



**Brighton & Hove  
City Council**

# **COUNCIL ADDENDUM**

**4.30PM, THURSDAY, 24 OCTOBER 2013**

**COUNCIL CHAMBER, HOVE TOWN HALL**



# ADDENDUM

## ITEM REFERRED TO COUNCIL FOR INFORMATION

ITEM		Page
41.	<b>MODERNISING THE COUNCIL – WORKSTYLES PHASE THREE</b>	<b>1 – 28</b>

Report of the Executive Director for Finance & Resources (copy attached).

**Note:**

This report was referred to the Council for information from the Special Meeting of the Policy & Resources Committee held on the 12<sup>th</sup> September 2013. An extract from the minutes of that meeting has been included in the Council agenda papers on pages 165 - 169.

*Contact Officer:*                      *Angela Dymott*                      *Tel: 29-1450*

*Ward Affected:*                      *All Wards*



<b>Subject:</b>	<b>Modernising the Council - Workstyles Phase Three</b>		
<b>Date of Meeting:</b>	<b>12<sup>th</sup> September 2013</b>		
<b>Report of:</b>	<b>Executive Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Angela Dymott</b>	<b>Tel:</b> 291450
	<b>Email:</b>	<b>Angela.dymott@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

**1. SUMMARY AND POLICY CONTEXT**

1.1 The Corporate Plan sets out the council's priorities, the fourth of which is Modernising the Council. The outcomes under this priority are:

- Good governance & leadership;
- A high performing workforce;
- Excellent customer service; and
- Value for money.

The council's Workstyles programme is an integral and cross cutting part of Modernising the Council. Its focus to date in the first two phases has been driven by a need to reduce our use of office accommodation to deliver financial and carbon savings and to improve key customer access points in Hove Town Hall and Bartholomew Square. This report seeks approval for Phase 3 of the Workstyles programme which builds on those successes.

1.2 The programme is bold in scale and scope and will fit alongside the council's broader organisational development. In addition to disposing of surplus property, it will generate funding for essential investment in the council's property and ICT infrastructure. Providing up to date technology and an appropriate working environment is an essential part of improving the efficiency of services and contributing to the council's broader budget savings requirements.

1.3 Policy & Resources Committee on 11<sup>th</sup> October 2012 received an outline business case for this next phase of the Workstyles programme and requested further detailed work be undertaken on the two shortlisted options. This report provides an update on the detailed business case, design, initial consultations and preparatory work to test those options and recommends a preferred way forward.

**2. RECOMMENDATIONS:**

That Policy & Resources Committee:

2.1 Notes the findings of the updated business case and options appraisal for the two previously shortlisted options for implementing Workstyles Phase Three (Option A and B).

2.2 Notes the risks and financial liabilities associated with the "no change" Option C

- 2.3 Approves the implementation of Workstyles Phase Three through Option A which incorporates the refurbishment of Hove Town Hall to modern environmental and technological standards and the re-location of the remaining services and staff from Kings House,
- 2.4 Grants delegated authority to the Executive Director Finance & Resources to commence appropriate engagement and communications and to implement the works associated with Option A in full.
- 2.5 Agrees to i) the disposal of the freehold of Kings House and ii) the grant of long leases in respect of 76-79 and 80 Buckingham Road and iii) lease areas of Hove Town Hall associated with Option A, on terms to be negotiated by the Valuer and Head of Legal Services.
- 2.6 Agrees that the Executive Director Finance & Resources can use her delegated authority to approve the detailed terms of the disposals referred to in recommendation 2.5 provided that they are certified to be the best consideration obtainable by the Valuer and that the Head of Legal Services is authorised to complete all necessary documentation required in connection with such disposals.

### **3. RELEVANT BACKGROUND INFORMATION**

- 3.1 Since the Policy & Resources Committee in October 2012 a large amount of work has been done to develop the detailed business case and test the two shortlisted options through soft market testing, assessing planning assumptions and financial analysis. The learning points from Workstyles Phases 1 and 2 have helped to inform the development of the Phase 3 business case.
- 3.2 Workstyles Phase 3 is a key part of Modernising the Council and will continue to create revenue savings and capital receipts for the council over the next 5-8 years and provide investment to meet some significant ICT and backlog maintenance property revenue costs. Workstyles underpins the planned changes to the way we work and deliver services to our citizens and efficiencies will be significantly enhanced by closer collaboration and synchronised delivery with the two other main council modernisation cross cutting programmes; Business Process Improvement (BPI) and Customer Access (CA). The overall implementation of this next complex, broad programme will take about 3 years, aiming to complete around December 2016.
- 3.3 Property & Design and Financial Services have examined three options. Options A or B will complete the Workstyles programme and are the two options previously shortlisted, whilst Option C is the 'do nothing' approach. It is clear from this detailed work that Option A will produce the most benefits and opportunities to change the way we work and deliver service improvements.

The recommended Option A proposes to dispose of Kings House and Buckingham Road and populate Hove Town Hall to its capacity making the best use of redundant space for the public, staff and elected members through a comprehensive building refurbishment supported by modern technology. This would also enable about a quarter of the building to be released for commercial use. This option entails substantial investment and will enable improved service delivery to our citizens and opportunities for significant productivity efficiencies, a

modern working environment, a reduction in carbon emissions and create potential new housing.

Option B proposes to dispose of about 60% of Hove Town Hall, refurbish the remainder and purchase another office building 'X' in the city to be identified to accommodate staff, elected members and ancillary facilities. This option is financially expensive and carries great risks due to the lack of suitable, sustainable office accommodation in the city and the need to dispose of a greater proportion of Hove Town Hall and would also result in Hove Town Hall no longer operating as a civic space (for example for public meetings).

Option C is the "no change" option that has significant financial liabilities in terms of the maintenance and life cycle costs for Kings House and Hove Town Hall. It also perpetuates inefficient use of space and does not enhance our ICT infrastructure. It would make no contribution to the council's delivery of further efficiency savings to support its budget savings requirements either directly through reduced property costs or indirectly through facilitating efficiency and productivity gains.

