

WEST NORTHAMPTONSHIRE COUNCIL

Council

3 November 2022

Cabinet Member for Finance: Cllr Malcolm Longley

Report Title	Office Optimisation Stage 1 building adaptations budget and disposals
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1. Purpose of Report

- 1.1 To seek authority for budget provision to carry out stage 1 of building adaptation works for the office optimisation programme. These relate to the planned closure of the Lodge Road, Daventry offices for Council services and creation of a new Daventry hub.

2. Executive Summary

- 2.1 As part of the Future Way of Working programme the Council has been reviewing its offices (the Office Optimisation project). Following the transfer of North Northamptonshire Council (NNC) staff out of One Angel Square and the adoption of hybrid working current occupancy levels across the Council's buildings are low. There is also a drive towards more co-location with partners to jointly deliver services and collaborate to help reduce public service costs, as well as looking at ways to reduce the Council's carbon footprint through more energy efficient buildings.
- 2.2 Due to the urgency of financial challenges facing the Council and the need to deliver upon property savings already built into the Council's revenue budgets, a decision on part of the work – to close the Lodge Road offices in Daventry – has been made. Staff and services would be moved to alternative accommodation. This includes developing a new hub for WNC services in Daventry at the Abbey in nearby St John's Square.
- 2.3 The relocation of services from Lodge Road is the first stage of the Council's Office Optimisation project. To accommodate those services and staff affected, the Council needs to make adaptations to the Abbey in readiness for the closure of Lodge Road to Council services by 31st March 2023.
- 2.4 It is also necessary to make arrangements for the disposal and interim management of the Lodge Road offices.

3. Recommendations

- 3.1 It is recommended that Council:
- 3.1.1 Agree the recommendation from Cabinet that the capital budget be amended to reflect the proposed new budget of £2 million to carry out Stage 1 of the Office Optimisation project and includes works to both the Abbey Centre and possible works to the leisure centre.
- 3.1.2 Note that Cabinet:
- a) Authorised the Assistant Director Assets & Environment to procure and award the contracts to deliver the Stage 1 works.
 - b) Authorised the Assistant Director Assets & Environment in consultation with the Executive Director Finance and Cabinet Member for Finance to dispose of the Lodge Road offices, in whole or part, by leasehold or freehold, for the best consideration reasonably obtainable.
 - c) Agreed that the Lodge Road offices be vacated by 31st March 2023 in order that the revenue savings and/or capital gains be achieved as quickly as practicable thereafter.
- 3.1.3 Note that the decision of Cabinet has been called-in by Corporate Scrutiny Committee.

4. Reason for Recommendations

- 4.1 To provide an effective accommodation solution, and best value for the residents of West Northamptonshire in consideration of service operating models and Council objectives.
- 4.2 To provide a fit for purpose facility to replace the Lodge Road offices for Council services which enables the wider objective to provide cost effective accommodation.
- 4.3 To reduce the Council's energy use and carbon emissions.
- 4.3.1 The reason for recommendation 3.1.3 is because the decision taken by Cabinet on 11 October is the subject of a call-in request to the Corporate Overview and Scrutiny Committee. The Committee is due to consider the call-in at their meeting on 7 November 2022. The recommendation to Council relates to the budget provision. The decision whether or not to use the provision sits with Cabinet. This decision therefore does not affect the Call-in process or the ability of Cabinet to review the decision if Corporate Scrutiny Committee decides to refer the decision to Cabinet.

4.4

5. Report Background

- 5.1 The Council currently provides main office accommodation from the existing pre-vesting day buildings at Lodge Road, Daventry; Abbey Centre, Daventry; The Forum, Towcester; Guildhall, Northampton; and One Angel Square, Northampton. Following the departure of many staff now employed by North Northamptonshire Council (NNC) from One Angel Square and the adoption of hybrid working, this office estate is significantly under-used. Under half of desks are in use at any time. There is also a drive towards more co-location with partners to jointly deliver services and collaborate to help reduce public service costs, as well as looking at ways to reduce the Council's carbon footprint through more energy efficient buildings.
- 5.2 As part of its Future Ways of Working programme the Council has been reviewing its office needs under the Office Optimisation project. There are different constraints relating to each building, so the eventual solution will involve a mixture of exiting buildings and bringing others into retained buildings, with the aim of securing a good level of use across the estate and reduced net costs.
- 5.3 As part of this process a decision has been taken to close the Lodge Road offices and to relocate services to alternative accommodation. Along with services from the Council, the Lodge Road offices accommodate services from Northamptonshire Children's Trust (NCT) and Jobcentre Plus (JCP).
- 5.4 Meeting the needs of its residents and businesses requires a continued operating base for the Council in Daventry. This will provide a one stop shop facility and accommodation for a range of services best provided locally. Following a review, the proposed location is the

Abbey. This is an office building used for some Council services, including Daventry library, voluntary and community sector (VCS) groups, and one commercial tenant. There is also some space recently vacated by a different commercial tenant.

