

**MAIDSTONE BOROUGH COUNCIL**

**CABINET**

**13 AUGUST 2014**

**REPORT OF DIRECTOR OF ENVIRONMENT AND SHARED SERVICES**

**Report prepared by David Tibbit**

**OFFICE ACCOMMODATION PROJECT**

1.1 Issue for Decision

- 1.1.1 To consider the proposed strategy for future office accommodation; and
- 1.1.2 To consider funding for the provision of specialist advice in connection with the Council's long term accommodation requirements; and
- 1.1.3 To consider funding for external project management and other specialist advice in connection with the Council's short and medium term office accommodation.

1.2 Recommendation of the Director of Environment & Shared Services

1.2.1 It is recommended that Cabinet:

- a) note the scope of the work completed and planned for provision of the Council's office accommodation for 2016 and 2023; and
- b) agrees funding for the revenue costs of £90,000 as set out in paragraph 1.3.14 and the first quarter's budget monitoring report for 2014/15; and
- c) agrees to identify further funding as part of the development of the medium term financial strategy for 2015/16 and in accordance with the recommendations of the reviews that are proposed in this report.

1.3 Reasons for Recommendation

- 1.3.1 In 2008, the Council relocated from a mixture of a 1970's office block and Victorian buildings on the edge of the town centre to its current location in the town centre, known as Maidstone House. The current

location consists of approximately 3800m<sup>2</sup> of air conditioned offices on three and a half floors in a six storey office block above the Mall shopping centre built in the 1970's and refurbished in 2007. This is linked by an elevated and enclosed bridge to a building constructed in 2007 of approximately 1000m<sup>2</sup> containing the Council's main reception on the lower floor and meeting rooms and large breakout area on the upper floor.

- 1.3.2 The main reception is shared with Kent County Council under a licence from the Council and is branded as a Gateway to provide a common front of house operation. Partner organisations such as the Citizens Advice Bureau also operate a face to face service from the Gateway but on a more limited basis.
- 1.3.3 The accommodation is leased from The Mall Corporation, the owners of the Mall shopping centre, on a fifteen year lease, terminating in October 2023. The first floor of Maidstone House is the subject of a separate lease, also terminating in October 2023, but contains a break clause allowing termination in October 2016, with a minimum of six months notice. The licence with KCC also terminates in October 2023, and contains a break clause allowing termination in October 2016, with a minimum of twelve months notice.
- 1.3.4 The Council has recognised that it is appropriate to commence planning for the decisions required by the termination dates identified in the paragraph above and an informal cross party member and officer working group has been looking at the options since November 2013. An interim report of its progress was presented to the Strategic Leadership and Corporate Services Overview and Scrutiny Committee on 6 May 2014, which recommended that Cabinet consider the appointment of a project manager to investigate all accommodation options. This report considers ways to achieve that recommendation and other immediate needs for funding to move forward with the work of the group.
- 1.3.5 The group has an open remit as to future accommodation. It will consider all options; i.e. leasing, buying, negotiating a new lease or building either on its own land or land bought for the purpose.
- 1.3.6 Some work has been done on developing a blueprint for future office accommodation in terms of spatial requirements, and this will be developed further as part of the rationalisation if the break clause for the first floor of Maidstone House is exercised in October 2016. The blue print will form the basis of the Council's long term spatial requirements.
- 1.3.7 Separately the Council is also progressing work on "channel shift", with the intention of reducing unnecessary contacts through getting

things right first time, clearer information and processes, greater availability of on-line access and keeping face to face transactions to a minimum. Output from this work will also need to inform the long term accommodation strategy.

- 1.3.8 The long term aims for the Council are to reduce its accommodation costs, provide more flexible working for staff, support a digital first approach to customer service delivery and generate income where possible to mitigate the cost of services to local taxpayers.
- 1.3.9 In order to properly consider the options for its long term accommodation in a timely manner, the Council needs to obtain specialist advice from a suitably qualified external advisor. The estimated cost is £50,000. The advice will be expected to provide the following outcomes:
- A recommendation whether to lease, buy or build its future accommodation requirements including outline, comparable capital and lifetime costs
  - A template for its requirements in terms of size and location
  - Identification of suitable sites
  - Evaluation of options for stand alone or shared accommodation or as part of a mixed use development with an income stream.
- 1.3.10 It is proposed to invite quotations and procure the advisor between September and December 2014; and for the final report to be available by June 2015.
- 1.3.11 Additionally, in connection with the opportunity to exercise the break clause for the first floor of Maidstone House in October 2016, potentially reducing annual accommodation costs by £156,000, the Council needs to examine the feasibility of so doing, and reach a decision before October 2015.
- 1.3.12 As this would involve relocation of Member facilities and Democratic Services, into the Council's remaining accommodation within Maidstone House, it will be a challenging exercise and will need project management, space planning and analysis of existing desk and meeting room usage and storage requirements. To facilitate long term effective management of these spaces, it is also proposed to investigate and procure suitable desk and meeting room booking software. The estimated cost of this exercise is £40,000.
- 1.3.13 It is proposed to undertake this exercise between September 2014 and September 2015, resulting in the outcomes of new space plans

for 2016 onwards and a blueprint for the Council's spatial requirements for 2023 onwards.