The detailed options appraisal is set out in **Appendix 1**.

- 3.4 Option A, through the significant investment it generates, offers the best opportunity to change the way the council works using the same workstyle principles as phases 1 and 2. It would incorporate the learning from those phases to better align property moves and new technology with service business process reviews. This creates the environment for delivering additional productivity savings to support the council's budget savings requirements.
- 3.5 Having implemented Phases 1 and 2 of Workstyles, it is essential that the vast majority of the remainder of the council is brought into the scope of the programme. It will include the services and staff in Hove Town Hall, Brighton Town Hall, Kings House and Portslade Town Hall who have not been covered by previous phases, together with the relinquishing of further leased buildings and disposals of surplus property where services are currently located. Phase 3 will affect approximately 1,400 office based staff, excluding those working in council premises other than administrative buildings such as schools, day centres and the Housing Centre at Moulsecoomb

## **4 COMMUNITY ENGAGEMENT & CONSULTATION**

- 4.1 Public consultations through the local authority planning process will be carried out through the relevant services.
- 4.2 The workstyles programme is one cornerstone of the activity that supports the modernisation of the Council and work is underway to actively engage our workforce in what working for a modern and forward looking organisation means for them and how we realise our ambition for an adaptable and flexible workforce that supports continuous service improvement.
- 4.3 Staff engagement and consultation is an integral part of the planning for each aspect of the workstyles project. Unions have been regularly kept up to date with the programme as well as being involved in team moves. The project planning includes extensive time for engagement with staff and services at all levels. This would include the design of offices, co-location of teams, learning needs and specific needs of individuals.

- 4.4 The programme of staff engagement and development that has been designed to support the change management process of moving teams to new ways of working and in particular into re-styled accommodation. Staff engagement and active consultation is a key part of the planning for each team relocation and we review and update the development programme to reflect any new learning or insights. There is an established process of team champions to ensure effective involvement and good lines of communication within teams who are planning for change.

## 5 FINANCIAL, LEGAL, EQUALITIES & OTHER IMPLICATIONS

### 5.1 Financial Implications:

The full financial implications for the workstyles investment programme are detailed in **Appendix 2** – Financial Implications Summary and Tables that shows the investment cost and proposed funding for the three options. The associated revenue implications, savings and productivity assumptions for each option are also detailed in Appendix 2. It can be seen clearly that Option A offers the most financial benefits.

*Finance Officer Consulted: Rob Allen Name Date: 05/08/13*

### 5.2 Legal Implications:

Disposal of the assets specified in recommendation 2.5 must comply with section 123 of the Local Government Act 1972 which generally prohibits a council from selling land for a consideration less than the best that can reasonably be obtained. To do otherwise requires the consent of the Secretary of State, which may be specific or general.

The General Disposal Consent (England) 2003 permits a disposal of certain council land at less than best consideration where the amount foregone is no more than £2m, provided economic, social or environmental benefits are to be gained as a result of the disposal. If these detailed requirements are not met and less than best consideration is received, specific consent will be required, which will entail an application being made to the Secretary of State.

It is, however, anticipated that the marketing of the properties should ensure that best consideration is achieved, in which event once the decision to make the disposal is agreed as per recommendation 2.5, the scheme of delegation to officers provides (i) that the Executive Director Finance & Resources is authorised to approve the detailed terms of the disposals and (ii) the Head of Legal Services is authorised to prepare and execute any and all documentation necessary to give effect to the propose disposals.

*Lawyers Consulted: Oliver Dixon and Bob Bruce Date: 21/08/13*

### 5.3 Equalities Implications:

A representative from the Equalities team will be involved from the beginning of the project to ensure the designs sufficiently address existing and future reasonable equality needs. The published Workstyles and Accommodation Equalities Impact Assessment was reviewed in August 2012 and has been made



into a generic overarching assessment for the concept. Services are required to carry out their own EIAs or incorporate workstyles elements under their existing reviews to capture the impact on service changes. Building works to any premises will take into account the requirements of the Equalities Act 2010 and will address issues such as hearing loops, signage, wheelchair access for reception desks, high frequency lighting, accessible toilets, ramped access, wide doors and automatic door openers.

#### 5.4 Sustainability Implications

Workstyles creates opportunities to reduce energy consumption in our office buildings directly releasing ongoing savings from those properties disposed of and also those that are retained and subsequently updated. Option A will see a 27% reduction in carbon emissions based on the disposal of associated buildings. **See Appendix 4** - Sustainability and Other Implications for details.

#### 5.5 Crime & Disorder Implications

None identified

#### 5.6 Risk and Opportunity Management Implications

A programme of this size and scope inevitably has some significant risks but also presents broad opportunities. A key part of the effective programme management is to identify and proactively manage those risks but it is important to be clear that they cannot be eliminated. A great deal of positive experience from the first two phases of Workstyles and other capital projects and a proportionate corporate approach to risk provides a good level of reassurance. However some aspects of the programme are reliant on external market factors (such as timely achieving of capital receipts) or on a successful organisational cultural change programme which inherently have more uncertainties.

The recommended Option A provides the best balance between risk and opportunity as it does not rely on a new property purchase or lease for re-location. It will produce more opportunities for service and productivity improvements ensuring that Hove Town Hall is used to its full capacity in an improved environment that enables flexible working choices. The option has been modelled on the basis of a freehold disposal of Kings House and a leasehold open market disposal of Buckingham Road.

**Appendix 3** summarises the risks identified and there is a detailed programme risk log.

#### 5.8 Public Health Implications

None identified

#### 5.9 Corporate / Citywide Implications

The options considered the impact on the location of the council's administrative buildings, civic space and service provision. They are part of the council's Corporate Plan priority of Modernising the Council and will contribute to its ongoing Medium Term Financial Strategy and carbon reduction targets included in the One Planet Living Action Plan.

