

## **FINAL BUSINESS CASE - REVIEW OF THE TOWN CENTRE OPERATIONAL OFFICE PORTFOLIO AND NEW WAYS OF WORKING**

Report of the Deputy Chief Executive, Place and Deputy Chief Executive,  
Corporate and Support Services

### **1. Purpose of the Report**

- 1.1 The purpose of this report is to present the final business case which has examined in detail the Councils operational town centre estate and the current and future business needs following the impact of Covid 19 and as the Council moves towards a new hybrid working model.
- 1.2 To seek delegated authority for the Deputy Chief Executive (Place) and Deputy Chief Executive (Corporate and Support Services) in conjunction with the Cabinet Member for Resources, Commissioning & Governance to enter into a construction contract and bring forth any necessary planning applications related to the refurbishment of Stopford House as required.
- 1.3 To seek delegated authority for the Deputy Chief Executive (Place) and Deputy Chief Executive (Corporate and Support Services) in conjunction with the Cabinet Member for Resources, Commissioning & Governance and the Strategic Head of Service (Legal & Democratic Governance) to take the necessary steps to implement the strategy set out in this report.
- 1.4 To seek delegated authority for the Deputy Chief Executive (Place) and Deputy Chief Executive (Corporate and Support Services) in conjunction with the Cabinet Member for Resources, Commissioning & Governance to implement the strategy to implement new ways of working (the hybrid model) with a detailed paper to follow

### **2. Introduction**

- 2.1 The Council has embarked on a strategic asset review of its corporate estate and the Council is committed to providing an estate that has its residents at the heart of service delivery and respond to changes as to how residents would like to access the fundamental offer from the Council whilst providing value for money.
- 2.2 The Council must provide the right property in the right place to meet current and future service needs. The Council has challenged the current use of assets and identified co-location opportunities to include partner organisations resulting in a strategy to rationalise the estate and dispose of land and buildings where appropriate.
- 2.3 The review has focused on these key issues as part of the full business case:
  1. A 20-30% reduction in the cost of running the estate, with any reduction to exclude the repayment of any capital

2. A reduction of 30-50% in the foot-print of the estate
3. A robust asset management plan that maximises income of the estate to support key service.
4. A step change in our commitment to carbon reduction to meet our Climate Action Now ambition; Reducing carbon emissions from buildings, vehicles and operations in line with the Climate Emergency declared by the Council.
5. Public access points for services need to be accessible where they are needed
6. A new flexible operating model for the Council which can be tailored to the wide range of functions and service models underpinned by a 'team hub and hot desk' arrangement rather than a desk for every role.
7. Provision of a quality environment for our workforce
8. To maximise the use of digital in our operating models to ease efficiency and futureproof our working practices, including but not limited to the potential for automation in accessing hot-desking facilities
9. A further alignment with public sector partners, particularly health and housing partners to explore synergies and opportunities for co-location and shared estate.

2.4 The Outline Business Case (OBC) for the review of the Town Centre operational office portfolio was presented to Cabinet in 29<sup>th</sup> June 2021. Cabinet approved progression to Final Business Case and noted that the Final Business Case (FBC) and conclusion of refurbishment design and construction tender would be provided to Cabinet in December 2021. The OBC proposed a number of options but the two which were considered most economically advantageous were:

- Option 6: Decarbonisation works to both Stopford House and Town Hall, full refurbishment of Stopford House;
- Option 7: As Option 6 but full refurbishment of Town Hall as well as Stopford House.

Both options assume rationalisation of the estate to reduce cost and increase revenue in which Fred Perry House would be vacated by the Council and let to 3<sup>rd</sup> party occupiers.

2.5 Two streams of work have been progressed for the FBC. They are split into (a) Asset Management for the development of decarbonisation and refurbishment strategy for the corporate estate and (b) Workforce engagement to continue planning around what the workforce and the workplace of the future looks like.

2.6 Whilst this FBC has looked specifically at the town centre estate we are working to ensure that all building occupations are reviewed and rationalised and that the future working hybrid model is applied across all buildings utilised by the Council.

