

**Report for:** Cabinet 18 October 2016

**Item number:** 25

**Title:** Future Council Office Accommodation Strategy

**Report authorised by:** Lyn Garner, Director of Regeneration Planning and Development

**Lead Officer:** Jon McGrath, Assistant Director Corporate Property and Major Projects

**Ward(s) affected:** Noel Park, Woodside, Hornsey

**Report for Key/  
Non Key Decision:** Key

## **1. Describe the issue under consideration**

- 1.1. The Council's existing office accommodation is located on prime development land and regeneration sites as detailed within the Wood Green Area Action Plan and Investment Framework Cabinet report issued and approved on 19 January 2016. In order to deliver the regeneration of Wood Green, also captured in the Corporate Plan, the Investment Framework proposes relocating the council office towards the Clarendon Road/ Coburg Road area, to release prime accommodation for redevelopment and to encourage a significant footfall to walk away from the High Street, creating depth to the currently narrow retail strip.
- 1.2. The existing accommodation the Council occupies is deteriorating, expensive to run and no longer fit for purpose. No one building is of sufficient size to accommodate the requirements of the Council in the future. The existing office sites are included in the Haringey Development Vehicle. In order to enable that development to take place the buildings will need to be vacated. Moving to a single new building will create an opportunity to save on the Council's revenue costs, reduce the amount of space the Council occupies and its Carbon footprint. It is proposed that the Council accommodation is relocated on a single site in Coburg Road Wood Green where the Council holds a number of key freehold interests. The report seeks the funding required to negotiate the purchase of the leasehold interest in two potential sites set out in Part B of this report.
- 1.3. The Future Ways of Working (FWoW) Programme will act as an enabler for Council services to implement the Corporate Plan and priorities as they pursue a better way to deliver services to the public. This report also seeks approval of funding for the remainder of this financial year to enable the completion of a Business Case on the Future Ways of Working programme which is critical to ensure that the new office is efficient, fit for purpose and aligned to the future size of the Council. The business case will fully define the delivery costs of the programme for the next five years.

## 2. Cabinet Member Introduction

- 2.1 Wood Green is at the heart of our Borough and is home to a strong, diverse and mixed community. The existing accommodation is on prime development land which could be used to kick start the regeneration of Wood Green and attract the investment needed to improve the area for our residents.
- 2.2 The existing Council accommodation is dated and not really suitable for the Council's services or aspirations. Not one of the existing buildings in Wood Green is suitable for a consolidated council office. Our largest site River Park House has reached the end of its life and we experience constant problems, resulting in significant maintenance expenditure.
- 2.3 The Council need one new efficient building in line with a number of other Local Authorities seeking to provide a cost effective solution to their accommodation needs.
- 2.4 A new building will need new ways of working if we are to maximise the full benefit. The Future Ways of working Programme will allow us to properly manage that change.

## 3. Recommendations

### 3.1 Cabinet is asked to agree:

- a) To note that a bid for £425,000 from the Transformation Fund has been submitted to Resources Priority Board in order to appoint a Programme Team to deliver the Future Ways of Working programme to complete the business case over the remainder of 2016/17. The business case will be brought back to Cabinet with a five year plan for the delivery of the programme;
- b) That the head leasehold interest in the sites set out in Part B of this report be acquired by the Council. A budget of up to £10m be approved to acquire both head leases from the Council's site acquisition fund. That the final price and heads of terms for both sites be delegated to the Director of Regeneration, Planning and Development in consultation with the Section 151 officer and Lead member for Corporate Resources;
- c) That if the headlesses cannot be acquired, then in the alternative, a joint venture be agreed with the head lesses in order to procure the building of both sites or either site within the same budget as in (b), and the heads of terms of the joint venture be delegated to the Director of Regeneration, Planning and Development in consultation with the Section 151 officer and the Lead member for Corporate Resources.
- d) That the sites identified in Part B of this report be included as a site for the HDV and become part of the Competitive Dialogue process and to note that the details of the delivery of the new office development will be reported at a future Cabinet.
- e) That the S151 officer be delegated responsibility to re-profile the budget for the Site Acquisition Fund as necessary to deliver the programme of acquisitions.

