



Derby City Council

**COUNCIL CABINET**  
**21 June 2017**

Report of the Cabinet Member for Finance and Governance

# ITEM 12

## **Council House - Ground Floor Redevelopment**

### **SUMMARY**

- 1.1 As part of the Delivering Differently programme, the Council is seeking ways to optimise resources and enhance services to our customers while creating commercial opportunities to generate long-term sustainable income streams. The success of the Derby Workstyle project and the flexible working arrangements that this offers means that there is now an opportunity to reconfigure the ground floor office space within the Council House to gain a long-term rental income from an external organisation.
- 1.2 The creation of commercial office space gives the Council the opportunity to address a number of other issues on the ground floor at the same time. The Ground Floor Redevelopment project therefore has five core elements...
  1. Creation of commercial office space to generate income for the Council.
  2. Creation of a Derby Riverside Library (subject to separate Cabinet approval).
  3. Relocating the Accessible Ground Floor Meeting Room.
  4. Relocation of Customer Interview Rooms.
  5. Improving Security
- 1.3 This report sets out the Business Case for the redevelopment of the Ground Floor of the Council House and seeks Cabinet approval for the capital expenditure required to fund the project.

### **RECOMMENDATIONS**

Subject to a formal agreement with the Department for Work and Pensions (DWP) and completion of a Financial Appraisal approved by the Interim Director of Finance in consultation with the Cabinet Member for Finance and Governance, approve the following recommendations...

- 2.1 To approve the redevelopment of the ground floor of the Council House as outlined within the report.

- 2.2 To amend the Capital Programme to include this project at an estimated total capital cost of £2.713m of which the Derby City Council element will be £1.518m.
- 2.3 To approve the use of £0.5m from the Capital Reserve as outlined in Financial and Value for Money Implications in Appendix 1.
- 2.4 To approve the use of an additional £767,659 from Property Rationalisation capital receipts as outlined in Financial and Value for Money Implications in Appendix 1.
- 2.5 To delegate approval of the fully costed scheme to the Chief Executive, Director of Governance, Director of Finance and the Director of Strategic Services and Customer Management in consultation with the Cabinet Member for Finance and Governance.

<b>REASONS FOR RECOMMENDATIONS</b>
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- 3.1 This project provides the Council with an excellent opportunity to make better use of the ground floor of the Council House and to establish a rental income which will support the Medium Term Financial Strategy and the Council's desire to seek commercial opportunities to help protect frontline services. It demonstrates the Council's commitment to optimise resources and improve services for our customers.
- 3.2 The income generated by leasing part of the ground floor to a third party will fund the work required by the Council to address other issues on the ground floor.



Derby City Council

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### **Report of the Chief Executive**

#### **SUPPORTING INFORMATION**

- 4.1 The redevelopment of the Council House between 2010 and 2012 created a modern flexible working space for employees and in doing so centralised the majority of Council services for our customers into one building.
- 4.2 Decanting 500 employees out of the Council House and moving over 2,000 employees back into the building, from various locations, was a major achievement and success for the Council. However, work on maximising the potential use of the Council House has continued since 2012 with the following activities ensuring the best use of our office space...
- Desk ratios have been challenged with all Heads of Service. The original Derby Workstyle ratio was 7 desks to 10 employees, but in most service areas this has been reduced to 5 desks to 10 employees and in some cases even lower.
  - Derby Homes, who were under-occupying the third floor of the Council House, moved out and the area was furnished to maximise the occupancy of this area.
  - Staff numbers have continued to reduce due to on-going reductions in the Council's budgets.

Since the building re-opened at the end of 2012, 276 additional users have now moved into the building meaning that on the current desk ratios, nearly 3,000 users (employees, Members and external partners) now work out of the building.

- 4.3 The co-location of teams into the Council House has created efficiencies in the ways they work, because they have improved access to ICT, reprographics, Business Support and Customer Management.
- 4.4 The success of the building has only been achieved by the implementation of the Derby Workstyle principles, which includes employees hot-desking and the encouragement of flexible/remote working.