## 6 EVALUATION OF ANY ALTERNATIVE OPTIONS

- 6.1 Option A through the disposal of surplus property and significant investment in Hove Town Hall offers improved service delivery opportunities supported by flexible technology and working choices. The learning & development package to manage change will be delivered to the entire scope of 1,400 staff and the offer associated with this change programme has been modified and improved by learning gathered from the previous phases 1 and 2. The main learning points incorporated into this option will define staff as flexible workers with no fixed workers apart from those with specific equalities needs assessed on a case by case basis. We have also identified that a basic transfer of paper files to electronic is not effective unless there is a degree of integration with workflow and business processes. Cellular offices are to be removed with plentiful provision of meeting space and quiet rooms of various sizes with appropriate technology and informal staff break out areas. All facilities will be flexible and multi-use.
- 6.2 Option B would dispose of Kings House and the majority of Hove Town Hall leaving a small amount of office space (about 40%) and the customer service centre. The option is high risk, financially expensive and could prove difficult to deliver as it requires the acquisition of another office building 'X' yet to be identified in the City that would also need to accommodate all democratic council functions potentially shifting the focus away from Hove.
- 6.3 Option C "no change" would leave half the organisation working flexibly supported by modern technology and environments and half as status quo therefore creating incomplete, inefficient working conditions and business processes and inequalities amongst staff. This could impede service and productivity improvement opportunities whilst also leaving the council with significant liabilities for under-used buildings, unnecessary running costs and future maintenance liabilities as large parts of these buildings have reached the end of their useful life.
- 6.4 Timeline – see **Appendix 6**  
The Hove Town Hall building works programme is estimated at approx 18 months and aims to start at the beginning of 2015. The overall change programme implementation will be about 3 years taking into account planning, engagement, technology deployment and adjustments to relevant buildings.

## 7 REASONS FOR REPORT RECOMMENDATIONS

- 7.1 By implementing the recommended Option A the organisation will be contributing to its corporate priorities, significantly improve its working environments for staff, provide technology which better supports service delivery, achieve substantial financial savings and benefits and reduce its carbon footprint. The wider benefits for City regeneration would be achieved through the redevelopment of the Kings House site for a mixture of high end flats and affordable housing generating council tax income as well as benefitting from new homes bonus. Hove Town Hall would have commercial opportunities for catering, retail and/or offices generating business rates. It is proposed that Brighton Town Hall would become the council's "civic house" with more potential for community and public space such as catering, art and leisure and tourist opportunities subject to further feasibility studies. See **Appendix 5** for Impact on Key Stakeholders.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Options Appraisal - Summary of Options A, B and C
2. Financial Implications Summary and Tables
3. Risk Summary
4. Sustainability and Other Implications
- 5 Impact on Key Stakeholders
- 6 Indicative Timeline

### **Documents in Members' Rooms**

None

### **Background Documents**

None



## APPENDIX 1

### Workstyles Phase Three: Options Appraisal

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#### OPTION A

This is the preferred option which proposes populating Hove Town Hall to capacity and refurbishing the building and its fabric to modern environmental and technological standards. The offices will be designed with flexibility in mind so that staff would have choices of work space depending on the need. This option would also allow about 25% of the building to be released for commercial use. The modernisation programme would include providing flexible technology to include 'follow-me' desktop and telephony, 'idox' as the Electronic Documents Record Management (EDRM) system, engagement and delivery of learning and development to manage the cultural shift required for modernising the council. Kings House would be disposed on a freehold basis, with Buckingham Road and part of Hove Town Hall (The Great Hall and existing undercroft areas currently occupied by CAB and the Toy library) disposed of on leases, the former being a potential long lease subject to service delivery options that are currently being considered i.e extra care housing. The lease on Denmark Villas would be surrendered.

The following work will be required to Hove Town Hall:

- Convert the existing underused central public circulation and reception areas to offices by adding mezzanine floors
- Convert the banqueting suite and associated spaces to a corporate meeting, training and hot desk hub.
- Construct a single storey roof extension to the second floor of the North wing to create additional open plan office accommodation linked to the existing offices which would be opened up and refurbished.
- Undertake a general refurbishment of the remainder of the first, second and balance of ground floors of the north wing.
- Convert the existing enclosed glazed courtyard area of the north wing to a staff resource space
- Provide extensive new cycle shower and locker provision in the basement (currently used as toilets) and potentially bring the tunnel under Norton Road back into use as a staff cycle storage linking to further cycle storage in Norton Road Car-Park.
- Replace the existing single glazed curtain walling exterior with a modern double glazed energy efficient installation (excludes areas to be leased off).
- Replace the existing oil fired heating and outdated cooling/ventilation systems with a modern energy efficient installation.
- Retain and refurbish the existing Council Chamber. This space would however be used as a more flexible meeting space for use by the public and Council alike.
- Extend the existing Photo Voltaic Panel installation

This work, combined with the newly vacated and refurbished third floor space at Bartholomew House created under Phase 2, would provide sufficient accommodation for all staff currently in Kings House. It should however be noted that this scenario is based on the high level desk ratio target of 7:10FTE.

Potential uses for the ground floor and Great Hall include Restaurant/Retail to the ground floor and/or leisure for the upper floors. Should a purchaser only be found for the ground floor then a further option would be to convert the Great Hall into an independent office space which could be rented out to the private sector or other public organisations who might wish to co-locate with the Council. A further detailed cost analysis would need to be undertaken if this scenario were to be pursued.

It should be noted that the build costs assume that the work is carried out in one phase which would mean decanting the majority of staff on the first and second floors (with the exception of the Police) into Kings House for the duration of the works. The new customer Service Centre and back office would remain in operation throughout.