2.7 The Town Hall as a Grade II listed structure must be sensitively refurbished and therefore a comprehensive Heritage Asset review has been completed to allow a sympathetic refurbishment to be designed, costed and procured. The final report was received on 29<sup>th</sup> October and we will now consider as a separate business case the scope and cost of the Town Hall refurbishment to be brought to cabinet at a future date.

### **3. Background**

- 3.1 The FBC attached at Appendix 1 has updated the Strategic Case from the OBC stage and considering changes that have occurred in the intervening period, most notably those driven by the Covid-19 pandemic and the rationale for the phasing of the Project.
- 3.2 The OBC built upon work already undertaken by the Council to align its corporate estate provision with current space requirements and its wider strategic objectives. A strategic outline case was prepared in late 2020 which considered the strategic drivers for the Council and the high-level options for delivery. This identified that a combination of refurbishing the existing town centre office assets and leasing out excess space was the preferred option for delivery.
- 3.3 The OBC developed this position further in June 2021 and considered options within this overall approach which would deliver a town centre corporate estate in support of the wider transformation programme. It supported the Council's strategic objectives, based on the office configuration and operational/citizen-based drivers and needs and confirmed that the investment options which provided the best Value for Money (VfM) were options which recommended the refurbishment of Stopford House and decarbonisation works to both the Town Hall and Stopford House (OBC Option 6) or to include the refurbishment of the Town Hall as well (OBC Option 7).
- 3.4 The OBC recommended that both options were kept under consideration as designs develop for the Project and set out the next steps for delivery.
- 3.5 Subsequent to the preparation of the OBC, a Heritage Review has been undertaken of the Town Hall to allow a fuller understanding of the issues around refurbishing this listed structure. The final report was received on 29<sup>th</sup> October and to avoid any delay to this Project this FBC will focus on Stopford House.
- 3.6 Following approval of the OBC a procurement strategy has been considered and implemented for the key design team including engagement of a specialist contractor through a Pre-Contract Services Agreement. Designs for the refurbishment works have been finalised to RIBA Stage 3 to allow elemental cost analysis with contractor engagement.
- 3.7 Decarbonisation works to replace windows and upgrade heating systems to include Air-Source Heat Pumps have been procured for both Stopford House and the Town Hall. These works will commence in December 2021 and are targeted for completion in March 2022.
- 3.8 We have been working with the Directorates to finalise workforce engagement and conclude the strategy for new ways of working.
- 3.89 In parallel with workforce engagement/new ways of working we have consulted with the Directorates to assess team requirements to return to the office from

November 2021 onwards, and to utilise the hybrid working model. Our return to office strategy has been designed to maintain high levels of resident services and for teams to use Fred Perry House, Central House and the Town Hall in the interim period until the refurbishment of Stopford House is completed. The main assets will be further supplemented by the wider estate including libraries and meeting spaces.

3.10 We have already started to consult with partner organisations around the future occupation of any vacated spaces including Fred Perry House. These letting will seek to provide the financial support for the refurbishment as well as creating a true Public Centre Campus that will provide the best possible services and access for our residents and a collaborative environment for our workforce and there colleges across the borough.

#### 4. Corporate Asset Review – Final Business Case

4.1 The Council undertook a review of its town centre estate holdings in 2016 and made the decision to consolidate its holdings, maximising the use of both Stopford House and Fred Perry House. The decision was based on analysis completed for the Council by its advisors. Since 2016, the Council has continued to maximise the use of both Fred Perry and Stopford House with limited further interventions to increase the utilisation of space.

4.2 As a result of the Covid-19 pandemic there have been significant changes for local Government organisations across the country. One of the major changes for the Council has been the significant increase in remote working for colleagues over the past nineteen months. In line with Government guidance the Council implemented closures across the majority of its operational estate and instructed most of its staff to work from home. The number of colleagues working from home went from around 100 to over 2,000.

4.3 The Covid-19 pandemic has therefore accelerated the behavioural change required to establish increased remote working. This provides an opportunity for the Council to further optimise its town centre estate and support its staff in their desired working approach.