## **4. Reasons for decision**

- 4.1. The financial, economic, social and technical environment in which the council now operates requires the implementation of further efficiencies in the way the council works.
- 4.2. The Future Ways of Working programme will support the delivery of the Corporate Plan and the Council of the Future, providing a skilled, agile workforce, aligned to the Council's values.
- 4.3. The existing council accommodation is costly and no longer fit for purpose and does not support the future requirements of the council.
- 4.4. The current office buildings in Station Road, River Park House and the Civic Centre are prime regeneration sites as identified in the Investment Framework and subsequently included in the Haringey Development Vehicle.
- 4.5. In order to meet the future requirements of the council and the regeneration of Wood Green, the council requires a new office building to be procured to house the Council's future staff requirement so that the current accommodation can be vacated for redevelopment.
- 4.6. A site options appraisal has identified two potential sites which are Council owned as set out in Part B of this report. Both are subject to head leases one of which will need to be acquired to enable development.
- 4.7. Both sites should be acquired on the basis that they are both significant strategic sites which the Council would control and provide an opportunity to promote a new employment based development as well as the Council's office accommodation requirement as part of the Placemaking strategy in Wood Green.

## **5. Alternative options considered**

- 5.1. The continued funding cuts imposed by Central Government, provides us with no alternative other than to implement a significant transformation programme to enable services to deliver the Corporate Plan and Priorities. The programme will need to deliver significant cultural change to increase the flexibility and agility of staff, improve their capabilities and skills and ultimately embed a culture where staff are committed to delivering customer expectations and provide an excellent service.
- 5.2. A number of options have been considered for the future accommodation requirements, the first being the refurbishment of River Park House and Alexandra House as a future central office for the Council. This option was reviewed when the Council was seeking to purchase the Alexandra House freehold, the Council were outbid in this purchase and we currently remain as a tenant. The rental of potentially up to £1m pa or an attempt to again purchase the freehold is considered not to be financially viable. River Park House is not big enough as a sole office and therefore the site would gain greater benefits as a regeneration site within the HDV.
- 5.3. Redevelopment of the existing Civic Centre site was assessed, but the building is considered to have reached the end of its useful life as accommodation for council services. The Investment Framework does not support an office development in this area and it would not aid the regeneration of the High Street.
- 5.4. The final option is to build a new office development. The Area Action Plan, January 2016 Cabinet Report suggested the Council offices be developed in the Clarendon Road/ Coburg Road area in order to create a footfall flowing through a green link towards Alexandra Palace Park and therefore start to add depth to the narrow High

Street. Two current freehold sites considered in this area are set out in Part B of this report.

- 5.5. We considered splitting front office (civic centre, library, customer services) and back office (staff accommodation) between the High Street and the Clarendon Road area. However, the footfall created by visitors to the Council office and use of the new east/west link will increase regeneration potential for the area and increase the likelihood of adding depth to the High Street through an increased commercial offering. In addition, the current Library site would be made available for development with all services located to one building in Coburg Road.
- 5.6. It is proposed that both site options are pursued allowing the Council to control to provide both the new accommodation as well as ensure suitable employment space is retained in the area.

## **6. Background information**

- 6.1. Haringey is currently developing a comprehensive spatial and economic plan for Wood Green (Investment Framework) and a planning policy framework (Area Action Plan) to unlock the potential of Wood Green to deliver new residential and employment over the coming 5-20 years.
- 6.2. This work is based on a vision and objectives agreed by the Council in October 2014 that Wood Green will be a dynamic, distinctive and accessible town centre, offering new homes, a choice of high-quality shops and vibrant leisure and cultural attractions all of which local people are proud to call their own, with clear accessible links from the town centre to Haringey Heartlands, Alexandra Palace and the rest of the borough.
- 6.3. Part of the AAP's scope is to progress proposals for the east west corridor linking the existing Library site and Alexandra Palace. This east west link will be a series of civic spaces changing in character from the High Road to the Park, creating an urban framework for the new employment and residential development.
- 6.4. Scenario 4 of the January 2016 Wood Green Area Action Plan Cabinet Report, has been modelled for the new council offices with the Council acting as a catalyst for change in relocating to a new office in Coburg Road.
- 6.5. By moving to a new single office building the Council will free up the following sites for redevelopment, these have an estimated combined development value of over £50m and will form part of the HDV:
  - River Park House
  - 38-46 Station Road
  - 48 Station Road
  - 40 Cumberland Road
  - Wood Green Civic Centre
  - Wood Green Library site.

