County Council for the Council Offices, Haverhill as outlined in Report B454; and
- (2) the occupiers will be public sector and voluntary organisations.

#### 3. Corporate Objectives

- 3.1 The recommendations meet the following as contained within the Corporate Plan:-
- (a) Corporate Priority 4: *'to raise standards and corporate efficiency'*; and
- (b) Cabinet Commitments: *'Sustainable Council Tax'*.

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#### **4. Key Issues**

##### **4.1 Council Offices, current position**

4.1.1 An assessment of the Council Offices, Haverhill has been undertaken, in accordance with the adopted Asset Management Plan (AMP) processes. This covers current floorspace allocations for the Borough Council and voluntary organisations, current rental income and grant allocations, property running costs and 5 year planned maintenance programme (PMP).

4.1.2 Projected major items of capital cost are the replacement of the heating system and various glazing replacements in 2011/2012 (£100,000 and £32,000 respectively), and roof recovering in 2014/2015 (£200,000). The total future PMP costs break down to an average of £90,000 per annum, which is significantly higher than the average cost of maintenance in the previous 3 years (£31,000 per annum).

4.1.3 If there is no change to the current occupation of the offices, the costs identified above will fall to the Borough Council, not other occupiers.

##### **4.2 Single Public Sector Estate**

4.2.1 The Borough Council has been taking part in a county-wide Single Public Sector Estate (SPSE) study which seeks to identify under utilised property and consolidate space requirements across the public sector. This approach is in line with the priority objective of the Government to achieve co-location across the public sector agencies.

4.2.2 During the feasibility stage for the Haverhill SPSE pilot project, five options were considered to provide fit for purpose office accommodation for service delivery for the public sector operating from Haverhill. This included buildings owned and leased by the Borough Council, the County Council, the Police, the Primary Care Trust and Jobcentre plus.

4.2.3 The conclusions of the pilot project envisaged that shared accommodation would take up to five years to achieve. Taking this length of time might mean that a shared building would not be possible. To avoid this length of delay, those conclusions have been discussed and challenged, with the result that a different approach has been agreed.

4.2.4 The initial stages are:-

- (i) the Council Offices, Haverhill are retained as the customer hub for public services at Haverhill, providing a single point of contact solution;
- (ii) voluntary and community organisations are retained in the building;
- (iii) a business plan is agreed for shared ownership, using the 'West Suffolk House model';
- (iv) ownership of the offices would be shared between the Borough and County Councils, and revenue and capital costs of refurbishing, running and repairing the building split 50:50;
- (v) the County Council explores the potential to realise value from the Camps Road offices, when the site is vacated;
- (vi) relocate some or all County Council staff from the leased Sudbury offices; and
- (viii) other public services operating from Haverhill consider co-location options when appropriate.

4.2.5 The Borough and County Councils have agreed that there are benefits to proceeding with the shared accommodation now, rather than wait for all the outcomes to be realised.

### 4.3 **Future demands for space**

4.3.1 Future demands for space continue to change. Pressure to intensify the use of floor space and consider third sector service provision is likely to grow in the current economic climate, to further reduce running costs.

4.3.2 Following consultation with potential occupiers, if flexible styles of working are adopted, the Council Offices, Haverhill could be 'comfortably' fully occupied by the Borough Council, the County Council, a small presence for another public sector organisation and the current voluntary occupiers. Space needs of the Borough Council represent around 12% of the building. The relocation of the County Council's Camps Road, Haverhill and Sudbury staff will be to the upper floor of the Council Offices, and the ground floor will be occupied by Borough Council staff and the voluntary sector.

### 4.4 **AMP options**

4.4.1 The adopted AMP options appraisal includes analysing the options of no change, sell, build new, or retain (with or without changes, with or without partners).

4.4.2 Consideration of these options:

(a) **No change**

This is unacceptable, as the amount of space occupied by the Borough Council is too small a percentage. There is also a lot of vacant space, which means that actual and anticipated costs of occupation are disproportionately high. Cost savings have already been anticipated.

(b) **Sell as existing and rent alternative premises**

The market value for office use of the Haverhill Offices, with vacant possession, but including the necessary building renewals, is estimated at £220,000. Demand for office accommodation in Haverhill has never been strong, so it may take some time to sell the asset. A building partly let to voluntary organisations, as an alternative, is also unlikely to be attractive.

The anticipated costs of rented accommodation for the Borough Council and the voluntary sector, plus conversion costs to create secure interview rooms, have been built into an alternative business case model. The financial effects of this option are contained in Section 9 below. Customer service delivery advantages of co-location with other public sector organisations would be lost.

An alternative option of sell and rent alternative premises without the voluntary sector has not been modelled, as this would not be in line with Government objectives of The Big Society (working with voluntary organisations).

(c) **Build new**

Not costed, as it is unlikely to be viable for the Borough Council, as the amount of service delivery space needed is small.

(d) **Retain, in partnership with partners**

The principle of shared ownership with the County Council is established at West Suffolk House. The financial implications of adopting shared ownership principles at the Council Offices, Haverhill are contained in Section 9 below.

**4.5 Timetable**

4.5.1 The draft business case was considered by the County Council's Corporate Property Programme Board on 21 December 2010. The Board remains supportive of the project and continues to see it as a pilot for wider Single Public Sector Estate work throughout Suffolk.

