Cabinet Meeting: 29 June 2021

OUTLINE BUSINESS CASE FOR THE REVIEW OF THE TOWN CENTRE OPERATIONAL OFFICE PORTFOLIO.

Report of the Corporate Director (Place) and Deputy Chief Executive

1. INTRODUCTION AND PURPOSE OF REPORT

1.1 The purpose of this report is to update on the review work of the Council's operational office town centre estate following the impact of the Covid-19 Pandemic and the fundamental way in which this has changed the way the Council works, which was highlighted in the December 2020 Asset Management Plan (AMP) cabinet report as being an important element of the first in a series of asset reviews. This report seeks cabinet support to proceed with the review of the options outlined in the report.

2. INTRODUCTION

2.1 As highlighted in the Asset Management Plan (AMP) December report to cabinet, this first review focuses on meeting the current and future business needs of the council, ensuring future resilience to the office estate provision being fit for purpose, agile and an efficient workplace. This review has highlighted an opportunity to improve customer service and access to services by our residents. We are shaping our future with a focus on improving the way we deliver our services and outcomes for the people of Stockport.

2.2 This review is heavily focused on leading on the agenda to deliver against the Stockport Climate Action Now Strategy and work plan, with this being a critical element of a programme of change to address the highest carbon consumption buildings within the Council's portfolio.

2.3 To make an impact on climate change the Council must take action now to ensure that the buildings within the portfolio meet the ambitions set out in the Stockport CAN commitment to making a difference to the environment and providing sustainable investment with green environmental friendly assets.

2.4 The pandemic has evidenced more than ever that work is what we do and how we do it, not where we are. We have listened to our workforce feedback and want to ensure that our workforce continue to work in the best place to deliver services in the most effective and productive way.

2.5 The council want to promote collaborative working where it can provide benefit for service delivery, whilst securing efficiencies and value for money. With the potential to significantly reduce our office space requirement, this could allow the Council the opportunity to lease the surplus space to third parties and therefore reduce the overall cost to the Council.

2.6 The review has to achieve the objective of the Invest To Save model, which the Council has adopted for projects where it is appropriate to do so and can an demonstrate deliverable value for money outcomes whereby any investment

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required into a change programme must deliver cost reductions or revenue input to deliver the necessary strategic outcomes for the project.

2.7 The Council's Facilities and Asset Management Service Provider, Robertson have produced the high-level options and assessed these against the likely savings achievable by implementation of each of the different options subject to the availability of capital as part of an Outline Business Case (OBC).

2.8 The business case so far has focused on exploration of the strategic context for the optimisation of the existing town centre office portfolio, which now requires to be moved into a more detailed assessment stage to assess the objectives against the potential costs of delivery.

3. BASELINE POSITION

3.1 The four property assets within the scope of this review are the Town Hall, Stopford House, Fred Perry House and Central House.

3.2 The Council has embarked on a strategic asset review of its corporate estate. It has recognised that its older accommodation (Stopford House and Town Hall) requires investment to be fit for purpose in the long term. This includes an outdated functional layout, numerous partitioned spaces, low provision of welfare facilities, and limited flexibility. As described in the December 2020 AMP cabinet report that was considered by scrutiny, a detailed structural survey of Stopford House was completed last year, which has identified some immediate minor repairs and recommends a future works programme to maintain the ageing concrete structure in good condition for at least the next 20 years. A similar exercise has been completed for the Town Hall, which also highlights the requirement for investment to ensure the longevity of such an important civic building.

3.3 The Covid-19 Pandemic has accelerated the adoption of new ways of working, which has seen all of these office buildings operate at much reduced capacity since March 2020. There are approximately 1,715 full time equivalent workstations for colleagues that worked across the four buildings considered in the scope of this review, the majority of which are currently not needed as colleagues are working at home. There is a strategic opportunity now to capitalise in the Build Back Better approach to a radically ambitious way of working.

3.4 The council is committed to providing an Estate that has residents at the heart of service delivery and respond to changes at to how residents would like to access the fundamental offer from the Council, whilst absolutely providing value for money, particularly given the impact of the Covid-19 pandemic.

3.5 The council must challenge the cost of property activities to drive continuous performance improvements and optimise financial return and commercial opportunities and ensure that buildings are sustainable in design, construction, operation and maintenance.

3.6 The council must provide the right property in the right place, to meet current and future service needs. As a council we need to challenge the current use of assets and identify co-location opportunities, to include partners, resulting in rationalisation and disposal of our land and buildings where appropriate.

3.7 Council services continue to evolve and be enhanced with an increased digital offer, and the property portfolio must also evolve to support new methods of service delivery, with this service evolution presenting opportunities to reduce the office footprint.

3.8 In addition to addressing the functional and condition issues with the Civic Complex, there is a need develop an exit strategy for Central House, which will be redeveloped as part of a future phase of Stockport Exchange.