### **Existing Office Portfolio**

- 6.6 The existing portfolio is sporadic and reaching the end of its useful life. Actual annual spend was £4.46m in 2015/16, with an average planned maintenance on the estate of £350k pa, which is circa £1.5m pa lower than industry standard.

Consideration also needs to be given to the extent of critical backlog maintenance which forms part of the Capital Works Programme, which has shown over the last three years an upward trend in the level of maintenance works appearing as major projects, this reached £900k in 2014/15 and exceeded £1m in 2015/16. The current revenue costs of the existing buildings are:

#### 6.7 Baseline existing office accommodation costs:

Baseline Portfolio 2015/2016		
Address	Tenure	Existing Revenue
River Park House	Freehold	£ 1,068,389
PDC Building	Freehold	£ 193,572
247 High Road	Freehold	£ 48,894
Apex House	Freehold	£ 192,733
Station Rd (38-46)	Freehold	£ 63,048
Station Rd (48)	Freehold	£ 397,453
5 River Park Road	Freehold	£ -
Wood Green Civic Centre	Freehold	£ 485,465
Wood Green Library	Freehold	£ 58,465
Woodside House	Freehold	£ 83,010
40 Cumberland Road	FH/ LH	£ 697,296
Alexandra House	Leasehold	£ 1,178,540
		<b>£ 4,466,865</b>

- 6.8 The backlog maintenance is currently valued at £8m, but is based on limited information and not on formal surveys or planned maintenance programmes, which will inevitably see an increase in this cost. Based on the level of annual maintenance, the age of the buildings and the last refurbishment works, Cushman & Wakefield conclude that the spend over 25 years will be £30m.
- 6.9 Apex House has now been sold. The rent review for Alexandra House was due February 2016 and is currently being negotiated. The current rent is £550k per annum and is included within the table above; the proposed rent subject to negotiation/agreement is £900k per annum and is not currently accounted for above. The head lease was acquired at 40 Cumberland earlier this year with a saving in rent payable of £318,990 per annum (currently profiled in the table above).
- 6.10 The vision for the Council is to consolidate into one main Council office and enable a truly flexible and agile environment in line with the Corporate Plan. This would require an office footprint of 11,400 sq.m NIA. The largest existing single office is River Park House at 4,953 sq.m. Alexandra House which is adjoined is a further 4,149 sq.m, but is a leasehold site. The purchase of the freehold is likely to cost £15m, which when added to a full refurbishment, is not considered value for money as the life of the structural asset is limited due to the age of the building.

#### Future Ways of Working

- 6.11 In order to implement a new Council office building a number of governance options were considered and a preferred option chosen to create a Future Ways of Working Board with delivery streams 'People', 'Process', 'Place' and 'Technology'. This Future Ways of Working programme will therefore act as an enabler for council services to deliver the corporate plan and priorities as they pursue a better way to deliver services to the public.

6.12 The Programme Vision is as follows:

*Our **People** will be empowered to work from anywhere with streamlined **Processes**, improved **Technology** and a **Place** to collaborate with colleagues and partners in order to deliver improved, more responsive and high quality services.*

**People – becoming an even better place to work**

- Our values resonate with our staff who are proud to work for Haringey
- Retain and attract talented staff who have the skills, experience, competence and confidence to take advantage of the Future Ways of Working opportunities afforded to them
- A leaner organisation where staff work flexibly and efficiently to deliver seamless services with colleagues and partners
- Our staff achieve their own work - life balance while optimising their productivity and delivering high quality services
- An organisation that communicates openly, honestly, positively and pro-actively with staff involving and supporting them through change

**Process – making everything we do easier, faster and better**

- Simpler processes to enable staff to be more productive and efficient
- Empower and enable our residents to self-serve whenever possible and contact us for more complex matters
- Processes which support continuing innovation and transformation within the Borough
- Processes which make it easier for our partners to work with us increasingly efficiently and effectively

**Technology – implementing the right tools and technology**

- Implement technology to give staff the capability to work from anywhere and facilitate more joined up and integrated working
- Become digital by default to access information from anywhere
- Systems are easy to use, secure, fit for purpose, forward looking and future proof
- Align our service offer with the technology used by our residents, customers and partners, using this to maximum benefit

**Place – having the right places to deliver quality services effectively, flexibly and collaboratively**

- Consolidate our existing accommodation to reduce our office costs to enable investment in other services
- To create a variety of modern, fit for purpose and cost effective workspaces and facilities that enable staff to work more effectively, flexibly and collaboratively with colleagues and partners
- Have one main council office by 2021 for the majority of our staff

6.13 Funding is required to set up a programme team to deliver the future ways of working programme and a bid for funding of £425,000 from the Transformation Fund has been submitted. To enable the completion of the business case The business case will be brought back to Cabinet with a five year plan for the delivery of the programme.