Staff and services currently in Denmark Villas and Buckingham Road would be relocated. Cabinet approval has already been given for the disposal of the Victoria Road offices at Portslade and adjacent part site and this capital receipt will be used to refurbish Portslade Town Hall to create a corporate hot desk base and a joint Sussex Police and customer access point to include housing services.

## **OPTION B**

This option proposes the disposal of 60% of Hove Town Hall on a long leasehold interest, which would enable a mixed use development of retail/residential and offices to be provided by a developer, but would require the purchase or lease of another building (Building 'X') to be identified in the City, to accommodate staff and ancillary facilities (approx 2800sqm) for about 300 staff and ancillary facilities.

The remaining northern part of Hove Town Hall (approximately 40%), building on the refurbishment works under phase 2, would be fully refurbished to provide renovated offices. The modernisation would include flexible technology with follow-me desktop and telephony, idox as EDRM system and the delivery of learning and development to manage the cultural shift required for modernising the council.

Kings House would be sold on a freehold basis and the remaining 60% of Hove Town Hall would be disposed on a 250 year long lease (ie everything south of the recently created Customer Service Centre, including the Great Hall, Banqueting Suite, Council Chamber and undercroft). Buckingham Road would also be disposed of on a long lease, subject to service delivery options that are currently being considered and the lease on Denmark Villas would be surrendered

The following work will be required to Hove Town Hall:

- Construct a single storey roof extension to the second floor of the North wing to create additional open plan office accommodation linked to the existing offices which would be opened up and refurbished.
- Undertake a general refurbishment of the remainder of the first, second and balance of ground floors of the north wing.

- Convert the existing enclosed glazed courtyard area of the north wing to a staff resource space
- Replace the existing single glazed curtain walling exterior with a modern double glazed energy efficient installation.
- Replace the existing oil fired heating and outdated cooling/ventilation systems with a modern energy efficient installation.

This work, combined with the newly vacated and refurbished third floor space at Bartholomew House created under Phase 2, would not provide sufficient accommodation for all staff currently in Kings House. To address this shortfall an additional property (to be identified, but referred to as 'Building' X' in this report) of approx 2800sqm will be needed. Building 'X' may mean leasing floors of an existing office block or purchasing a smaller property to be refurbished. For the purposes of this business case an allowance has been made using current day lease costs of an available building in the Hove area and costs have been included to refurbish Building 'X' in order to adapt that accommodation to suit the Council's requirements. An initial search of existing accommodation in the City has been carried out, however as this space would not be required until 2016, it is not practical to identify properties at this stage as they may not be available in three years time.

Under Option B the main Police office which was provided under Phase 2 (adjacent to the Council Chamber) would need to be re-provided next to the Hove Town Hall Customer Service Centre. In addition the council chamber would cease to exist and alternative locations would need to be considered such as greater use of Brighton Town Hall and Portslade Town Hall and possible hiring of private venues. The potential developer of the Hove Town Hall site would also be required to provide a community space which could be used for this purpose.

It should also be noted that under Option B the potential to provide additional cycle showers and lockers would be lost however additional cycle parking would still be needed in Norton Road Car-Park.

### **Other Buildings**

Cabinet approval has been given (March 2011) for the disposal of the Victoria Road offices at Portslade and part of the adjacent site. This capital receipt will be used to refurbish Portslade Town Hall to create a corporate hotdesk base and a joint Sussex Police and customer access point with housing Hub

Although not part of this business case, the use of Brighton Town Hall could be changed to become a more public building. Options will be explored to generate more revenue income, for example by opening up the lower ground floor Little East Street frontage for Restaurant/A3 use and providing more facilities which could be hired for use by visitors attending the Registrar and weddings/partnerships. It is intended that office space in Brighton Town Hall will be minimised and limited to services that have to be at this location such as Registrars.

During the course of the programme, the potential of some other sites which are under utilised and not fit for purpose will be explored and if needed a separate committee report will be submitted for proposed use/disposal.

## **OPTION C**

This Option shows the implications of 'doing nothing' ie retaining Kings House and Hove Town Hall in their entirety. This would leave the council with financial and property liabilities as both buildings would be under-occupied and still require substantial maintenance over the next 10 years.

The heating and ventilating systems at Hove Town Hall have virtually reached the end of their useful life and will need replacing within the next 2-3 years. The external fenestration at Hove Town Hall is single glazed and will also require replacement within the next 5-8 years. Kings House will need further investment within the next 10 years including replacement of the outdated storage heaters and ventilation systems. Work will be needed to the fabric of the Victorian section facing the seafront, including the windows which are reaching the end of their useful life as many are now not operable.

The Buckingham Road and Portslade sites could still be sold, subject to service delivery options that are currently being considered and the lease of Denmark Villas would still be surrendered.

There would however be an empty, newly refurbished floor at Bartholomew House (completed under Phase 2) which would need to be populated with workstyle staff following the rollout of flexible technology. This option would potentially leave two floors of Kings House empty together with the financial burden of associated running costs. It would therefore be necessary to find an occupier who would be prepared to lease this space and contribute to this shortfall which is high risk.

This option would severely hamper the aims of modernisation for the Council and would effectively be a termination of current flexible working solutions. Approximately half of the organisation would be on new technologies following Phases 1 and 2 with its associated flexibility and advantages and the other half in the old working environment. This would create inequality among staff as well as being detrimental to service delivery as a result of multiple technologies and systems being in place which are incompatible with each other. The organisation is already behind with its current technology offering and its administrative estate will need maintaining to ensure it is fit for purpose. Given the financial challenges the local authority is facing there seems to be limited alternative routes using the existing council assets other than the proposals outlined in this report to bring the organisation up to the modern conditions/standards and enable the delivery of quality services for its citizens.

This 'split' scenario could potentially cause major corporate risks in terms of the ability of the organisation to effectively deliver services and would have further business risks in terms of inconsistent processes and council could possibly be open to challenges with considerable liabilities.