#### **Creation of Commercial Space to generate rental income**

- 4.5 In 2016 Central Government published the [State of the Estate 2014 to 2015](#), which documented their pledge to reduce office accommodation across the Country. This report includes a case study of DWP co-locating within Market Harborough District Council's Symington Building, which successfully hosts a range of partner agencies.
- 4.6 The pledge from Government and the enthusiasm from DWP to be co-located within local authority offices has presented the Council with an opportunity to rent out office space in the Council House to DWP.

- 4.7 Since mid-2016 there have been discussions and negotiations with DWP in Derby to explore the possibility of them moving their front-line Jobcentre Plus service into the Council House.
- 4.8 DWP currently has two Jobcentre Plus offices in Derby, based at Normanton Road and Beckett Street. Moving Jobcentre Plus into the Council House will enable DWP to work towards achieving the targets set by Central Government to reduce their estate portfolio, but also to centralise their services within one building.
- 4.9 Along with gaining a rental income from DWP the other significant outcome will be the improvement of services available in the Council House for the community of Derby. The customers who access Jobcentre Plus are predominately the same customers who also use services in the Council House. The central location of the Council House will offer an improved service for our customers who will be able to access a range of services in one building.
- 4.10 Renting the space on the Ground Floor will provide a rental income for the Council for 15 years. In addition to the rental agreement, DWP will also pay a Service Charge to cover a share of the running and maintenance costs of the Council House , as well as:
- the cost of additional security arrangements and services
  - additional cleaning in shared public areas: WC's, reception area and meeting rooms
  - additional CCTV provision.

The rental charge and service charges will be regularly reviewed in line with the lease agreement to ensure that DWP are charged at appropriate rates. Full details of these charges are included in the confidential part of this report.

- 4.11 In order to rent the space out to DWP, the ground floor of the Council House will need to be reconfigured. DWP require c.1205 square metres of space on the ground floor to operate their service. Creating this space for DWP will involve relocating 252 employees from the ground floor to other locations in the building. The proposed reconfigured ground floor is shown at Appendix 2 and the proposed area that DWP will occupy on the ground floor of the Council House is outlined in Appendix 3.
- 4.12 The initial cost of reconfiguring the ground floor space to accommodate DWP will be met by DWP and charged as a lump sum amount at the end of the redevelopment phase and prior to occupation of the space. Full details of this cost are included in the confidential part of this report.

### **Derby Riverside Library**

- 4.13 The Ground Floor Redevelopment Project will, subject to separate Cabinet approval, include the creation of a new Riverside Library.

### **Relocating the Accessible Ground Floor Meeting Room**

- 4.14 Meeting Room 11 on the ground floor of the Council House was originally designed with the intention of being an accessible meeting room. However, the feedback from our customers and employees who use this room has generally been negative. The main issues with the room are:
- the irregular shape of the room is not suitable for hearing loops and the conduction of sound
  - the room has a combination of solid walls, glass and a partition wall that allows noise to be heard from the customer service area
  - despite the size of the room it has presented challenges for individuals in mobility scooters, because of the access into the room and the layout of the furniture
  - the room has a different aesthetic to other public meeting rooms in the building.
- 4.15 If the library is relocated into the Council House (subject to separate Cabinet approval) this will present the Council with the opportunity to relocate the accessible Ground Floor Meeting Room to the front of the building by removing the current reception desk. The new layout will offer a more symmetrical layout that will address the issues raised by our customers and employees. Please see Appendix 4 for the proposed new location for the Accessible Ground Floor Meeting Room.

### **Relocation of Customer Interview Rooms**

- 4.16 The creation of a library space on the ground floor of the Council House (subject to separate Cabinet approval), will also result in losing 3 of the current customer interview rooms. The proposal is that the customer interview rooms are relocated into the Customer Service area creating 4 new meeting rooms. The new customer interview Rooms will replace some front facing customer booths which are no longer fully occupied and where there has been an on-going issue of solar-glare. Please see Appendix 5 for the proposed new location of the Customer Interview Rooms.