- 5.5 The VCS groups already in the Abbey are a natural complement to the services to be provided and it is intended these are retained alongside the Council's own services. The existing commercial tenant will need to relocate; discussions to that effect are underway.
- 5.6 To accommodate the needs of the relocated staff and services the Abbey requires adapting. This will increase capacity and ensure suitable working environments. Where practical, cost effective, and within timescale requirements measures to ensure the building meets future energy performance requirements will also be undertaken. The building does have some limitations, including a central load-bearing wall, which have to be taken into account. This is likely to result in a degree of compromise between cost and creating open-plan working environments.
- 5.7 The existing heating, ventilation and cooling plant to the Abbey building is old and in poor condition. It will need to be upgraded to provide a suitable working environment and to reduce the energy demands of the building.
- 5.8 Once vacated of Council services the Lodge Road offices would contain, until the end of their respective agreements, JCP and NCT.
- 5.9 NCT has indicated a willingness to work with the Council to relocate its services to elsewhere in Daventry. It is proposed this is within the Abbey. This offers the potential to develop hub with adults and children's services, housing services, the library, and allied VCS services all in one place.
- 5.10 The JCP lease is due to end in November 2022. In the interests of good public services and to secure continued income it is proposed to seek to continue to provide for JCP, either in Lodge Road or elsewhere; this will depend on JCP's views and on what other demands there are for the Lodge Road offices. The most likely relocation site, should this be required, is currently poorly-used space in the upper parts of Daventry Leisure Centre. This can be provided with direct access to the St John's Square car park, immediately opposite the Abbey and thus retaining reasonable public service integration.
- 5.11 Once vacated, the Council would be free to dispose of the Lodge Road offices. There are a range of options. It is proposed that, unless a compelling offer comes forward separately, the building be marketed and the most favourable offer or offers taken. This may involve the freehold sale of the whole building, or leasehold disposal or all or parts of it.
- 5.12 The Abbey centre is part of the opportunity in rationalising our office space across west Northants whilst creating a public centre hub meeting the needs and expectations of

residents. Pre contract estimates up to £1m for works to the centre which will retain staff from range of council services whilst also providing drop down space and meeting rooms required to implement modern ways of working.

- 5.13 The plans for the building allow for the retention of all current voluntary sector partners with alternative provision for the shopmobility being discussed ensuring retention of this service within the town. Currently there is one private sector commercial business within the Abbey centre however alternative and improved space has been identified as part of this process.
- 5.14 Improvements to the Abbey Centre will also enable the creation of a WNC/Children's Trust hub, with a rounded set of services for families.
- 5.15 Initial interest has been identified in regard to the lodge road site with soft market testing providing initial estimates in regard potential rent or values

6. Issues and Choices

- 6.1 The choices on the budget open to the Council are as follows.
 - a. Do nothing. This would not enable the closure of Lodge Road to Council services, retain a high level of under-used office space, not contribute to savings goals, our net zero commitments or the development of a unified 'one Council' culture.
 - b. Approve the proposed budget. This would enable the work to proceed and the new Daventry hub to be created.
 - c. Instead seek to purchase or lease office accommodation elsewhere in central Daventry. This is unlikely to provide suitable accommodation and location, and would not optimise use of the Abbey. It would involve new lease rent or purchase costs.
- 6.2 It is undesirable for the Council to hold vacant or partially vacant Lodge Road offices any longer than necessary. This incurs costs, leaves the building vulnerable, and does not make any economic or social contribution to Daventry. It is therefore recommended that authority is granted to enable its disposal for the most economically advantageous outcome.

7. Implications (including financial implications)

Resources and Financial

- 7.1 Detailed analysis of the expected savings is currently underway. Indicative savings are as follows:

Item	£
Lodge Road Costs	-495,097
Lodge Road Income	122,424
Lodge Road Net	-372,673
Increased Abbey costs from enhanced use	70,476
Abbey lost income (commercial use)	17,108
Retained JCP Income (assumes space for JCP created at rear of leisure centre)	21,150
Net position	-306,239
Option 1 Lease	
Capital financing costs	147,000
Rental Income	-348,670
Overall position	-507,909
Option 2 sale (assumed £4.5 million)	
Capital taken from sale value so no capital financing costs	
Savings from borrowings at 1.5%	37,500
Overall position	-343, 739