4.4 The Stockport Council Plan 2021 to 2022 contains the Council’s Medium-Term Strategy focusing on four themes to shape the Council’s services to deliver against the priorities and objectives:

Theme	Description
We are a council that is built around our communities	Residents and communities are at the heart of everything we do, and our role is to empower and support kind, friendly and vibrant communities. Working in this way we will deliver on several key strands of work set out in relation to our ambition for safe, resilient and inclusive communities.
We are a council that maximises the	We have the ambition to be a radically Digital Council and the key components of our Digital Strategy are:

Theme	Description
opportunities of digital	<ul style="list-style-type: none"> <li>• Digital Community - everyone is digitally included and new technology enables people to maintain independence.</li> <li>• Digital Borough - a resilient and thriving economy responding to emerging and future opportunities and increasing digital skills.</li> <li>• Digital Council - designed for people, able to respond to the future and leading the way.</li> </ul>
We are a council that values partnerships and collaboration	We are stronger when we work together. Working in collaboration with our partners across the public, business and VCSE sectors will underpin everything we do.
We are a council that cares about our staff and engages them in the future	<p>We are One Team - working together to improve outcomes for our residents and each other. The five key pillars of our 'One Team' People Strategy are:</p> <ul style="list-style-type: none"> <li>• We support each other</li> <li>• We learn and develop</li> <li>• We want you to join us</li> <li>• We are inclusive</li> <li>• We live our values</li> </ul>

4.5 The FBC comprises a detailed economic, financial and qualitative analysis consider how best to meet the above objectives. The FBC concludes that, as proposed in the OBC, consolidation of the town centre office estate into a newly refurbished Stopford House is the most economically advantageous outcome which aligned with releasing Fred Perry House for lease to third parties will achieve the goals of a reduction in running costs and an increase in revenue linking to the Medium Term Financial Plan. The proposals for the refurbishment of Stopford, Design and budget together with the marketing and letting strategy for Fred Perry House are set out in the sections below

## 5. Stopford House Refurbishment Proposals

- 5.1 Our technical advisors have undertaken a series of engagements with the Directorates to review occupational needs for each team assuming the new hybrid working model. Floor layout plans for Stopford House have been prepared using those returns as the baseline for Directorate requirements.. Layout plans and the proposed refurbishment specification is attached at Appendix 2.
- 5.2 The baseline assumes that the upper ground floor is occupied under lease by Pennine Health Care and the 4<sup>th</sup> Floor is retained by CCG under their current lease.

5.3 Also included at Appendix 2 are the final design proposals for the refurbishment and which have formed the basis of the contractor led cost analysis. The refurbishment proposals proposed by Space Invaders will provide modern, flexible workspace to meet the current and future needs of the Council. The refurbishment works (including the decarbonisation works) have been costed at a total of £17,560,500 which can be broken down into the following items:

- Capital Works £9,494,478 of which £3,133,000 relates to decarbonisation works funded by grant
- Council Office Fit-out £3,863,522
- CAMHS CatB Fit-out £1,170,000
- External works to Piazza £250,000
- Professional team fees £1,301,000
- Contingency £1,481,500

5.5 Consideration of a procurement strategy was undertaken with STAR and the most suitable compliant framework (Pagabo) was selected and a contractor appointed to undertake the PCSA with the intention of awarding a contract for the works later and in accordance with the frameworks award procedures.

5.6 Our team in conjunction with the professional team have prepared a programme of works which have the following key dates:

Site Mobilisation: January 2022

Works Commencement: February 2022

Target Completion and handover Lower Ground Floor September 2022

Target Completion and handover remainder of the building phased from September 2021 to January 2023

5.7 By refurbishing the building and investing in the working environment, technology and flexible working practices the benefits for the Council can be quantified and include:

- Lower operating costs
- Higher productivity
- Improved staff performance
- Better service delivery
- Improved environmental performance and social sustainability
- Better employee health, wellbeing and retention

## 6. Economic and Financial Case

- 6.1 We have reviewed and prepared both Economic and Financial Cases for this project. The Economic Case has considered and identified the spending proposals that delivers the best public value as a whole. The Financial case sets out the high level affordability for the Council modelling the anticipated capital costs, operational costs and any disposal costs with the project. Final Economic and Financial Cases are attached at Appendix 1.
- 6.2 The Shortlisted Options considered in the OBC have been reviewed and reduced to those set out in the table below