### **Improving Security**

- 4.17 The redevelopment of the Council House improved the overall security of the building but since 2012 the climate has changed and there are some areas where there are potential weaknesses. Operational feedback from our Facilities Management Team and recommendations from the Home Office have indicated where additional improvements need to be made in the building to ensure the security for both our customers and employees.
- 4.18 These security measures will also include upgrading facilities in our post room to meet the existing guidance from the Home Office and the Health and Safety Executive.
- 4.19 The reconfiguration of the ground floor, presents the Council with the opportunity to address a number of these security issues.

## **Project Benefits**

### **4.20 Benefits for our customers include...**

- The centralisation of partner welfare services with a similar customer base within one building.
- The location of those services in an accessible city centre building with good transport links.
- A modern library space (subject to separate Cabinet approval).
- An improved, accessible meeting room.
- Improved customer interview rooms.

### **4.21 The benefits for the Council include...**

- An income stream for the Council.
- An enhanced range of services for our customers in one building.
- A hub model that offers the potential for future agencies and partners to provide services from the Council House.
- An integrated library service (subject to separate Cabinet approval).
- An accessible meeting room that meets the needs of our customers.
- New Customer Meeting Rooms, which make best use of an area where the customer facing booths are no longer fully utilised.
- Closer working between the Benefits Team and Job Centre Plus staff.

## **Funding Requirements**

4.22 The DWP elements of the project remain commercially sensitive and are included in the confidential part of this report. The costs associated with the Council elements of the project which include the creation of a new Riverside Library, the relocation of the accessible meeting room, the creation of new customer interview rooms and upgrading security measures are estimated at £1.518m.

4.23 Initial proposals suggest that £0.5m is funded from the Capital Reserve and the remaining £1.018m is funded from Property Rationalisation Capital Receipts. The Corporate Property Board approved £250,000 funding for initial work on the scheme in November 2016 so Cabinet is asked to approve an additional £767,659 from Property Rationalisation Capital Receipts. This will all be subject to a full financial appraisal approved by the Interim Director of Finance in consultation with the Cabinet Member for Finance and Governance

4.24 An Income Target will be created in the Accommodation Budgets to account for the rental income received from DWP.

## Project Timescales

4.25 The proposed timescales for the project are outlined below...

Activity	Date
Project approved by Cabinet	21 June 2017
Employees relocated from the Ground Floor	7-10 July 2017
Desks relocated to other Council locations	10 July 2017
Ground floor cleared	31 July 2017
Start of enabling works	28 August 2017
Construction starts	25 September 2017
DWP work starts	25 September 2017
Reception Area starts	02 January 2018
Entrance Work starts	27 November 2017
Security Work starts	18 December 2017
Mail screening starts	27 November 2017
Library (provisional) starts	27 November 2017
Snag handover (final)	25 May 2018 2017
Tenure commences with DWP	February 2018

## Construction Contract

4.26 The Contract for the design and construction will be awarded to Wates Construction under the EMPA Framework Agreement. The Council will receive the final fully costed design on 18 August 2017. In order to enable the scheme to commence immediately and meet the deadlines imposed by DWP Cabinet is asked to delegate approval of the tender and contract terms to the Chief Executive, Director of Governance, Director of Finance and the Director of Strategic Services and Customer Management in consultation with the Cabinet Member for Finance and Governance.

## OTHER OPTIONS CONSIDERED

5.1 The Council could continue to occupy the back-office space on the ground floor. This would not enable any income to be generated and finance to address the other issues on the ground floor, which would still need to be dealt with, would need to be identified.