## Accommodation Options Appraisal

### 6.14 Scale of office requirement

	Nr	Unit	Comment
Assumed Staff Number	2,000	FTE	The Workforce Plan forecasts 2,200 staff by March 2018. Not all of these are office based and we are retaining Woodside House. Our assumed requirement for the new office in 2021 is 2,000 FTE
Workstations	1,000		The Future Ways of Working Programme will facilitate the next stage of flexible working and with advancements in technology a 2 staff to 1 desk should be achievable
Office Area (NIA)	9,000	sq.m	Industry standard of 9sq.m / workstation
Library/OSS (NIA)	1,700	sq.m	Based on existing Wood Green Library
Democratic Space (NIA)	700	sq.m	Committee Rooms, Mayor's Parlour and Council Chamber
<b>Total Area (NIA)</b>	<b>11,400</b>	<b>sq.m</b>	
GEA Multiplier	+25%		Industry standard multiplier
<b>Total Area (GIA)</b>	<b>14,250</b>	<b>sq.m</b>	

- 6.15 Scenario 4 of the Wood Green Area Action Plan indicates site areas and building height data. The office accommodation data above does not fill any of the reviewed sites and so we have assumed that the development will be maximised and any spare capacity will be created as residential, this mimics how the Haringey Development Vehicle would develop the site and gives the council the opportunity to create income to offset against the new build office costs.
- 6.16 Cushman & Wakefield have undertaken a financial options appraisal on two freehold sites owned by the Council. These are set out in Part B of this report.
- 6.17 The two sites are subject to head leases which expire in 2075. Financial details are set out in Part B of this report.
- 6.18 See Part B of this report
- 6.19 This proposal assumes a consolidation of a number of council activities on a single site effectively releasing other sites in the council's property portfolio for alternative mixed use development through the HDV. This will inevitably bring a cost benefit to the other sites through competitive dialogue discussions and essentially offset the total build cost through future HDV dividends.

### Funding requirement

- 6.20 Costs are currently being worked up as part of the Outline Business Case for the Future Ways of Working. In order to determine the full costs of the programme taking into account delivery as part of business as usual activities, we need to develop a Full Business Case. By March 2017 this will be defined and we intend to return for Cabinet approval for the full five year programme. To deliver this next stage of work through to March 2017 and define the full funding requirements we require £425,000 for the remainder of this financial year.
- 6.21 The purpose of the Full Business Case, a mandatory part of the business case development process, is to:
- Identify the optimum VFM scheme;
  - Set out the commercial and contractual arrangements for the programme;
  - Solidify the financial benefits – ensuring that they are not double counted;
  - Demonstrate that it is 'unequivocally' affordable; and

- Put in place the detailed management arrangements for the successful delivery of the scheme.
- 6.22 A detailed analysis of the development and delivery timetable will be reported to a future Cabinet.
- 6.23 The cost of purchasing a site is dependent on negotiations with a budget of upto £10m (inc. Fees and Stamp Duty) proposed from the Council's Acquisition fund to be approved.

## **7. Contribution to strategic outcomes**

- 7.1 This decision shapes Haringey's Future Ways of Working Strategy which in turn informs the wider Wood Green Investment Framework (WGIF). The WGIF includes potential for:
- New residential development;
  - Major public realm improvement;
  - Better quality retail and leisure environments;
  - New links to the semi-industrial area to the west of the town centre ('Haringey Heartlands') and Alexandra Palace; and
  - Maximising the potential of the Council's own town centre assets and the new transport interchanges with Crossrail2.

An appropriately designed fit for purpose office also offers potential for sub-let to other organisations should Council space requirements decline, thereby increasing the supply of mid-market office accommodation in line with Economic Development aspirations to diversify the employment base in Wood Green.

