

ABERDEEN CITY COUNCIL

COMMITTEE	Finance & Resources
DATE	29 September 2011
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Property Asset Management Plan - Review of Corporate Office Accommodation
REPORT NUMBER:	EPI/11/246

1. PURPOSE OF REPORT

This report advises on the current situation of the Council corporate staff accommodation, the expectations of these properties given the move to Marischal College and the intended future space management control for all Council offices.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- a) instructs that a Corporate Office Accommodation Review is undertaken as part of the annual Property Asset Management Plan.
- b) instructs the Head of Asset Management & Operations to continue appropriate negotiations with Landlords of the leased properties which require early termination.
- c) instructs the Head of Asset Management & Operations to undertake an option appraisal in relation to the occupational requirements of the Services currently occupying Exchequer House, reporting back to this Committee within 6 months.
- d) instructs the Corporate Asset Group to undertake a review of the future utilisation of the Town House, reporting back to this Committee, in due course, on all the possible options and financial consequences.
- e) nominates representatives to work with the officers' review group of the Town House
- f) the Head of Asset Management and Operations is authorised to market suitable vacant office accommodation on the open market, that is identified as part of the future monitoring of space utilisation.

3. FINANCIAL IMPLICATIONS

There are no specific financial consequences identified within this report. Depending upon the results of the work which the report identifies as required in relation to the future of leased accommodation there may be significant implications, but these will be subject to separate reports in due course.

4. OTHER IMPLICATIONS

This report concentrates on the utilisation of space within properties, proposing the introduction of performance information to allow this to be assessed. It does not detail how performance can continue to improve by the introduction of new technology whereby there is theoretically less need for accommodation.

5. BACKGROUND/MAIN ISSUES

It had been identified within previous Property Asset Management Plans that there was a need for a comprehensive corporate review of all staff office accommodation, particularly given the relocation of staff to Marischal College. Furthermore a report from Internal Audit on Capital Investment to the Audit & Risk Committee on 29 March 2011 commented:-

“Given the planned transfer of staff from St.Nicholas House to Marischal College in June 2011 there is an opportunity to improve use of office accommodation at ACC by taking account of new ways of working and health and safety requirements relating to the amount of space required per person”

Table 1 of the attached Appendix shows a “snapshot” of corporate staff offices occupied by the City Council prior to the commencement of the Marischal College refurbishment. It also details appropriate annual property costs for the last full year of staff occupation. It should be noted that these costs have been reduced as offices became vacant (particularly where leases have expired). These costs will further reduce as we vacate other staff offices as part of office rationalisation. Table 2 shows the projected future of staff office accommodation (including anticipated annual premises costs) on the completion of the Marischal programme and corresponding staff office moves, subject to the Committee approving the recommendations in this Report.

It should be noted that comparing Table 1 directly with Table 2 would give a misleading impression. Table 1 shows the known premises cost for the last year the building was occupied. These costs have not been updated to today’s equivalent, and do not for instance reflect the

additional cost from the rise of energy prices and the recent rating revaluation.

The report considered by the City Council at its meeting on 29 June 2005 indicated that, after a detailed Option Appraisal, Marischal College was the best option for a new development, and that through careful asset management, could reduce the overall running costs for the Council for corporate office accommodation. However, this was coupled with the knowledge that additional revenue costs will be incurred through additional capital investment and the financing costs associated with this investment. This report also stated that the detailed work undertaken by officials and consultants had shown that there was a major risk if no major improvement/refurbishment was undertaken to St Nicholas House. Alternative accommodation would have been required for staff if substantial repair works to St Nicholas House were necessary to allow it to continue in use. The technical advice was that it would not be possible to do this work in a phased programme, and it would therefore have been necessary to completely decant all staff from the property for up to four years.

Whilst the Council has reduced the number of offices, the proposed remaining portfolio, on the whole, provides modern, flexible accommodation, particularly within the two main facilities at Marischal College and Balgownie 1. Furthermore this flexibility will assist in the future development of new ways of working.

These primary offices outlined in Table 2 will form the basis for future office accommodation reviews, which will look to establish how effectively properties are being utilised by individual Services and corporately. There is a need to benchmark the performance of these buildings not only to ensure that offices are meeting targets on space utilisation, but also that occupation levels justify the operational running costs of the building. This benchmarking exercise will also look to determine how effectively offices are operating based on energy costs for the property. Having reduced the number of offices staff occupy, the Council can also demonstrate how it has reduced its carbon footprint on the city. However this will need to be continually monitored against space utilisation and building condition. Furthermore by the adoption of such an approach the City Council will be able to compare our performance against other Scottish local authorities and similar size organisations. It is not intended that a full review will be carried out this year because of the flux of staff due to the Marischal relocations. However there is a need to agree how all offices are going to be monitored for performance in future years, and this is addressed below.

A property review of office accommodation will further strengthen the mission statement of the Council's Corporate Asset Management plan which states that:-

“The Council will provide property, working with partners, where appropriate, which supports the Council in the delivery of quality services by being fit for purpose, accessible, efficient, suitable and sustainable.”

Key Changes

One of the objectives in the refurbishment and relocation to Marischal College was to examine the possibility of terminating or allowing leases to lapse on a number of leased city centre offices. Table 3 details this accommodation.

Following the completion of all programmed staff moves into Marischal College and other corporate accommodation the position with the resulting leased properties will be:-

Kirkgate House – Social Care and Well Being staff to be fully decanted from the property to Marischal College, Balgownie 1 and Mastrick Area Office.