**This report has been approved by the following officers:**

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Estates/Property officer</b> <b>Service Director(s)</b> <b>Other(s)</b>	Head of Legal Services Head of Finance Head of HR Head of Property Design and Maintenance Head of Audit Partnership
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<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Gordon Stirling 01332 643430 <a href="mailto:gordon.stirling@derby.gov.uk">gordon.stirling@derby.gov.uk</a> None Appendix 1 – Implications Appendix 2 – Proposed reconfigured ground floor of the Council House Appendix 3 – Plan of space to be occupied by DWP Appendix 4 – Plan of accessible ground floor meeting room Appendix 5 – Plan of new customer interview rooms
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<b>IMPLICATIONS</b>
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**Financial and Value for Money**

- 1.1 The costs of this project are not currently included on the Council's Capital Programme for 2017/18 – 2019/10. Subject to the formal agreement with DWP and the outcome of a full financial appraisal, Cabinet is therefore asked to amend the programme to include this project at an estimated cost of £2.713m of which the Derby City Council element is £1.518m.
- 1.2 It is proposed that the Council elements of the project are funded as follows...
  - £0.5m from Capital Reserves.
  - £0.768m from Property Rationalisation capital receipts. The Corporate Property Board approved £250,000 funding for initial work on the scheme in November 2016 so Cabinet is asked to approve an additional £0.768m from Property Rationalisation Capital Receipts.

**Legal**

- 2.1 The Estates Team have been negotiating with the DWP for a number of months on a Heads of Terms agreement and solicitors have now been instructed to prepare the lease agreements.

**Personnel**

- 3.1 This project will impact on most people working in the building as teams are relocated and working areas reconfigured. Communication channels will be established to make sure that staff are fully informed of the changes and how these will impact on them.

**IT**

- 4.1 The DWP will install and maintain their own IT infrastructure completely isolated from the Council's network. DWP customers will be welcome to use the self-service, public access PCs in the Customer Service areas of Council House; this equipment will continue to be managed by Council teams.

The Council's IT Services will work closely with the building contractors to minimise the risk of building works disrupting service delivery elsewhere in Council House.

## **Equalities Impact**

- 5.1 An Equalities Impact Assessment will be completed for the overall project. Individual assessments will be completed for staff with reasonable adjustments moving to other parts of the building. DWP will be dealing with their own disabled employees reasonable adjustments. Blue Badge parking will not be available for DWP employees although the bookable disabled visitor bays will be available for DWP customers. DWP staff will be able to use the Quiet Room facilities within the Council House.

## **Health and Safety**

- 6.1 The Health and Safety Team are represented on the Project Team and will be fully consulted on every element of the project. As the building will need to continue to operate both for staff and customers throughout the redevelopment, health and safety will be of paramount importance. Health and Safety risk assessments for the project will be scrutinised and safety procedures monitored throughout the project.

## **Environmental Sustainability**

- 7.1 This project will seek to enhance the building's already excellent environmental credentials.

## **Property and Asset Management**

- 8.1 This project is an excellent opportunity for the Council to make even better use of its flagship asset, to improve the customer experience and to generate income. Any extra costs associated with the maintenance and servicing of equipment associated with the reconfigured ground floor area will be covered by the revenue budget associated with the new service areas.