## **8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**

### **8.1 Finance**

8.1.1 There are a number of financial implications arising from this report:

- There is reference to backlog maintenance of £8m to maintain the existing buildings. There is currently a budget of £7.5m profiled over 3 years within the approved capital programme for maintenance of all corporate and commercial buildings.
- The report contains details of the current running costs of the office buildings but does not include any estimates of future costs of the new building once in use. It is not possible therefore at this stage to quantify any revenue or investment savings from the option proposed. In addition, this report seeks approval to include the site(s) in the HDV and financial details and impact will not be known for some time.
- However, this report merely seeks approval to purchase the head leases of two buildings where the current proposal is to relocate the combined new office accommodation.
- The acquisition of the two sites has an estimated value of £10m. There is currently an approved capital scheme for site acquisitions to support



regeneration activity. The total value of the budget is £46.75m and the profile over the capital strategy period is set out below:

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Site Acquisitions Fund	16.75	10	10	10

- Of the £16.75m, £12.6m has already been spent in 2016/17. Detailed forecasting of any other planned acquisitions will be incorporated into the quarter 2 capital monitoring and there may be additional funds already committed. In order to fund the proposed acquisitions, it will be necessary to bring forward future years' budgets and the report recommends that authority is delegated to the S151 officer to authorise the re-profiling.
- Delegating authority to the S151 officer to re-profile future years' budgets will allow the Council flexibility to act quickly when key sites in regeneration areas become available.
- Details of the current lease are set out in Part B of this report. There will be a delay between the acquisition and the date which proposals for the site will be implemented. There is likely to be increased income from these buildings during the 'meanwhile' period. Once definite plans are available, these can be financially assessed.
- A bid for £425k from the transformation fund has been submitted to Resources Priority Board for approval. The S151 officer has delegated authority to approve any such transfers in line with the reserves policy. Confirmation has been received that there are sufficient funds to support the proposed transfer.

## 8.2 Procurement

- 8.2.1 Head of Procurement has no objections to the recommendations made in this report.
- 8.2.2 More meaningful comments will apply once we have procured the relevant services to support the Business Case in the respective award reports

## 8.3 Legal

- 8.3.1 The Council's statutory power to acquire the sites are contained in Section 120 of the Local Government Act 1972 which allows the Council to acquire land by agreement any land the purposes of their functions under this or any other enactment or the benefit, improvement or development of their area.
- 8.3.2 Once the headlease of both or either site is acquired, if it is to be included as part of the portfolio of properties to be developed under the HDV, then it will involve the disposing the sites to the HDV. The inclusion of sites in the HDV may be dependant on the timing of their proposed acquisition. Further legal advice may be required in relation to this matter. The Council's powers to

dispose of land is contained in Section 123 of the Local Government Act 1972 providing the disposal of the sites to the HDV is for best consideration.

8.3.3. If the head leases of both or either site cannot be acquired, authority is being sought to agree a joint venture with the head lessee in order to procure a building on either site. Whether a joint venture is a good alternative delivery model should be the subject of a business case to establish if there is a shared vision about delivering the objectives of this programme.

8.3.4 Funding to acquire the sites must be within the budget set by Full Council and approved Council policies.

## 8.4 Equality

8.4.1 The Council is subject to the Public Sector Equalities Duty (“PSED”) set out in section 149 of the Equalities Act 2010 which obliges the Council in performing its functions “to have due regard to the need to:

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it”.

8.4.2 The protected characteristics under the legislation are age, sex, ethnic origin, sexual orientation, disability, religion or belief, pregnancy or maternity and gender reassignment, marriage and civil partnership.

8.4.3 An equalities impact assessment screening tool has been undertaken in relation to the provision of a new Council office building and the impact that this may have on staff. The impact on staff has been assessed as not being significant in terms of equalities and a full EQIA is not required. Coburg Road is located 5 minutes from Station Road within walking distance of Wood Green Station and local bus routes.

## 9. Use of appendices

- Appendix A – See Part B of this report – contained in the exempt part of the agenda.
- Appendix B – See Part B of this report – contained in the exempt part of the agenda.

## 10. Local Government (Access to Information) Act 1985

This report contains exempt and non exempt information. Exempt information is contained within Part B and **is not for publication**. The exempt information is under the following category (identified in amended schedule 12A of the Local Government Act 1972):

S. (3) Information relating to financial or business affairs of any particular person (including the authority holding that information).

