

Agenda item:

**Cabinet**

**On 21st December 2010**

Report Title **Administrative Buildings Portfolio – Review of Plan**

Report of **Director of Corporate Resources**

Signed :

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Wards(s) affected: All

Report for Key decision

**1. Purpose of the report**

- 1.1. To seek approval to revisions to the Office Accommodation Plan and strategy for administrative buildings to achieve further reductions in running and capital costs, This will be achieved by a combination of accelerating rationalisation of the office portfolio, restricting capital investment to essential works and maximising efficient use of office accommodation, including the leasing of any spare capacity on a commercial basis.

**2. Introduction by Cabinet Member**

- 2.1. Through its Accommodation and SMART Working projects the Council has already achieved significant efficiencies in its office accommodation as well as providing modern and more flexible working environments. Given the financial challenges facing the Council there is now both a need to identify further efficiencies from this portfolio whilst continuing keep the Council's overall future asset requirements under review.

### **3. State link(s) with Council Plan Priorities and actions and /or other Strategies:**

3.1 The Office Accommodation Strategy is predominantly linked to the Council's priority of **Delivering High Quality Efficient Services** through:

- making the most cost effective use of the Council's office space and reducing the overall cost of office accommodation, including the on-going cost of managing the corporate estate
- providing modern working environments that support SMART working using new technologies and flexible working
- releasing capital value tied up in surplus office buildings so that it can be directed to other Council priorities

It also supports the priority **A Cleaner Greener Haringey** with the Council leading by example, optimising the Council's overall carbon footprint for office accommodation and facilitating reduced staff travel through the creation of an administrative hub and support of flexible working.

### **4. Recommendations**

- 4.1. To agree that the Office Accommodation Plan and strategy be revised in accordance with 4.2 to 4.5 below in order to accelerate and maximise savings and efficiencies in the provision of office accommodation.
- 4.2. To approve a revised schedule of office buildings for disposal or retention as set out in para 7.7.3 including the addition of 476 High Road N17. To agree to retain in the medium term the Civic Centre and Apex House.
- 4.3. To agree that planned office refurbishments be scaled back to essential works only or works that are required to implement the revised Accommodation Plan.
- 4.4. To agree the marketing and leasing of surplus space within Council office buildings on a commercial basis.
- 4.5 To note the revised financial implications as set out in paras 8 and 12 and amend the Council's capital budget accordingly.
- 4.6 That the Council's office portfolio and overall asset requirements remain under review taking account of any changes arising in demand for premises as a result of general budget reductions and revisions in the way services are delivered.

### **5. Reason for recommendation(s)**

This report identifies savings and efficiencies from the office accommodation portfolio which will contribute to the overall cost reductions which the Council is required to achieve.

## **6. Other options considered**

The proposals relate to a necessary adjustment to existing plans in order to respond to changing pressures therefore other options have not been considered.

## **7. Summary**

- 7.1. The Office Accommodation Strategy developed by the Council in 2002/3 established the principle of creating an administrative hub in Wood Green, using modern space-efficient office models and disposing of less suitable buildings which were rendered surplus to requirements. An Accommodation Plan was subsequently drawn up comprising a programme of investment in office buildings in the Wood Green hub and an accompanying programme of disposals as surplus office buildings were vacated.
- 7.2. The Cabinet on 14<sup>th</sup> October 2008 approved a second phase, aimed at further increasing the effective use of Council office buildings and earmarking additional buildings for disposal. Proposals for the associated re-location of Civic facilities (such as the Council Chamber and Committee rooms) to Woodside House were also considered in 2008 but plans were subsequently put on hold on cost grounds.
- 7.3. The investment in modernised workspaces was developed around a self-funding arrangement from the sale of freehold properties. The second phase of the programme since 2008 has delivered agreed building disposals with consequent revenue savings of £1m per annum from a target of £1.45m and associated benefits such as carbon footprint reductions and the triggering of regeneration opportunities on disposed sites.
- 7.4. The downturn in the property market and the anticipated changes to staff structure and numbers have led to the programme being put on hold whilst a comprehensive review was carried out. The review considered how to deliver the remaining £450k from the original target of £1.45m and additional savings required as part of the efficiency programme (£400k). More recently the review has also focused on the need to accelerate and maximise the achievement of efficiencies in the office portfolio in response to the challenges arising from the Government's Comprehensive Spending Review.
- 7.5. The revisions to the Accommodation Strategy and Plan currently proposed are aimed at reducing revenue and capital costs whilst maximising the efficient use of office space and continuing to provide modern working environments which are sufficiently flexible to match changing demands. The proposed changes to the current Accommodation Strategy and Plan are set out in paras 7.6 to 7.8 below.

### **7.6 Accommodation planning and office refurbishments**

7.6.1 Detailed space allocation plans will be developed and kept under review taking into account changes to service delivery, revised staff structure and numbers. Planned refurbishments of offices will be postponed or scaled back to essential works or work required to implement the revised Accommodation Plan.

## 7.7 Office Disposals Programme

7.7.1 It is proposed that as far as practicable, building disposals be achieved at the earliest opportunity (for instance terminating leases before expiry where vacation can be achieved). Freehold disposals will be considered on a case by case basis according to market conditions but where immediate disposal is not advised, action will be taken to reduce building spend and to ensure readiness for marketing and disposal at the appropriate time.