## APPENDIX 2

### Workstyles 3 – Capital Investment and Revenue Implications

The Workstyles investment programme will be funded through a combination of capital receipts, contributions from the Asset Management Fund (AMF), existing capital maintenance funds, reserves and borrowing to fund the cost of works. Table 1 sets out the estimated costs for the options including building works, refurbishments and costs associated with acquiring new offices together with the ICT and EDRM investment, dilapidations costs associated with vacating leased buildings and the core project resources to enable delivery of the project. Any funding shortfalls will be met through borrowing with revenue savings associated with the scheme meeting the financing costs. The funding of each option is detailed in Table 1.

**Table 1 - Capital Investment**

<b>Workstyles Phase 3</b>	<b>Option A</b>	<b>Option B</b>	<b>Option C</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Hove Town Hall works	9,798	6,094	2,947
Kings House Investment	0	0	2,160
Portslade Town Hall	631	631	631
Montague House	408	408	408
Purchase & fit out new building	0	7,346	0
ICT & Workstyles investment	2,000	2,000	1,050
EDRM & Scanning Costs	1,500	1,500	0
Project resources & associated costs	1,482	1,482	0
Dilapidations & other capital costs	155	155	155
<b>TOTAL EXPENDITURE</b>	<b>15,974</b>	<b>19,616</b>	<b>7,351</b>
AMF Contribution	2,100	2,100	1,500
Capital Programme Funding	599	599	450
Specific Reserves	575	575	256
Borrowing	1,980	2,810	3,545
Kings House capital receipt (net)	9,120	9,120	0
Hove Town Hall capital receipt (net)	0	2,812	0
Other Capital Receipts (net)	1,600	1,600	1,600
<b>TOTAL RESOURCES</b>	<b>15,974</b>	<b>19,616</b>	<b>7,351</b>

Options A and B both require varying degrees of works to Hove Town Hall including conversion and refurbishment of offices and spaces and replacement of energy inefficient glazing heating and ventilation systems. Options A and B include works built into the timetable associated with maintenance to roofing, heating, fire risks and extension of the existing solar photovoltaic panels which would be met through existing maintenance and capital schemes. Option B requires the purchase or lease and fit out of a new office building the location of which has not yet been determined and the business case uses current market prices from existing sites of a suitable profile. Option C 'do nothing' includes costs associated with investment in building improvements at Hove Town Hall that would be required to keep the building operational and also estimated maintenance costs associated with Kings House should the building be retained.

ICT and workstyle investment includes the rollout of Citrix, data centre moves, cabling and new ICT equipment. The cost of Electronic Documents & Records Management (EDRM) implementation and associated back scanning work is included within the project and supports the business process improvements for all services; however it requires detailed work to quantify the exact cost. Some initial EDRM work has already been undertaken in areas such as Planning, HR and Finance. Project resourcing includes the core project resourcing for Project Management, ICT rollout and support functions for communication, engagement and service implementation.

The capital receipts from the disposal of Kings House, part of Hove Town Hall offices, the two Buckingham Road offices, subject to service delivery options that are currently being considered and Victoria Road offices (agreed at Cabinet March 2011) will provide a considerable contribution towards the funding of the project. The receipts less any disposal costs, will support the Workstyles project and the timing of the disposals of the properties will be crucial in indentifying cashflow shortfalls for the project. The properties have had full valuations and both Kings House and Hove Town Hall have had soft market testing undertaken. Some costs have been factored into the business case to allow for the offices to remain empty whilst being marketed, however, any significant delay in disposing of these buildings will incur additional costs to support the financing of the project as well as incurring ongoing running costs associated with security, maintenance and utilities at these sites.

The Asset Management Fund is a £1.0m annual corporate capital fund used to support property improvements. This fund forms part of the council's Capital Strategy and is funded through capital receipts. The fund has supported both phase 1 and phase 2 of the Workstyles projects.

Specific reserves have been set aside to assist with the cashflow funding of the Workstyles projects in particular supporting the project resourcing and dilapidations in connection with the vacated leased buildings.

Each option will deliver revenue savings as a result of the vacation of the leased buildings and freehold properties. The revenue implications of the project are detailed in Table 2 and reflect a full year effect of costs and savings after the project has been completed

**Table 2 - Revenue Savings**

<b>Workstyles Phase 3</b>	<b>Option A</b>	<b>Option B</b>	<b>Option C</b>
<b>Full Year Effect</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Budget savings</b>			
Accommodation savings - Kings House	514	514	0
Accommodation savings - Hove Town Hall	181	354	64
Accommodation savings - Other buildings	250	250	250
Financing Costs - borrowing	(158)	(222)	(280)
LESS: Increase in running costs	(85)	(122)	(100)
LESS: Running costs new building	0	(180)	0
<b>Additional benefits</b>			
Increase in Council Tax income	210	210	0
LESS: Reduction in retained Business Rates	(160)	(160)	0
<b>Net Revenue Savings</b>	<b>752</b>	<b>644</b>	<b>(66)</b>

In addition to savings identified above if Kings House is converted to residential use the council could receive up to £0.3m pa for six years in New Homes Bonus less any proportion of the grant redirected to the Local Enterprise Partnership (LEP).

Savings are generated in connection with building running costs predominantly around business rates, rents and service charges, maintenance, cleaning, utilities and Carbon Reduction Commitments (CRC's). The introduction of new heating and lighting measures at Hove Town Hall will significantly benefit all three options. Additional revenue running costs will be required to varying degrees for each option in connection with the increased staff numbers in the remaining or new offices. Option C incurs costs for operating unoccupied floors at existing offices that could potentially remain vacant should the other options not be explored. Detailed costs, payback period on the corporate investment and the revenue savings associated with Option A are included in Tables 3 and 4.