4.5.2 There are two rooms provisionally allocated for another public sector organisation to join at a later stage. These rooms may be used communally until a permanent occupier is found. This occupier will pay a rent to the Borough Council rather than be a joint owner.

4.5.3 The County Council's project manager has drawn up a programme for implementation through 2011. Briefly, it envisages:-

- (a) March : approval by both Councils of the strategic business case;
- (b) May : joint ownership of Council Offices, Haverhill;
- (c) June : completion of final designs, including renewal of heating system;
- (d) July : completion of ground floor works; and
- (e) September : completion of first floor works and the County Council staff move in.

**5. Other Options considered**

5.1 Options appraisal is part of the adopted AMP processes and options are considered in 4 above.

**6. Community impact** *(including Section 17 of the Crime and Disorder Act 1998 and diversity issues)*

6.1 General

6.1.1 The shared offices will give a single point of contact for all customers of the public and voluntary sectors occupying the Council Offices, Haverhill.

6.2 Diversity and Equality Impact *(including the findings of the Equality Impact Assessment)*

6.2.1 There is no adverse diversity and equality impact.

**7. Sustainability Impact** *(including environmental or social impact on the local area or beyond the Borough)*

7.1 There should be an improvement to sustainability due to improvements in the Council Offices to make them fit for purpose. For example, the heating system will be replaced by a more efficient system.

7.2 By having a number of public sector and voluntary partners occupying the same building, services can be integrated to provide one point of access for the customer.

7.3 Indirectly, other publicly owned office property vacated and declared surplus will be sold for alternative development and more effectively used and occupied.

## 8. Consultation

- 8.1 Consultation has been carried out with the voluntary organisations occupying the Council Offices. They were advised what space was available on the ground floor and decided amongst themselves how they were to occupy the new but reduced space. Most organisations acknowledge the requirements to promote affordability and to take on board more efficient use of space, in the same way that the two councils operate.
- 8.2 Service managers have identified future space needs for Haverhill, either as permanent desks or for drop-in facilities. Consultation with Unison, the recognised trade union, was carried out at an early stage. Further consultation has been carried out with the Borough Council staff currently working from the offices.
- 8.3 All voluntary organisations and staff are being regularly updated with the proposals.

## 9. Resource implications *(including asset management implications)*

- 9.1 The agreed joint business case takes into account whole life costing principles until 2021/2022 and includes the capital costs and receipts for the joint ownership of the Council Offices, and the repairs and refurbishment to provide 'fit for purpose' accommodation for public and voluntary sector partners. It assumes that costs will be shared 50:50 between the two councils.
- 9.2 The Borough Council will in effect meet the running costs of the ground floor space occupied by the voluntary sector and the two vacant offices. The voluntary organisations will pay a 'rent' based on the pro rata costs for the space occupied, which is the current arrangement, albeit that the organisations are grant-aided. No allowances for this notional rent are included in the business case.
- 9.3 A business case has also been prepared for the Borough Council's option of sell the Council Offices and rent alternative premises. A separate business case has not been prepared for assuming that the voluntary sector is not relocated in alternative premises, although this would be at less cost to the Borough Council.
- 9.4 The summary results of the business case models are:

Options	Annual revenue costs	Annual savings on "no change" scenario	Pay-back period
No change	£80,000	-	-
Sell Council Offices and rent alternative premises	£66,000	£14,000	7 years
Retain as 'West Suffolk House model'	£44,000	£36,000	0

Notes: Capital costs have been converted into annual revenue effects of capital receipts and capital expenditure, based on rates of interest in the medium term financial model.

- 9.5 The most cost effective option is to implement the 'West Suffolk House model', which reduces annual revenue costs to around £44,000. This achieves an annual saving of £36,000.
- 9.6 The principles of the Single Public Sector Estate promote looking at public assets as a single portfolio to maximise savings through disposal and best use of retained assets. For the Borough Council, savings will be achieved through maximising the use of its property asset and halving the cost of future maintenance liabilities, whilst maintaining a 50% share of the freehold ownership. The outcome will be an improved 'fit for purpose' asset which will be achieved through shared ownership and investment.

9.7 The Borough Council will fund its contribution to the project primarily from its Planned Maintenance Programme budget, whereas the County Council will borrow the capital needed. The Borough Council's costs may be offset by a small rental income from the spare space on the ground floor. This income from another public sector occupier has not been assumed for the immediate future.

**10. Risk Assessment** *(potential hazards or opportunities affecting corporate, service or project objectives)*

10.1 The following risks are identified:

Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)
Implementation of the 'West Suffolk House model' is not achieved.	Low	Agreed joint business case.	Low
Works of repair and refurbishment are more expensive than agreed in the business case.	Low	Undertake building survey work and procure contractors effectively.	Low
The County Council's externalisation of service proposals impact significantly on the demand for office space.	Medium	Vacant space may be let to the County Council's service providers or to other public sector organisations. This will affect the business case.	Low
Voluntary organisations chose to vacate the Council Offices.	Low	Regular consultation. Vacant space may be let to other public sector organisations, which supports the business case.	Low

**11. Legal or policy implications**

11.1 The valuation of the Council Offices, Haverhill for joint ownership is based on market value and complies with s123 of the Local Government Act. The valuation has been agreed with the valuer acting for the County Council.

11.2 The proposal follows adopted AMP procedures.

<b>Wards affected</b>	All Haverhill	<b>Portfolio Holder</b>	Asset Management
<b>Background Papers</b>		<b>Subject Area</b>	Property Management