Option	Description
1	Do Nothing - the existing estate remains as is, although Central House and the Apprenticeship Store are exited as already included in the Exchange plans. Equivalent space is rented for the staff currently working out of that site. Concrete repairs are completed at Stopford House.
2	Do Minimum – as with the Do Nothing, but the staff from Central House and the Apprenticeship Store take space in Stopford House and roof repair work and decarbonisation work is completed at the Town Hall. The decarbonisation works are also completed at Stopford House.
3	Refurbish Stopford House but only complete roof and decarbonisation works at the Town Hall. 174 workstations removed from the Town Hall and staff redeployed across the rest of the estate. Town Hall is meeting and event space only.
6	Refurbish Stopford House but only complete roof and decarbonisation works at the Town Hall. 174 workstations retained in the Town Hall.

It is important to note that both the Do Nothing and Do Minimum options would fail to meet the current and future needs of the Council and could exacerbate the inefficiencies associated with the current office portfolio. However, in accordance with HM Treasury Green Book guidance, the Do Nothing and Do Minimum options are short-listed for comparative purposes, with the Do Nothing option providing the counterfactual to the alternative 'intervention' options.

The approach to the assessment of public sector costs is described in detail in the Financial Case. A supporting financial model has been developed that sets out the cash inflows and outflows to the Council under each short-listed option over a 27-year appraisal period. A real discount rate of 3.5% has been applied to the profile of costs and income and the effect of general inflation has been excluded, in line with HM Treasury Green Book guidance.

The Net Present Values of the short-listed options are summarised in the table below.

Net Present Value (£)	Option 1 - Do Nothing	Option 2 - Do Minimum	Option 3 - Refurbish Stopford - exit Town Hall and complete decarbonisation works only	Option 6 - Refurbish Stopford, remain in Town Hall but complete decarbonisation works only
<b>Costs</b>				
Capital costs	-	(2,178,152)	(16,753,056)	(16,753,056)
Existing estate running costs	(44,460,488)	(40,479,565)	(30,176,842)	(29,681,368)
<b>Sub-total</b>	<b>(44,460,488)</b>	<b>(42,657,717)</b>	<b>(46,929,898)</b>	<b>(46,434,424)</b>
<b>Income</b>				
Capital receipts	-	2,924,337	2,924,337	2,924,337
Rental income	4,241,360	4,241,360	7,253,820	9,829,201
<b>Sub-total</b>	<b>4,241,360</b>	<b>7,165,697</b>	<b>10,178,156</b>	<b>12,753,537</b>
<b>Net Present Value</b>	<b>(40,219,128)</b>	<b>(35,492,020)</b>	<b>(36,751,741)</b>	<b>(33,680,886)</b>
<b>Net Present Value (when compared to Do Nothing)</b>		<b>4,727,108</b>	<b>3,467,386</b>	<b>6,538,242</b>

The Net Present Cost under the Do Nothing option over the 27-year appraisal period is expected to be £40.2 million. This compares to £35.5 million under the Do Minimum option, reflecting the consolidation of staff at Central House and the Apprenticeship Store into Stopford. Of the intervention options, the Net Present Costs are lowest under Option 6, totalling £33.7 million. Options 3 and 6 are both improvements in Net Present Value terms when compared to the Do Nothing option.

### 6.3 Economic Benefits of the project will include:

- Lower Operating Costs
- Higher Productivity
- Improved Staff Performance
- Better Service Delivery
- Improved Environmental performance and social sustainability
- Better employee health, wellbeing and retention.

Such benefits can be monetised and rationalising the space that the Council currently uses in the Town Centre estate would result in cash releasing benefits including rental income from surplus space and lower Council running costs on a smaller and more efficient estate. Potential rental income has been assessed with input from CBRE on the assumption that Fred Perry House is available to let. It is assumed that Central House will be vacated in due course to allow redevelopment as part of the next phases of Stockport Exchange. The rental assumptions also assume revenue from Stopford House from the letting to Pennine Care NHS Trust.