The savings in Table 2 do not incorporate a financial assessment of the efficiency gains that could be expected from the property and technology investment in Options A and B. Although there are challenges in quantifying these and ensuring that they are cashable savings our research suggests other organisations across both public and private sector would expect to deliver a minimum of 10% additional productivity savings in this sort of scenario and some quote substantially higher figures. These would be additional to the savings identified above and would contribute to the council's overall budget savings target as described below. This would not be achievable under Option C and indeed additional inefficiencies could be created through part of the workforce and buildings not going through the Workstyles programme.

**Table 3 - Capital Investment**

Workstyles Phase 3 Option A	Development Period	Implementation Period				Operational Period		Total
	Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19		
	£000	£000	£000	£000	£000	£000		
Hove Town Hall works			8,165	1,633			9,798	
Portslade Town Hall		631					631	
Montague House		408					408	
ICT & Workstyles investment	595	696	696	13			2,000	
EDRM & Scanning Costs	450	525	525				1,500	
Project resource costs	115	644	619	104			1,482	
Dilapidations & other capital costs		155					155	
<b>TOTAL EXPENDITURE</b>	<b>1,160</b>	<b>3,059</b>	<b>10,005</b>	<b>1,750</b>	<b>0</b>	<b>0</b>	<b>15,974</b>	
AMF Contribution		700	700	700			2,100	
Capital Programme Funding		311	288				599	
Specific Reserves		575					575	
Borrowing	1,160	820					1,980	
Kings House capital receipt (net)			960	8,160			9,120	
Other Capital Receipts (net)		168	1,432				1,600	
<b>TOTAL RESOURCES</b>	<b>1,160</b>	<b>2,574</b>	<b>3,380</b>	<b>8,860</b>	<b>0</b>	<b>0</b>	<b>15,974</b>	
<b>Investment cashflow (deficit)</b>	<b>0</b>	<b>(485)</b>	<b>(6,625)</b>	<b>7,110</b>	<b>0</b>	<b>0</b>	<b>0</b>	

**Table 4 - Revenue Savings**

Workstyles Phase 3 Option A	Development Period	Implementation Period			Operational Period		
	Year 1 2013/14 £000	Year 2 2014/15 £000	Year 3 2015/16 £000	Year 4 2016/17 £000	Year 5 2017/18 £000	Year 6 2018/19 £000	Year 7 2019/20 £000
	<b>Accommodation Budget savings</b>						
Savings - Kings House		0	0	257	514	514	514
Savings - Hove Town Hall		0	0	0	181	181	181
Savings - Other buildings		112	224	250	250	250	250
LESS: Financing Costs - borrowing		(92)	(130)	(159)	(158)	(158)	(158)
LESS: Increase in running costs		(5)	(8)	(38)	(103)	(89)	(85)
<b>Additional benefits</b>							
Increase in Council Tax income					210	210	210
Loss of retained Business Rates					(160)	(160)	(160)
<b>Net Revenue Savings</b>		<b>15</b>	<b>86</b>	<b>310</b>	<b>734</b>	<b>748</b>	<b>752</b>

The total corporate investment of £5.254m has a payback period of 7.0 years (full year effect)

Significant efficiency benefits are expected to be realised through improved working environments, enhanced technology, changed working practices and improved management of activity and workflows that this investment will enable. Efficiencies are anticipated to be productivity increases such as reduced backlogs, improved customer response times, elimination of duplication, reduction in error rates and potentially reduced sickness, reduced staff turnover. They are estimated to be in the region of £2.6m pa based upon benchmarks for similar implementations. The productivity savings will assist the council to enable reducing service costs in future years and will provide valuable assistance to the financial challenges the council will face.

Additional financing benefits associated with this project may arise from the development options associated with the sites that are disposed of. This will include the New Homes Bonus (for a 6-year period), new council tax generated less any loss of business rates. These additional financial benefits may provide additional funding opportunities for the council and meet the challenging reductions in central government funding over the coming years.

## APPENDIX 3

### Workstyles Phase Three: Risk Summary

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#### Assumptions and Risks

**Construction:** Refurbishment projects by definition carry more risk as there will inevitably be unforeseen issues uncovered and there is the potential for unexpected cost rises. A construction cost rise of 10% would result in a reduction in savings of £85,000 to fund financing costs associated with the additional borrowing. However, the construction costs include significant contingencies which have been calculated based upon the experiences of Workstyles Phases One and Two as well as industry standard assumptions for contingency planning. Structural Engineers and Mechanical & Electrical advisors have helped inform the Quantity Surveyor in bringing forward detailed estimates for the construction costs to reflect the specific construction issues for each building.

**Capital Receipts:** Market conditions are uncertain which may impact on realising the estimated capital receipts; however as part of the business case, soft market testing has been carried out on both Hove Town Hall and Kings House. The results of the market testing were encouraging with five national developers expressing an interest in both sites. Disposal of the sites will still however present a risk, as any delay with the sale of buildings within the estimated timeframes could create additional short term financing costs and reduce savings. The valuation of Kings House is based on redevelopment to residential including the provision of 40% social housing and a significant allowance for S106 requirements. However if the sale proceeds are reduced by 10% this will reduce the savings by £72,000 per annum because of increased financing costs. If Kings House/Hove Town Hall and other associated sites remain vacant for an extended period of time, there could be significant security and maintenance costs, however, contingencies have been factored into the business case to support these costs through the implementation period.

**ICT and Technological:** Workstyles requires significant changes to the ICT infrastructure and service offering. Significant additional ICT resources have been factored into the business case to manage this. However the implementation would still rely on strong links and co-working with the individual service areas and an integrated approach to business process redesign. ICT has been stretched to capacity with current security compliance requirements. Many of the changes being made for security reasons will also provide long term benefit to the Workstyles project but there are undoubtedly timing and prioritisation challenges to be overcome. Therefore, the technology work package remains as a high risk area in terms of budget implications and its ability to deliver throughout the programme and this will need to be carefully managed and the programme work will be prioritised.