- 1.3.14 It is recommended that Cabinet approve the funding for this work to commence and this can be achieved by using the resources identified in the first quarter's budget monitoring report elsewhere on this agenda. The resources proposed come from the additional grant received from a refund of the "business rates safety net top slice funding" received by the Council of £198,000, details of which are set out in the first quarter's monitoring report.
- 1.3.15 If the feasibility exercise concludes that exercising the break clause is viable, Cabinet should note that the cost of facilitating the revised accommodation in 2016 will be in the order of £240,000. This should be considered in the context of annual reductions in rent of £82,780 (rising to £89,875 from October 2018), business rates of £36,000 and running costs of approximately £37,000; i.e. a total annual saving of £155,780. If Member facilities and Democratic services can be relocated to the remaining accommodation in Maidstone House before October 2016 there will be additional savings in the running costs.
- 1.3.16 As referred to in 1.3.3 above, there is a break clause in the licence with KCC that allows termination of the Gateway arrangements. The options, if the licence is terminated, are being examined and assessed, with the potential of a further reduction in annual accommodation costs of up to £300,000 if the Gateway building is wholly sub-let and arrangements are made to provide alternative Gateway services.
- 1.3.17 It is recommended that Cabinet consider the options following the completion of the feasibility and space planning exercises that are proposed. At that time more accurate estimates of the likely capital cost of works required by 2016 will be available. Resources in both the revenue budget and the capital programme can then be made available through the normal process of inclusion in the medium term financial strategy.

#### 1.4 Alternative Action and why not Recommended

- 1.4.1 If the Council doesn't undertake these actions in the timeframes and in the manner recommended, it could put itself in a vulnerable position commercially and with fewer options.
- 1.4.2 Funding for the initial costs could be identified from balances or other savings could be sought. The use of the unexpected resources from

the business rates safety net top slice ensures that there is no consequence to the Council's budget or its financial stability.

## 1.5 Impact on Corporate Objectives

- 1.5.1 The recommendations will contribute to the priority of Corporate and Customer Excellence and relate to the Council's accommodation strategy.

## 1.6 Risk Management

- 1.6.1 The key risks associated with the decisions are timescale and consensus with the outcomes. Timescales will be managed by a suitably qualified project manager overseen by a project board, and consensus will be managed by consultation with members and staff via the appropriate forums.

## 1.7 Other Implications

### 1.7.1

1.	Financial	X
2.	Staffing	X
3.	Legal	X
4.	Equality Impact Needs Assessment	
5.	Environmental/Sustainable Development	
6.	Community Safety	
7.	Human Rights Act	
8.	Procurement	X
9.	Asset Management	X

- 1.7.2 The financial implications are set out in the report and the estimated allocation between capital and revenue expenditure is set out below:

	2014/15	2015/16	2016/17
Capital	£0	£200,000	£0
Revenue	£60,000	£30,000	£40,000

- 1.7.3 This report proposes funding for the initial revenue costs from resources already identified as available. Future costs will be funded through inclusion in the medium term financial strategy.

- 1.7.4 The need for the Council to consider its future accommodation requirements has been communicated to all staff. In addition the financial risks surrounding the first floor and Gateway arrangements have formed part of the budget consultation process in previous years.
- 1.7.5 Following any decisions about the way forward staff will be consulted regarding proposals, especially where there is a direct impact.
- 1.7.6 Contracts for the various advisors will need to be prepared by Legal Services.
- 1.7.7 Procurement of external advice will be undertaken in accordance with the Council's Contract Procedure Rules.
- 1.7.8 The recommendations are a key element of the Council's accommodation strategy and will facilitate a more efficient use of Maidstone House for the remainder of the lease.

<b><u>IS THIS A KEY DECISION REPORT?</u></b>		<b><u>THIS BOX MUST BE COMPLETED</u></b>	
Yes	<input type="checkbox"/>	No	<input checked="checked" type="checkbox"/>
If yes, this is a Key Decision because: .....			
.....			
Wards/Parishes affected: .....			
.....			