### 6.4 The refurbishment to Stopford House is focused on creating an asset for the council for the next 30 years. The specification is based on creating a lettable asset that give the council the flexibility to alter its occupation over time and release space for letting to partner organisations as required or to grow and

reoccupy space as the need arises. The financial plan does not assume any income within the building aside from Pennine but the potential will be delivered by the proposed fit out.

- 6.5 The main space released which will be available to let is in Fred Perry House. We have assumed a prudent headline market rent equivalent to £19.50psf which, after an allowance of 25% for tenant incentives and 20% rolling void assumption the equivalent net rent receivable is assessed at £11.70psf . These assumptions generate an annual rental potential of £363,000 per annum.
- 6.6 The delivery of a refurbished Stopford House will support the wider strategic plan for the Town centre. It will form part of the emerging Central Business District providing a key anchor to the East with The Train Station as the Western Anchor.
- 6.7 To ensure we are able to maximise the rental income potential from the estate a targeted marketing campaign coordinated by CBRE will commence in the new year. CBRE have prepared a marketing report for the building and have coordinated the strategy with the future expansion of Stockport Exchange
- 6.8 The marketing strategy for Fred Perry will seek to balance the financial benefits with desire to create a public sector campus that includes our key partner organisations to support Resident access to services, member access to partners, collaborative working for officers and job creation in the Borough. Discussions are already being held with target occupiers and will be advanced upon approval of the paper.
- 6.9 Our cost and revenue analysis assumes that no works are required to Fred Perry House to bring to a modern lettable standard. The building has been designed and built to modern flexible standards and will appeal to occupiers seeking high quality space. Minor works of redecoration and planned maintenance may be required and an allowances have been included in the AMP forward plan for 2022/23
- 6.10 The Financial case has considered operational savings over the 27-year appraisal period. In summary Option 6 (Refurb Stopford, remain in Town, let out remainder of the estate) is forecast to achieve **£1.4m** of annual savings to the Council over the appraisal period when compared with the Do Nothing option. These savings are made up of savings in the costs of Utilities, Rates, Service Charges, Maintenance and Cleaning costs, and additional rental income. The annual cost of finance is forecast to be **£0.75m**, giving a net annual surplus of **£0.6m** per annum.
- 6.11 The Full business case has also explored the positive impacts on productivity, employment and the number of direct operational jobs that could be supported

through the provision of additional rental space vacated by the Council. It has also considered how the High Street and local economy can positively benefit from additional spend from additional workforce. All of this and other economic measures are factored into the Value For Money analysis. The Net Present Value of each option has been compared to the qualitative score awarded as part of the evaluation process. The results are set out in the table below

Option	Total costs (£m)	NPC (£m)	Qualitative Score	NPC per Benefit Point	Scoring Rank
Option 1	61.2	40.2	18.0	2.23	4
Option 2	54.0	35.5	24.0	1.48	3
Option 3	47.4	36.3	28.0	1.30	2
<b>Option 6</b>	<b>42.9</b>	<b>33.2</b>	<b>28.0</b>	<b>1.19</b>	<b>1</b>

Option 6 (refurbish Stopford House and complete decarbonisation works only at the Town Hall) therefore scores best on the Benefit Cost Ratio. This FBC therefore confirms that Option 6 is taken forwards as the preferred option.

6.12 Upon finalisation of the project costs, sensitivity analysis will be undertaken to test the following variables:

- Increase in capital costs by 10%
- Increase by 10% of property running costs
- Increase by 20% in planned and reactive maintenance costs

This analysis will test whether the rankings on a VfM basis above still hold under all sensitivity scenarios

## 7. Workforce Engagement

7.1 Since the start of the pandemic approximately two thirds of the council's workforce have been working from home for the majority of their hours. In order to understand how this change has impacted both the wellbeing and productivity of colleagues, and to determine how colleagues would like to work in the future, a number of surveys have been conducted during 2020 and 2021. These surveys, covering topics such as wellbeing, flexible working and leadership, have been complemented by input from All Colleague Briefings and Directorate and Leadership 'Let's Talk' sessions, with the data used to inform the One Team: Working Our Way programme's development. Further engagement activity took place during the All Colleague Briefings in November and will continue during the next round of Directorate 'Let's Talk' sessions in December. To supplement the engagement activity regular messages are sent to all colleagues in the Chief Executives weekly emails to keep them informed of progress and the latest news from the programme.