**Backscanning:** Implementation of Electronic Data and Record Management (EDRM) and back scanning of files are essential to support the overall Workstyles implementation. This however comes at a high cost to the

organisation and scanning cost estimations can only be done more robustly after the initial business analysis work is carried out per service. For the purpose of the business case, a pragmatic approach has been taken. A separate project manager will be assigned to monitor this risk. Any additional costs over and above the estimates should be met by services directly.

**Planning:** Planning consent has always been considered a high risk in relation to the change of use from office to residential of Kings House and potential loss of employment space. Since the Accelerated Workstyles report in October 2012, Planning Policy has produced two separate Planning briefs for both Kings House and Hove Town Hall. The current 'permitted development' policy does not apply to Kings House as it is a Listed Building, so it will have to be marketed as an office for a year to prove its use is redundant. Marketing as a residential use cannot therefore commence until late 2014, however this still gives a potential developer enough time to seek full consent and enable a site start as soon as the Council vacates in 2016.

**External changes to the programme and accommodation need:** The size of the workforce within the organisation is assumed to remain the same within the next 3-5 years. This may change significantly, depending on several factors such as the effects of Voluntary Severance, budget pressures, central government directives on new initiatives or withdrawal of existing funding, grants and pressures from third party organisations. If the organisation workforce reduces this would provide an opportunity to let the vacant modernised office space within the commercial market place.

Under Option B there may not be a new modern suitable office (Building 'X') available to rent when needed. Again in this option, if a separate purpose built or new office building is to be purchased, this would be subject to the timeline of a separate external programme, which might not fit into the timetable. For the purposes of the business case, costs based on a currently available office space in Hove have been incorporated.

**Political:** Under Option B, it might be perceived that the main administration function of the council is shifting from Hove to Brighton as the existing Council Chamber and associated member services will be removed, however alternative provision would have to be made e.g. the developer should provide a multi use community space within the new development and/or further use could be made of Portslade Town Hall.

### **Risk Conclusions**

All three options have associated risks and opportunities. Options A and B are about contributing to the council's priorities through modernising the council aiming at a high performing workforce and better service delivery for our citizens. They will also produce overall savings in proportion to the amount of work and required changes at Hove Town Hall. Both rely heavily on the disposal of Kings House and parts of Hove Town Hall; however the soft market testing has revealed that there is interest from developers in both sites.

Option A produces better financial efficiencies and opportunities to contribute to the changing council demands and improve service delivery. Both create capital receipts for reinvestment in property and technology and significant revenue savings both directly and indirectly through productivity and efficiency

gains. They provide other advantages that support the regeneration of the City, additional financial benefits associated with new home bonuses, council tax, business rates and reductions to our carbon footprint. Option B carries more risk in that it is predicated on the requirement for extra services, staff and functions being met through either the acquisition of a purpose built modern office or leased modern offices yet to be identified. Option A challenges the need for an extra building through extensive improvements to Hove Town Hall, better use of under-used space and conversion of part of the banqueting areas to offices. It suggests that part of the Hove Town Hall (25%) Church Road could be disposed of for commercial use or possible serviced offices.





## APPENDIX 4

### Workstyles Phase Three: Sustainability Implications

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One Planet principles will be embedded within phase 3 of the Workstyles programme by using a new tool designed by Property & Design which sets out minimum standards for new build and refurbishment works. This will be applied from the design stage for all future works.

Refurbishments incorporate the latest low energy lighting technology including sensors which automatically alter levels of lighting according to outside conditions. This would feature as a minimum 'Zero Carbon' requirement of future office refurbishments.

Estimated direct savings through the disposal of buildings – Phase 3:

Buildings	Total CO2 Emissions (2012/13) Tonnes	Phase 3 CO2 Emissions Tonnes
Kings House	462	disposal
Brighton Town Hall	339	339
Hove Town Hall*	1,178	1,178
Bartholomew House	272	272
86 Denmark Villas	73	disposal
Montague House	68	68
Buckingham Road	110	disposal
162 North Street	36	disposal
Portslade Town Hall	40	40
3 Palace Place	25	disposal
TOTAL	2,603	1,897

\*Option includes proposals to dispose of parts of HTH but it is extremely difficult to calculate carbon savings in relation to this and so the CO2 figure has remained the same i.e. for the whole building.

Option A will see a 27% reduction in carbon emissions, based on the disposal of associated buildings, as indicated in the table above. It is important to note that within the retained buildings there is likely to be an increase in emissions due to increased occupancy times and higher density of PCs. Although within the retained buildings there will be significant investment and consideration for energy efficiency improvements and this will have a positive impact on reducing the carbon footprint further.

Energy efficiency investment in Hove Town Hall will be extensive and proposals include improved insulation with roofing works, replacement energy efficient glazing, conversion from oil to gas fuel, as well as increased capacity of the Photovoltaic array, overhaul of the air conditioning/ventilation system, lighting and further measures where appropriate. It is estimated that Option A for Hove Town Hall will result in a reduction of 300 tonnes of CO2 by investing

in roof, glazing and converting oil to gas alone. Detailed plans for energy efficiency retrofit are yet to be developed, however this gives an indication of the likely impacts. Hove Town Hall will benefit from the feed-in-tariff income for the solar photovoltaic array.

Investment in energy efficiency for the remaining set of retained buildings will be worked up following approval of this report.

Waste generated through the Workstyles programme is managed in a sustainable manner - surplus furniture from consolidation of accommodation is firstly offered to charitable organisations then secondly the materials are sent for recycling. Workstyles presents the opportunity to use electronic storage for data, rather than paper files.

The introduction of flexible working (and associated technology) presents an opportunity to reduce work-related travel and commuting. Having the technological ability to work from various locations, staff will be able to manage their day more efficiently such as completing their working day at home rather than having to go back to their main base, would reduce the travel needs. This approach relies heavily on a cultural shift to flexible working and management techniques and HR policies to support it. Relevant sustainable travel infrastructure improvements will be considered in retained buildings to ensure all staff have the opportunity to travel sustainably.