## **Risk Management and Safeguarding**

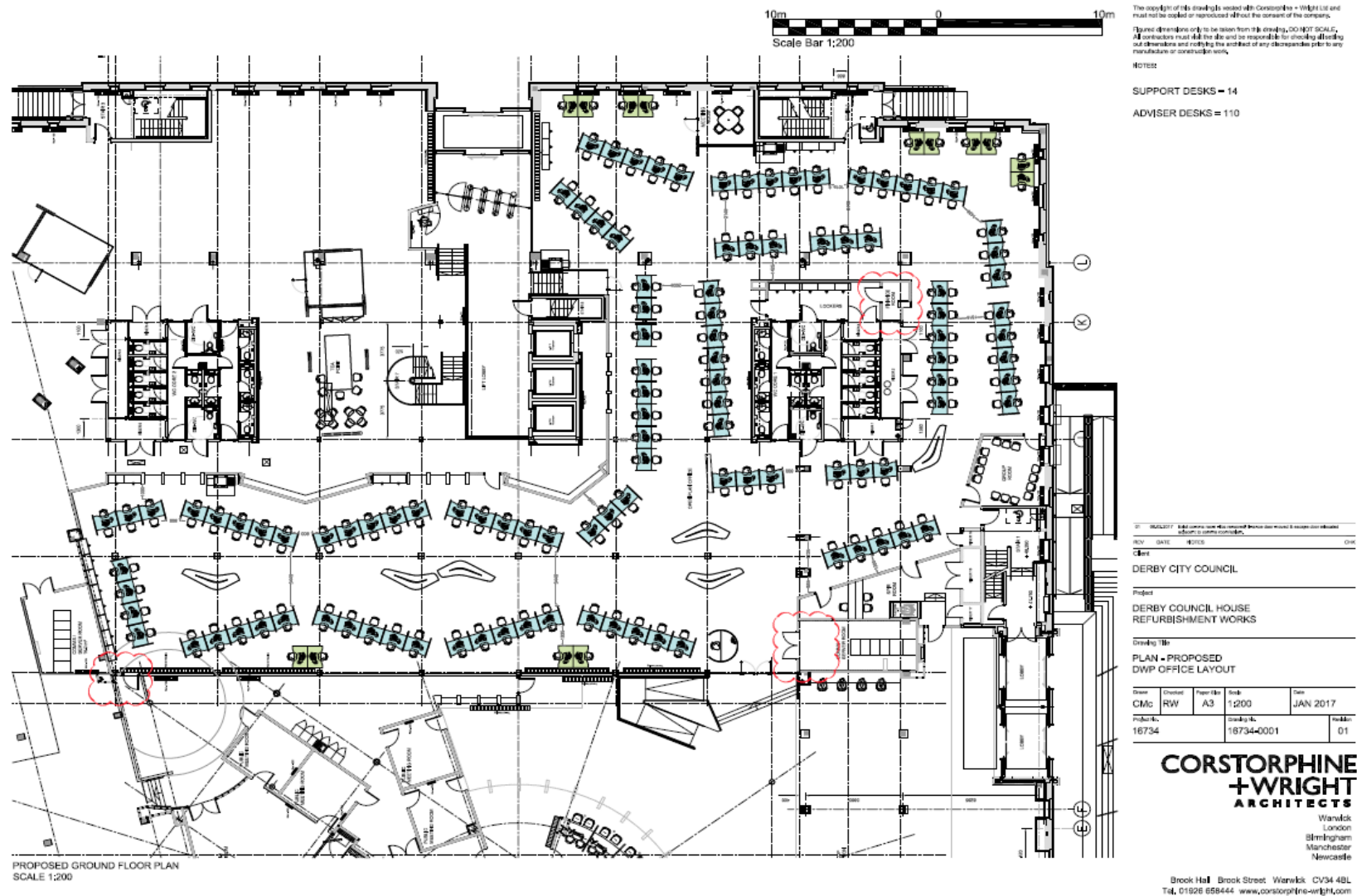
- 9.1 The risks associated with managing and delivering this project are being monitored through the project governance arrangements.