4.0 WORKFORCE ENGAGEMENT

4.1 The transformational change in service delivery that we have seen as a result of the pandemic, has allowed this thorough first stage asset review to take place, as a large proportion of the workforce has converted to predominantly home working and there is not a significant expectation of a return to the pre Covid-19 operating model.

4.2 The workforce has adapted at pace and scale to different ways of working and has risen to the challenges that the pandemic has presented both in terms of responding to the needs of residents and communities but also in supporting each other as colleagues. We need to harness this as we move forward as an organisation. The One Team People Plan plays a fundamental role in articulating the workforce of the future based on the learning gained throughout the pandemic.

4.3 The strategy is to work in a hybrid way with a combination of face to face (in the office) and digital access (away from the office).

4.4 A piece of work to support the development of the business case has been undertaken to establish the spatial requirements of the Council. This work has been completed through a mixture of workshops and data gathering exercises, this has resulted in adjacency diagrams that can be used as a starting point for future design development.

4.5 Indications are that circa 50% of employee time could be spent remote working, with the study suggesting that office space will be required for a maximum of 840 Full Time Equivalent (FTE) headcount at any one time. This gives a space requirement of 6,720 sqm in contrast to the 20,586 sqm currently occupied.

4.6 As part of this review we have identified the growing need to enhance the multi-occupancy strategy that the Council has delivered in recent years with the co-location of partners, including the successful occupation of the Clinical Commission Group (CCG) in Stopford House. This will be strengthened through this review to drive the opportunities for co-location with other public sector partners.

5. STRATEGIC BUSINESS CASE DRIVERS

5.1 A range of options have been considered so far as part of the business case for change and evaluated in accordance with the requirements of the HM Treasury Green Book. It should be noted that the Do nothing and Do Minimum Intervention models would fail to meet the current and future needs of the Council.

5.2 All options have been assessed against a detailed criteria contributing to the following critical success factors:-

1. Customer Service - the project must enhance the customer experience and outcomes for residents.
2. Affordability - the project must offer good value for money, be fundable, and remain affordable throughout its whole life.
3. Stockport Climate Action Now – Reduction in overall Carbon Consumption and emissions.
4. Socio-economic alignment - the project must deliver benefits for the population of Stockport including Social Value.
5. Programme Deliverability - The project must be deliverable to time, cost, quality and risk constraints, flexible and resilient to change.
6. Political alignment - the project must be deliverable from a political perspective.

5.3 Only options that meet all of the above critical success factors have been shortlisted, except for Do Nothing and Do Minimum which have been included for comparative purposes as explained above, in accordance with Green Book requirements.

6. OUTLINE BUSINESS CASE

6.1 The development of strategic business case drivers as identified above has identified the following options to be explored through an Outline Business Case (OBC) stage.

6.2 This OBC explores this further and therefore considers the following options:-

1. Do nothing (Business as Usual, **Do Nothing**).
2. Do minimum (**Do Minimum**).
3. Refurbishment of Stopford House and the completion of decarbonisation works at Stopford House and the Town Hall. Staff currently based in the Town Hall will relocate to Stopford House and/or Fred Perry House, with excess space at Fred Perry House exited and made available for lease. (**Option 3**).
4. Refurbishment of Stopford House and partial refurbishment of the Town Hall. Staff currently based in the Town Hall will relocate to Stopford House and/or Fred Perry House, with excess space at Fred Perry House exited and made available for lease. (**Option 4**).
5. Refurbishment of Stopford House. Staff currently based in the Town Hall will relocate to Stopford House and/or Fred Perry House, with excess space at Fred Perry House exited and made available for lease. As part of the works at the Town Hall, the space is reconfigured to incorporate more meeting room space, therefore reducing the amount of meeting room space needed in Stopford House. (**Option 5**).
6. Refurbishment of Stopford House and the completion of decarbonisation works at the Town Hall. Staff currently based in the Town Hall remain in place. Excess space at Stopford House and Fred Perry House is made available for lease. (**Option 6**).
7. Refurbishment of Stopford House and the Town Hall. Staff currently based in the Town Hall remain in place. Excess space at Stopford House and Fred Perry House is made available for lease. (**Option 7**).

The table below sets out visually what outcomes each of the options provides. The only option that provides for the full refurbishment of the Town Hall is option 7.

Option	De-carbonisation works	Refurbishment of Stopford House	Full Refurbishment of Town Hall	Partial refurbishment of Town Hall
1	**Y**			
2	**Y**			
3	**Y**	**Y**		
4	**Y**	**Y**		**Y**
5	**Y**	**Y**		**Y**
6	**Y**	**Y**		
7	**Y**	**Y**	**Y**	

6.3 Following a detailed Economic, Financial and qualitative analysis, options 6 & 7 are confirmed as the most economically advantageous outcomes for the Council and should be taken forward for consideration as part of the Final Business Case. Options 6 & 7 are favoured as these options deliver the greatest benefit when measured against the critical success factors of reducing the Council's carbon footprint, the office footprint, reducing occupancy costs, increasing rental income and reshaping the portfolio to support council services.