## **APPENDIX 5**

### **Workstyles 3 – Impact on Key Stakeholders**

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This section is designed to set out some of the significant changes for key stakeholders both during the building works phase and beyond. It is not attempting to be comprehensive but should give a good practical sense of what the changes entail.

#### **What will these changes mean for the public?**

- Building works to Hove Town Hall will take approx 18 months and will commence after a planning / engagement period of 18 months at the beginning of 2015.
- The Hove Town Hall Council Chamber will not be operational during the building programme. It is proposed that the public meetings will run from Brighton Town Hall and Portslade Town Hall as appropriate.
- Once complete, the council chamber will have an improved environment and technology (sound, lighting, heating etc) for the public who wish to attend.
- At the Hove Customer Service Centre (CSC) the remaining back office teams will be workstyled which will assist in the effectiveness of service delivery.
- During the building works the CSC is likely to be affected by noise and there could be some limitations on the service delivery. An alternative temporary location could be provided for some of the services.
- Adult Social Centre day centre services, currently running from Denmark Villas will provide its services from other locations.
- There will be an improved customer access point at Portslade Town Hall.
- Hove Centre Events will cease and the service is exploring alternative options.
- Overall once implementation is complete services will have opportunities to improve the services they deliver to the public.

#### **What will these changes mean for staff?**

- The opportunity for improved work/life balance through greater flexible work choices for staff such as being able to work from multiple locations as well as home as long as it fits in with better service delivery for our citizens.
- Enables staff to be empowered to make flexible working choices and contribute to business process changes.
- Improved office environments with modern facilities.
- Flexibility to co-locate with staff from other teams to do case work.

- Change of main location of work could mean that some staff will travel more and some staff will travel less. Flexible working choices should help to mitigate this.
- Staff from Hove Town Hall will be decanted to Kings House, except for the customer service centre staff and some associated back office staff
- Building works will be disruptive to staff, whether in the building (in the customer service centre) or in temporary offices.

#### **What will these changes mean for partners?**

- The Citizens Advice Bureau (CAB) occupy the undercroft area on the ground floor of Hove Town Hall which would be marketed for commercial purposes. We are currently working with CAB and other potential partners through the financial inclusion work looking at alternative service delivery models and possible re-locations.
- There will be a further Police Hub in Portslade Town hall including Neighbourhood Police offices.
- Some of the facilities used by partners will be much improved at the end of the building programme such as training rooms and meeting spaces.
- Some NHS staff working with council staff will also be able to utilise some of the new facilities.
- Less administrative council buildings will also mean easier access to multiple services and a reduced carbon footprint.

#### **What will these changes mean for elected members?**

- Members accommodation will be concentrated in two locations (Hove Town Hall and Brighton Town Hall) instead of the current three (Kings House, Hove Town Hall and Brighton Town Hall).
- Ability to reach information from any location at any time.
- More multi purpose accommodation with modernised meeting and conference spaces.
- The Hove Town Hall Council Chamber will not be operational during the building programme. It is proposed that the public meetings will run from Brighton Town Hall and Portslade Town Hall as appropriate.

## Appendix 6 – Workstyles Phase 3 Indicative Timeline

	2013		2014		2015		2016		
	Sep-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec
<b>Portslade Town Hall</b>	◆ P&R								
Housing, Police, other	Consultation								
Build and moves			◆						
<b>Barts 3<sup>rd</sup> Floor</b>									
Service engagement	Identify, consult								
ICT, moves		◆							
<b>ASC re-location</b>									
Deployment	Engage, design	Build	◆	◆	◆	◆	◆	◆	◆
<b>Kings House</b>	◆	◆	◆	◆	◆	◆	◆	◆	◆
HTH						.....sale period.....			
Service engagement									
Decants			◆						
Build								◆	
Technology deployment									
Deployment and move									◆



**Subject: Modernising the Council – Workstyles Phase Three**

**Date: 12<sup>th</sup> September**

**Conservative Group Amendment**

To delete recommendations 2.1 to 2.6 as struck through and replace with new recommendations 2.1 to 2.2 as shown in bold italics.

**2. RECOMMENDATIONS:**

That Policy & Resources Committee:

~~2.1 Notes the findings of the updated business case and options appraisal for the two previously shortlisted options for implementing Workstyles Phase Three (Option A and B).~~

~~2.2 Notes the risks and financial liabilities associated with the “no change” Option C~~

~~2.3 Approves the implementation of Workstyles Phase Three through Option A which incorporates the refurbishment of Hove Town Hall to modern environmental and technological standards and the re-location of the remaining services and staff from Kings House,~~

~~2.4 Grants delegated authority to the Executive Director Finance & Resources to commence appropriate engagement and communications and to implement the works associated with Option A in full.~~

~~2.5 Agrees to i) the disposal of the freehold of Kings House and ii) the grant of long leases in respect of 76-79 and 80 Buckingham Road and iii) lease areas of Hove Town Hall associated with Option A, on terms to be negotiated by the Valuer and Head of Legal Services.~~

~~2.6 Agrees that the Executive Director Finance & Resources can use her delegated authority to approve the detailed terms of the disposals referred to in recommendation 2.5 provided that they are certified to be the best consideration obtainable by the Valuer and that the Head of Legal Services is authorised to complete all necessary documentation required in connection with such disposals.~~

**2.1 *Support in principle the use of the rear, unlisted section of King’s House for use as an all-through 3 form entry primary school to***

***meet the current and forecast future demand for primary places in the South Central Hove area.***

**2.2 Instructs officers**

- a) to bring a report to Policy & Resources Committee on 5<sup>th</sup> December with further options for reconfiguring office accommodation for staff currently located at King's House as part of Workstyles Phase Three; and***
- b) to enter discussions with the Department for Education and potential sponsors about setting up a new school at King's House.***

Proposed by: Cllr. Geoffrey Theobald      Seconded by: Cllr. Ann Norman