- 7.2 Freehold or leasehold disposal, or use for other Council purposes, of the Lodge Road offices should generate capital or revenue income (or savings). The relocation will also support the delivering of more integrated, efficient, and effective services, which should in time deliver other savings.
- 7.3 There is likely to be a period where the building is held partially vacant, despite measures to accelerate disposal or re-use, reducing the initial savings. This is inevitable when making accommodation changes and does not undermine the overall case.
- 7.4 The proposed budget is £2 million capital, this relates to an equal split of £1m for the redevelopment of the Abbey to provide the space requirements and additional mechanical engineering required for the increase of staff and £1m for the changes to the Leisure Centre for the possible relocation of the JCP. Over 20 years on an annuity basis this would cost £147k pa at 4%. However, these costs would be reimbursed by the capital receipt should Lodge Road offices be disposed of.
- 7.5 Additional costs it is not legitimate to charge to capital are also likely to be incurred. These are currently being quantified but should not exceed £100k and will be funded through one off reserves.

7.6 Early discussion in regard the retention of the Job Centre Plus has led to underutilised space with the leisure centre being considered. A full business case will be developed to justify the future spend and likely income. The works will only progress if the business case provides robust evidence that the finances and investment opportunity is clear.

8 Legal

8.1 The Council has the power to provide offices and other facilities it needs to provide services under Section 111 (ancillary etc. powers) of the Local Government Act 1972 and under the general power of competence provided by Section 1 of the Localism Act 2011.

8.2 The Council has no legal obligation to retain office buildings in Daventry but does have an obligation under the Local Government Act 1999 to deliver best value. In reaching this decision members will also need to have regard to the Council's obligations under the public sector equality duty (most notably in this context, to "advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it").

8.3 The Council has duties towards its workforce and other users of its building under the Health and Safety at Work etc. Act 1974, and under the Workplace (Health, Safety and Welfare) Regulations 1992. The proposed arrangements in the Abbey would comply with these duties.

8.4 In proceeding with these changes, the Council would comply with various applicable duties, including in relation to its employees, under the Employment Rights Act 1996, and landlord and tenant law.

9. Risks

9.1 There are a number of risks inherent in these proposals.

9.2 The Council may be unable to complete the construction works prior to April due to (a) delay in appointing designers and the contractor and (b) programming the works around existing occupants. To mitigate these risks, it is proposed to make an early appointment of the design team and contractors, and to create a small working group that can work closely with the affected services, tenants, contractor, and design team to progress differing work packages in parallel.

9.3 Costs of the refurbishment could increase due to prevailing market conditions. This will, as far as possible, be mitigated by making early appointments and placing orders for materials in short time.

9.4 The disposal of Lodge Road may take an extended period, slowing down the receipt of the full benefits of the relocation of services. This will be mitigated, as required, by marketing, and by taking a flexible approach to the type of disposal.

9.5 Disruption to services as staff and systems move. This is being mitigated by a cross-organisational working group addressing issues such as IT and staffing. Where possible, services will relocate at times which suit their operational needs.

9.6 Reputational risks around the perception that the Council is reducing its focus on Daventry and the surrounding area. This risk should be reduced by the investment going into creating the new Daventry hub at the Abbey.

10. Consultation

10.1 Staff affected by the relocation are currently being consulted with. This consultation process has been discussed and agreed with the joint consultative group including trade unions.

11. Climate Impact

11.1 By closing the Lodge Road offices to its staff, the Council will reduce its carbon footprint and costs of energy. Whilst some increase in staff travel may result the combination of hybrid working and the open of using 'hot desks' in the Abbey should mean any increase in carbon emissions from that source is minimal.

11.2 The Abbey Centre has an existing solar (photovoltaic) array on the roof to generate sustainable electricity. Options to reduce energy costs and carbon footprint include the installation of more efficient heating, cooling, and ventilation solution.

12. Community Impact

12.1 By relocating services and staff from Lodge Road to the Abbey the Council is seeking to retain the positive socio-economic impact that having staff located within the town centre provides to Daventry. The re-use of the Lodge Road offices should also deliver benefits to Daventry town centre, whether by residential, office, hotel, or other commercial use.

12.2 Retaining the existing community services such as DACT, Time to Talk and Citizens Advice Bureau in the same locality as they currently are but within close proximity to Council services should enhance the service offering of all parties by closer integration.

13 Communications

13.1 It will be essential to continue to communicate effectively with employees about the Daventry relocation proposals, along with the public and other key stakeholders as the plans progress. Communication is also planned for VCS tenants and for service users who may be affected by the changes.

14. Background Papers

a. None.