- 7.2 During 2022 further engagement activity will take place, including follow up surveys to continue to understand both the continued impact of flexible and hybrid working arrangements on our colleagues wellbeing and productivity. Colleagues will also be asked to consider how the redesign of the civic complex could improve the way they deliver services to residents, and what provisions within the buildings they would like to see going forward. This insight will be used to inform the allocation of types of space within the redesigned estate, ensuring the right balance of desk space, meeting space and collaboration space is available to support colleagues.
- 7.3 The council has used the data from the surveys to inform changes to its Flexible Working Policy and Procedure which will be implemented in early 2022. In line with the council's One Team People Plan and its values, these changes will allow colleagues additional flexibility in support of their work life balance and wellbeing, whilst also ensuring that the delivery of services to residents remains at the heart of decision making around working patterns.

## **8. Financial**

- 8.1. The Financial Case has analysed the high-level affordability for the Council. The Economic case assesses the NPV of the proposition in cash terms with the Financial Case assessing how the preferred option is funded. As set out in the FBC, Option 6 (refurbishment of Stopford House but only completing roof and decarbonisation works at the Town Hall, with Fred Perry being leased out to third parties) is the preferred option.
- 8.2 The Financial Case sets out the whole life financial costs associated with the delivery of Option 1 ('Do Nothing') and Option 6. Option 1 is not a viable option as it does not meet the Council's objectives and scores lowest on the cost effectiveness ranking but is used as a benchmark for the preferred option.
- 8.3 A financial model has been developed which sets out the anticipated capital costs, operational costs and disposal receipts associated with the Do Nothing, Do Minimum and other shortlisted options. This highlights the likely timing of investment required from the Council during the intervention period, and any additional operating costs or operational savings which may result.
- 8.4 The capital costs for the options have been estimated by Edge Cost Management based on experience of other schemes and industry standards. The costings are based on the spatial requirements as set out in Appendix 2.
- 8.5 Operational Costs
- Existing operational costs have been sourced from information provided by Robertsons FM. Cost levels post the works have been provided by external cost consultants. Operational cost allowances are set out in detail in the FBC attached at Appendix 1 but based upon the assumptions underpinning the Financial Model, Option 6 realises savings on operational costs of £962k per annum and an increase in rental income of £400k per annum across the estate.
- 8.6 Financial Appraisal

A discounted cashflow model of the each of the options has been prepared over a 27-year period. The cashflow is included in the FBC attached at Appendix 1. The Cashflow Model confirms that Option 6 requires significant capital investment of £17.561m. In the first instance this is to be funded via Decarbonisation grant of £3.133m, with the remaining £14.428m to be funded through Council Borrowing and/or one off Council resource.

The modelling has assumed that the whole £14.428m will be funded via Council borrowing, which at current prevailing PWLB rates produces an annual repayment cost of £0.752m. However, the modelling illustrates that on completion of Option 6 the revenue savings and increased income will total c. £1.576m (as at year 7 of the model) thereby covering the financing costs whilst also creating a saving on the current anticipated running costs of the estate.

As such the analysis suggests that Option 6 will be beneficial for the Council to pursue from a strictly financial perspective.

## **9. Key Risks and Mitigation**

- 9.1 A risk register has been prepared as is included as with the FBC at Appendix 1. Key risks and mitigation strategy have been considered and can be summarised below:

Risk item	Risk description	Mitigating Factors
<b>General</b>		
Stakeholder engagement	Loss of stakeholder engagement at crucial stages of the Project leads to delay in delivery.	Meetings with CLT and Scrutiny have been programmed in before business case goes to Cabinet. Regular Steering Group Meetings are also held.
Project Affordability	As the Project is in its early stages there is a risk that cost increases occur that make the project unaffordable, or that variable assumptions made change to the detriment of the financial position of the Project.	SMBC finance colleagues have reviewed the financial model and are aware of assumptions included. In addition risk allowances have been added to the costs to provide an element of contingency.
Programme	The project experiences delays due to lack of resource, delay in approvals or delays in procurement.	A detailed project plan has been developed and regular updates are given to the Steering Group regarding progress against milestones.
<b>Citizens</b>		
Citizen experience	The Project fails to improve citizen experience and efficiency, and detrimentally impacts it during the refurbishment phase.	Refurbishment works will be programmed to minimise disruption of services. Contractor will be asked to provide specific proposals to this regard. Also mitigated by more Council services going on line due to the pandemic.
<b>Workforce</b>		
Workforce health and wellbeing	The building does not nurture health and wellbeing due to poor design or execution	Ensure the design brief takes account of health and wellbeing factors.
Future working practices	The scope of the Project remains relatively fluid due to the unknown impact of COVID-19 on future working arrangements.	The workforce workstream within the transformational change programme has been working with service leads to understand needs going forwards and developing an overall workforce approach. Space Invaders have been involved with this to translate to internal design requirements.
Staff disruption	There is a higher turnover of staff during the refurbishment due to disruption and change.	The refurbishment period will be minimised, and the return to work process will help to mitigate this risk due to the volume of staff working from home.
<b>Property</b>		
Limitations on scope	A poor design and/or limited project scope leads to limited flexibility and the Council is left with an asset which is limited in value.	A competent, experienced design team have been employed to date to produce internal layouts. Ongoing engagement with the key stakeholder groups will feature throughout the process.
Additional works	Recent survey work has identified the need for roof and façade repair work at the Town Hall. There is a risk that these works impact on the scope of works included for the Town Hall under the contract supported by this business case or that the capital budget is not available for these works as they are not included in the current business case.	The Council is aware of the works required and that the costs have not been factored into the financial modelling for this business case.
Refurbishment cost increases	The refurbishment budget increases as employers requirements are finalised or due to external factors such as materials availability/cost inflation.	Cost consultants have been employed at business case stage and completed detailed costings. Appropriate levels of risk and contingencies have been included.
Heritage Assessment	The Heritage Assessment on the Town Hall has yet to be completed. The results of this survey may impact the scope of works and cost associated with the Town Hall works.	The costs for the Town Hall refurbishment have been prepared by external cost consultants, and include an allowance for general repair works for items such as the marble staircase and ballroom etc. However, no specific provision for heritage items has been included.
Unforeseen conditions	There is a risk that, as more detailed survey work is undertaken, there are unforeseen costs that arise (eg asbestos).	This risk will be managed during the detailed design phase of the project development.
Rental income levels	Tenants are not identified for the excess space, or negotiations are protracted, resulting in rental income within the business case not being delivered.	NHS (Pennine Care) is already taking a significant amount of the excess space, with Heads of Terms agreed.
Operational cost increases	Poor specification of the building systems requirement results in increased operational property cost in modernised offices.	A competent, experienced design team have been employed to date to produce internal layouts. Ongoing engagement with the key stakeholder groups will feature throughout the process.
Maintenance cost increases	Maintenance costs associated with the new office environment increase significantly due to additional complexity within the building, or under investment in some areas.	The analysis in this business case will consider the impact of different levels of initial investment on ongoing maintenance requirements. Whole life cost approach being taken by Robertsons.
<b>Climate</b>		
Council's Net Zero Standard	Council policy is changed to require further Net Zero measures than assumed to date (BREEAM Very Good).	Key Council members are working closely with the Project Team, which allows any impending changes to be fed back through in a timely measure.
Building Efficiency	The project results in poor building efficiency due to poor commissioning or training during implementation of modern building systems.	Detailed handover process to be planned and captured as part of the programme management plan.
Energy Costs	Operational costs increase due to poor environmental specification or performance of modernised offices.	The appointment of a competent, experienced design team who are provided with a comprehensive design brief. Ongoing engagement with the key stakeholder groups in addition to design reviews as part of the programme governance will feature throughout the process.
<b>Socio-economic</b>		
Socio-economic impact	There is a failure to achieve socio-economic regeneration because the design and function of the premises fail to interact with its immediate locality	The design process will involve all key stakeholders in order to help optimise the socio-economic targets. Key stakeholders will have representation on the design sub group as the Project progresses.

## 10. Legal Considerations

None

## **11. Human Resources Impact**

A detailed paper will be brought forward on the strategy to implement new hybrid ways of working.