7.7.2 With regard to specific buildings it is now proposed that an additional office building (476 High Road N17) be brought into the disposals programme with staff re-located within the overall portfolio. Apex House N15 was originally earmarked for disposal before 2012. However given current property market conditions and the cost of re-providing accommodation for services operating from the building, it is proposed that this building be retained in the medium term (five years). Likewise, following the earlier decision to put on hold the re-location of civic facilities to Woodside House, it is also proposed that the Civic Centre be retained in the medium term and re-utilised with minimal investment.

7.7.3 The proposed schedule of office buildings for disposal or retention is consequently as follows:

### Offices to be retained subject to ongoing review

River Park House N22 (freehold)  
Alexandra House N22 (leasehold)  
48 Station Road N22(leasehold)  
38 Station Road N22 (leasehold)  
40 Cumberland Road N22 (leasehold)  
Woodside House N22 (freehold)  
639 High Road N17 (freehold)  
Compton Crescent N22 (freehold)  
Civic Centre N22 (freehold)  
Apex House N15(freehold)

### Planned disposals

Hornsey Town Hall N8 (freehold)  
Broadway Annexe and Mews Studio N8 (freehold)  
Weston Park Annexe N8 (freehold)  
247 High Road N22 (leasehold)  
13-27 Station Road N22 (freehold)  
5 St George's N22 (leasehold)  
476 High Road N17 (leasehold) - additional building earmarked for disposal

#### 7.8 Efficient use of Office Space

7.8.1 In addition to the continuing implementation of space-efficient office models supporting flexible working practices, it is proposed that any suitable accommodation becoming surplus within the retained office buildings should be leased on a commercial basis.

### **8. Chief Financial Officer Comments**

8.1. On going revenue savings of £1.0m have been realised to date as stated in paragraph 7.3, contributing to a pre-agreed target.

8.2. The downturn in the property market and more significantly the anticipated changes to total staff numbers and structures due to the expected significant reductions to Haringey's grant settlements has necessitated a comprehensive review of the previous programme.

8.3. The revised office accommodation plan as recommended in this report focuses on maximising the use of existing assets particularly those owned by the Council whilst restricting capital investment to a minimum especially in leased buildings. Furthermore, it is proposed to maximise the return on any spare space capacity through leasing.

8.4. Paragraph 12.0 sets out the forecast on-going revenue savings to be delivered over the period 2011/12 – 2013/14 which total £1.285m. The majority will be achieved through the net savings from the proposed disposals / lease expiries set out in para 7.7.3 however, to ensure maximum use of retained assets is achieved, circa £0.300m is planned from commercial lets.

8.5. The capital investment proposed for the revised plan now assumes full continuing use of the existing Civic Suite and Woodside House, rather than a replacement which significantly reduces previous forecasts of capital expenditure. The reduced programme assumes expenditure of £1.4m and £1.4m spread over the two years 2011/12 and 12/13 (a total of £2.8m). The expenditure is focused on works to deliver SMART working (essential to realising revenue savings), and essential Health & Safety works. Disposals of surplus property within the office portfolio already earmarked for delivering the Accommodation Strategy are forecast to achieve £2.8m over the same period which will fully cover the planned expenditure.

## **9. Head of Legal Services Comments**

- 9.1 The Accommodation Strategy seeks authority from the Cabinet to deal with various property assets. As there are a number of properties involved and each may be held for different purposes and under different leases it is not possible to provide advice on each one of them. There is no legal impediment preventing the Council from making the decision set out in the recommendations contained in this report.
- 9.2 The Council holds properties for various purposes and has various powers of disposals governed by various legislations. Where the authority is to dispose, legal advice must be sought on the relevant statutory power to dispose of these properties as this may have an effect on the way the Council can dispose of them. For example general fund properties can only be disposed of for best consideration unless the Council seeks to rely on its well being powers and properties held for housing purposes cannot be disposed of without the consent of the secretary of state.
- 9.3 Where the property is held under an unexpired lease without any tenant's break clause the Council would have to agree a surrender with the landlord. The landlord whilst not obliged to accept the surrender may do so if he is compensated for loss of rent and any dilapidation. Again legal advice must be obtained on how best to either surrender or dispose of the properties that are held under leases so as to minimise the Council's liabilities.

## **10. Equalities & Community Cohesion Comments**

The Office Accommodation Strategy has supported easier access to services with the separation of back office functions from strategically located service access points. The associated programme of office refurbishment and disposal has led to an overall improvement in disabled access to these buildings.

## **11. Consultation**

These proposals have been discussed at the Accommodation Delivery Board and the SMART working Stream Board.

## **12. Service Financial Comments**

- 12.1 As a result of planned disposals, savings in premises costs of £985k will be achieved by 2013/14. The proposal under paragraph 7.8 to let out surplus office space will generate income and offset proportionate premises running costs estimated at £300k p.a. These estimated savings of £1.285m meet the target of £850k and contribute an additional £435k towards future savings requirements.
- 12.2 The Capital costs of implementing the revised strategy are reduced by £13m predominantly through the removal of the Woodside House redevelopment and the refurbishment of 40 Cumberland Road. Essential Health & Safety works on the buildings now being retained and the cost of implementing the remainder of the SMART working programme, will require Capital expenditure of £2.8m over the next

two years. This will be funded by the disposal of £2.8m of surplus property within the office portfolio earmarked for the Accommodation Strategy.

**13. Use of appendices /Tables and photographs** (None)

**14. Local Government (Access to Information) Act 1985**

14.1. **Background Documents:**

Minutes and Report to Cabinet on Accommodation Strategy – 14<sup>th</sup> October 2008