6.4 The biggest difference between the scope of option 6 and option 7 is that option 7 will deliver an internal refurbishment of the Town Hall accommodation and provide additional staff office accommodation. It is not possible to recommend a single preferred option at this time, due to the scale and complexity of the works, particularly in respect of heritage assets such as the Town Hall.

6.5 The next stage of this project will see the appointment of a first stage design team to work up detailed design and tender for the construction costs estimates to benchmark the capital costs. This information will be used to inform the final business case and confirm which of the two options are affordable and satisfy all the project outcomes.

7. FINANCIAL

7.1 The two options with the most economically advantageous outcomes are Options 6 and 7 when the qualitative score of each option is factored into the analysis, with these being proposed to be taken forward for consideration as part of the Final Business Case.

7.2 The total cost of the two options are £17.638m and £31.311m for Options 6 and 7 respectively. It is envisaged that the Capital Outlay of these options will be funded through £3.133m Decarbonisation Grant Funding with the remainder being funded via Public Works Loan Board (PWLB) borrowing. At the current prevailing PWLB rate this would materialise in an annual borrowing repayment of £0.752m and £1.460m for Options 6 and 7 respectively.

7.3 Work will continue through to the Final Business Case to provide a greater level of certainty with regards to the capital outlay required for each option.

7.4 It is important to note that the scheme that is ultimately identified as the preferred option will have to cover the borrowing repayment costs noted in 7.2 above, as well as creating a saving on the current operational cost. The Council could not consider borrowing any funding to cover this project without the Invest to Save model, whereby the projects revenue savings and income go towards funding the necessary borrowing costs.

7.5 The current modelling which identifies options 6 and 7 as the preferred options from an economic perspective, currently show that options 6 and 7 cover the cost of borrowing whilst creating a range of savings between 31% and 11% over the 25 year life of the modelling. This will be subject to further analysis and clarification as part of the Final Business Case.

8. KEY RISKS/ ISSUES

8.1 There are some risks that need to be explored in detail through the next stages of the case for change. There are risks inherent with any major change programme. However, it would be prudent of the Council to address this at the start and work on a mitigation strategy during the next six months work programme.

8.2 As highlighted the current model looks favourable for options 6 and 7 as potential the preferred options using the HM Treasury Green Book assessment model. However, as highlighted above, the scoring between the two options is close and needs to be worked through in detail for the full business case assessment.

8.3 The main risks currently identified are:

1. Cost avoidance versus net savings when assessing the investment levels required.
2. Capital funding availability and cost assessments of the works particularly when refurbishing the listed Town Hall building. The listing of the Town Hall is an extremely critical factor when considering how to sympathetically ensure that it is able to deliver for the future objectives of the Council and residents, whilst at the same time being able to preserve what is of historical importance about this significant civic building.
3. Deterioration of the office rental market impacting tenant demand and lowering of rental bid.
4. Shift in workforce acceptance to working at home/ flexibly post Covid particularly with regards to timings as the proposed refurbishment works will not have occurred by the time people are starting to move back into the office. Some service areas have strong business needs to be back in an office environment.
5. Sensitivities in managing communications with colleagues and residents in areas that are challenged in relation to the demands they are facing.
6. In addition, there is the complexity of the requirements to make the savings needed for the medium-term financial plan, at the same time as considering this invest to save model with the level of investment that this project may require.
7. Construction cost increases due to the impact of supply chain disruption, either from ongoing Covid-19 measures or EU Exit, and other unforeseen events.
8. Stakeholder engagement is critical to the sympathetic treatment of this project and this will be developed over the next six months to ensure that the relevant

stakeholders are a key element going forwards. This will include engagement with the relevant historical and civic partners for key contributions in relation to the Town Hall.

9. Next Steps

9.1 Two streams of work will need to be progressed for the next stages, which are split into the Asset Management for the development of the FBC and the Workforce Development, which include the following:

1. Develop procurement strategy for key appointments for the design team at an early stage to ensure greater certainty of construction costs.
2. Workforce Steering Group to continue planning around what the workforce and what the workplace of the future looks like.

9.2 Milestones & Decision Gateways

Activity	**Dates**
Procurement of next stage Design Team	July – December 2021
Council Approval of Final Business Case	End 2021/Early 2022
Implementation of refurbishment project	End 2021/Early 2022
Delivery Phase	
Pre- Construction & Construction Design	Early 2022
Mobilisation	March 2022
Delivery / Construction	March 2022 - August 2023

10. RECOMMENDATION

Cabinet is recommended to:-

- Note the content of this report and work undertaken to date.
- Note the links to the Medium Term Financial Plan.
- Approve progression to Final Business Case.
- Approve the procurement of the delivery of the next design stage at a cost of £583,000.
- Note that a further report will be provided to the Cabinet towards the end of 2021/early 2022, reporting the outcome of the Final Business Case and Design/Construction Tender.

BACKGROUND PAPERS

There are no background papers to this report.

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