## **Corporate objectives and priorities for change**

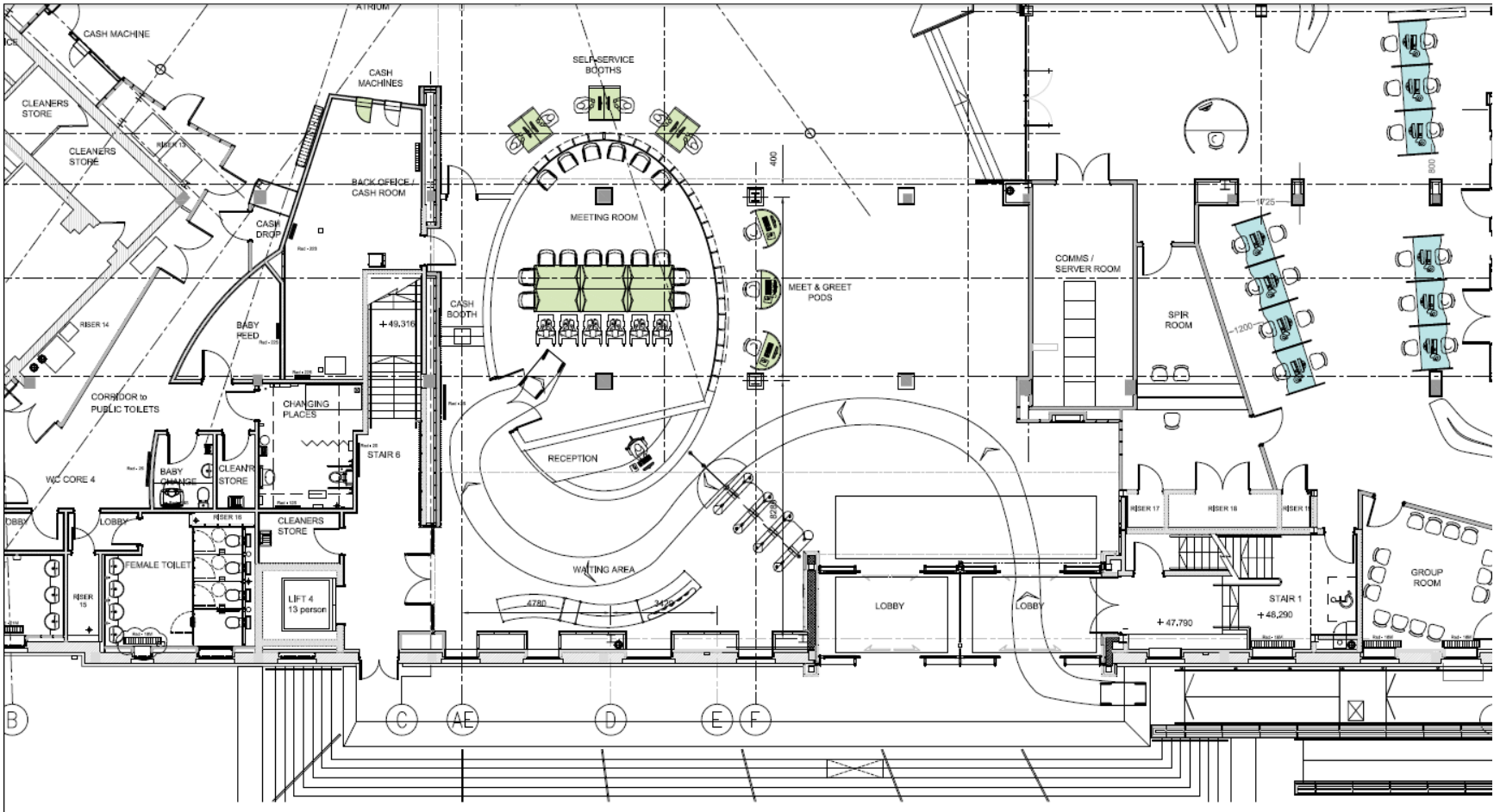
- 10.1 This project supports the Council's objectives of...
- Making the most of our assets.
  - Being more commercial.
  - Delivering services differently.

Architectural floor plan of the Corstorphine & Wright Anniversary building. The plan shows a large, irregularly shaped building with a central circular area and several rectangular sections. The layout includes numerous rooms, corridors, and service areas. A grid system is overlaid on the plan, with letters A through H along the top and numbers 1 through 10 along the right side. A scale bar is located in the top right corner. The plan is titled "CORSTORPHINE & WRIGHT ANNIVERSARY" in the bottom right corner.

Appendix 3: Proposed Area DWP will occupy on the Ground Floor of the Council House



Appendix 4: Proposed location for the Accessible Ground Floor Meeting Room





Appendix 5: Proposed new location of Customer Interview Rooms