## **12. Equalities Impact Assessment**

12.1 Equality Impact Assessments (EqIAs) are used by the Council as an equality monitoring tool to ensure and demonstrate that our proposals comply with the requirements of the Public Sector Equality Duty (PSED) to protect individuals from unfair treatment and to promote a fairer and more equal society.

12.2 There are nine protected characteristics defined by law. These are age, disability, gender reassignment, marriage or civil partnership status, pregnancy and maternity, race, religion or belief, sex (gender) and sexual orientation. The full EqIA can be viewed in appendix 4 and shows how we have considered any equality related impacts.

## **13. Environmental Impact**

13.1 The Stockport Climate Action Now (CAN) strategy encompasses all areas of Council operations and influence. There are a number of workstreams within the CAN strategy that link to this project including Low Carbon Buildings, Renewable Energy and promoting positive staff behaviour and enhancing the Council's ambition to create a Climate Friendly Borough. The refurbishment of Stopford House using funds obtained via the Government's Public Sector Decarbonisation Scheme present an opportunity for the Council to demonstrate exemplar behaviour when it comes the refurbishment and operation of the Council's estate.

13.2 It important that the Council not only leads in reducing its environmental impacts but is seen to deliver significant improvements within the Corporate Estate to allow it to take a leadership role within the Borough in order to influence other businesses behaviour and to offer an example of environmental best practice.

13.3 The proposed scheme involves the refurbishment of an existing concrete building, therefore extending its use and economic life, plus improving its viability as an asset. This avoids the need for demolition and construction of a new property and therefore minimises the environmental impact arising from the potential embodied carbon that would arise from such action.

13.4 The proposed refurbishment of the building involves new more efficient building services including an Air Source Heat pump, LED lighting and new Windows for energy efficiency and reduction in the use of fossil fuels. We would look to further optimise energy efficiency as the scheme progresses and costs allow.

13.5 A Building Management System that will enable smart use of the building in terms of efficient use of heating, cooling, lighting and security. It will also allow for more dynamic monitoring of energy use which will enable the potential for future analysis of energy use and give insight for further improvements in how the building is operated.

13.6 Throughout, Stopford we will use materials with low embodied carbon and recycled materials where possible. We are reusing as much existing furniture and equipment as is possible and anything not reused is being recycled within the borough. The companies involved in clearing the furniture and equipment also have a direction to use these assets to provide a positive social benefit for local voluntary groups and charities involving care leavers, staff and other.

13.7 The design and layout of the new office space will appeal to the new flexible working patterns and enhance staff facilities which will reduce the carbon impact of staff by encouraging working from home, thereby reducing the carbon impacts from commuting by reducing the number of journeys, and by encouraging active transport and the use of low carbon travel such as electric vehicles.

#### **14. Conclusions and Recommendations to the Cabinet**

The Cabinet are requested to:

14.1 Note the update on progress with The Town Centre Asset Review and approve the proposals

14.2 To approve inclusion in the Capital programme and funding via prudential borrowing in line with the business case as set out

14.3 Delegate authority for the Deputy Chief Executive (Place) and Deputy Chief Executive (Corporate and Support Services) in conjunction with the Cabinet Member for Resources, Commissioning & Governance to enter into a construction contract and bring forth any necessary planning applications related to the refurbishment of Stopford House.

14.4 Delegate authority for the Deputy Chief Executive (Place) and Deputy Chief Executive (Corporate and Support Services) in conjunction with the Cabinet Member for Resources, Commissioning & Governance and Head of Service (Legal & Democratic Governance) to take the necessary steps to implement the strategy set out in this report.

14.5 To seek delegated authority for the Deputy Chief Executive (Place) and Deputy Chief Executive (Corporate and Support Services) in conjunction with the Cabinet Member for Resources, Commissioning & Governance to implement the strategy for new ways of working (the hybrid model) as set out in this report.

#### **15. Conclusions and Recommendations to the Scrutiny Committee**

15.1 The Scrutiny Committee is recommended to comment on and note the report.

## Supporting Papers & Appendices

### Appendices

Appendix 1 : Final Business Case

Appendix 2: Stopford House Spatial analysis and refurbishment proposals

## BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact on or by email on