Crown House – Corporate Governance to be fully decanted from the property to Marischal College and Frederick Street, 1st Floor.

Exchequer House – Due to the specialised nature of some of the Social Care and Well Being teams occupying this property it was not possible to relocate these teams within Marischal. Officers propose to maximise space utilisation within the property to allow for staff currently based at St.Nicholas House and 137 Gallowgate to fully occupy this property. Discussed below is the requirement to review the future of Exchequer House.

Frederick Street – Currently the 2nd Floor of this property is operating as the Council’s corporate Training Suite. The 1st Floor has been refurbished and brought up to office standards for the relocation of the Customer Contact Centre from Crown House and Kittybrewster Depot office. Talks are on going between the Council and Grampian Police to expand this facility to include the Police’s call centre from Queen Street. The decision will have an ultimate bearing on the future use of the remaining 1st Floor accommodation, and potentially Ground Floor which is currently mothballed.

Office accommodation in the remainder of the Council’s corporate offices has been consolidated to allow for the resulting transfer of non allocated Marischal teams (or for any other to be confirmed uses). As a result of this, the future standings on the following properties will be:

74- 76 Spring Garden – Fully occupied by Enterprise, Planning & Infrastructure and the Trade Unions.

Balgownie 1 – To be fully occupied by mixture of several teams across Education Culture & Sport, Corporate Governance, Social Care & Well Being and Housing and Environment.

Town House – As a result of Legal Services move to Marischal is it proposed to consolidate Democratic Services to the one central location on the 1st Floor, Old Town House. The consequence of this proposal is discussed in more detail below.

Kittybrewster Depot Office – To be fully occupied by Housing and Environment, with the possibility of the building being transferred/leased to the proposed LLP in due course.

Future Management of Accommodation

It is proposed that a yearly review of all corporate staff accommodation be undertaken by the Asset Management Team within Asset Management & Operations, reporting in the first instance to the Corporate Asset Group. Due to the flux of pending moves as a result of the opening of Marischal College this review will commence in 2012.

Table 4 outlines the Performance Indicators which will be applied against the properties in the review, and which will assess the functionality, suitability and space utilisation of the properties. These indicators will assess the operation of an office on net useable space, staff occupation, number of workstations against running costs. The City Council has for a number of years been a member of CIPFA's Asset Management Benchmarking Group which utilises some of these indicators. Accordingly it will be possible to ensure that our performance is measured against our peers.

In order to ensure consistency and good practice the Office Review will extend to those "satellite" offices occupied by individual Service control (see Table 5). Office accommodation must be flexible to meet the Council's ever evolving use of accommodation. Therefore the Corporate Asset Group has already instructed that it will be Asset Management Unit's responsibility to monitor space utilisation within all Council offices. As part of this ongoing review Asset Management will be challenging how all office accommodation is utilised by the Council. This will also ensure that advice is available to all Services to ensure compliance with all statutory requirements.

Should the consolidation of space in any office result in unallocated accommodation, the ongoing improvements to space planning/allocation opens up the possibility that some of the accommodation could be marketed for lease.

Accommodation Issues

There are a number of issues that require to be addressed as a result of the above actions:-

Crown House, Kirkgate House and 137 Gallowgate – Negotiations have been initiated by the Head of Asset Management & Operations with the respective Landlord for the early termination (if possible) of the leases on all these properties. The outcome of these discussions will, if appropriate, be reported to future meetings of this Committee. It should be noted, however, that there are revenue consequences flowing from this work. Very early indications are that the Council's landlord at Crown House will not be minded to allow the Council early termination. Given the imminent pressure to decant St.Nicholas House Housing and Environment have taken on short term occupation of the building for Housing Regeneration staff. This stop gap measure will then allow appropriate time for alterations to take place at Kittybrewster for staff to permanently relocate to, subject to finance being identified.

Exchequer House – Whilst one of the original aims in the refurbishment of Marischal College was to terminate all city centre office leases, it has not been possible to replicate the facilities within Exchequer House at alternative accommodation owned by the Council. Consideration had been given as to whether or not the potentially vacant accommodation within the Town House could be suitable, however due to the layout of this accommodation, access and security with limited finance to overcome, these issues in the short to medium term, this option was discounted. Furthermore many of the teams currently based within this property have specialised location requirements which would restrict relocation out with the city centre. There is a need to review a long term solution to this issue, and accordingly it is proposed that a full option appraisal be undertaken

Town House – Following the consolidation of Democratic Service's staff accommodation there will be a need to consider a full review of all future office accommodation at the Town House. In addition to the needs of the Office of Chief Executive there may be the opportunity to look at possible improvements to the Civic offices and facilities throughout the building. With difficulties, although not impossible, there is the option for any additional accommodation to be utilised by any other external party, including the Scottish Courts. Accordingly it is proposed that the Corporate Asset Group sets up a review group to consider all the options.

This report was approved by the Corporate Asset Group at its meeting on 25 July and CMT at its meeting on 28 July 2011.

6. IMPACT



Corporate – The report will assist in ensuring that the Council is utilizing all its office accommodation as efficiently as possible

Public – The development of efficient office accommodation will assist in improving the environment of offices visited by the general public.

7. BACKGROUND PAPERS

Report from Internal Audit on Capital Investment to the Audit & Risk Committee on 29 March 2011
Property Asset Management Plans 2009 & 10

8. REPORT AUTHOR DETAILS

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