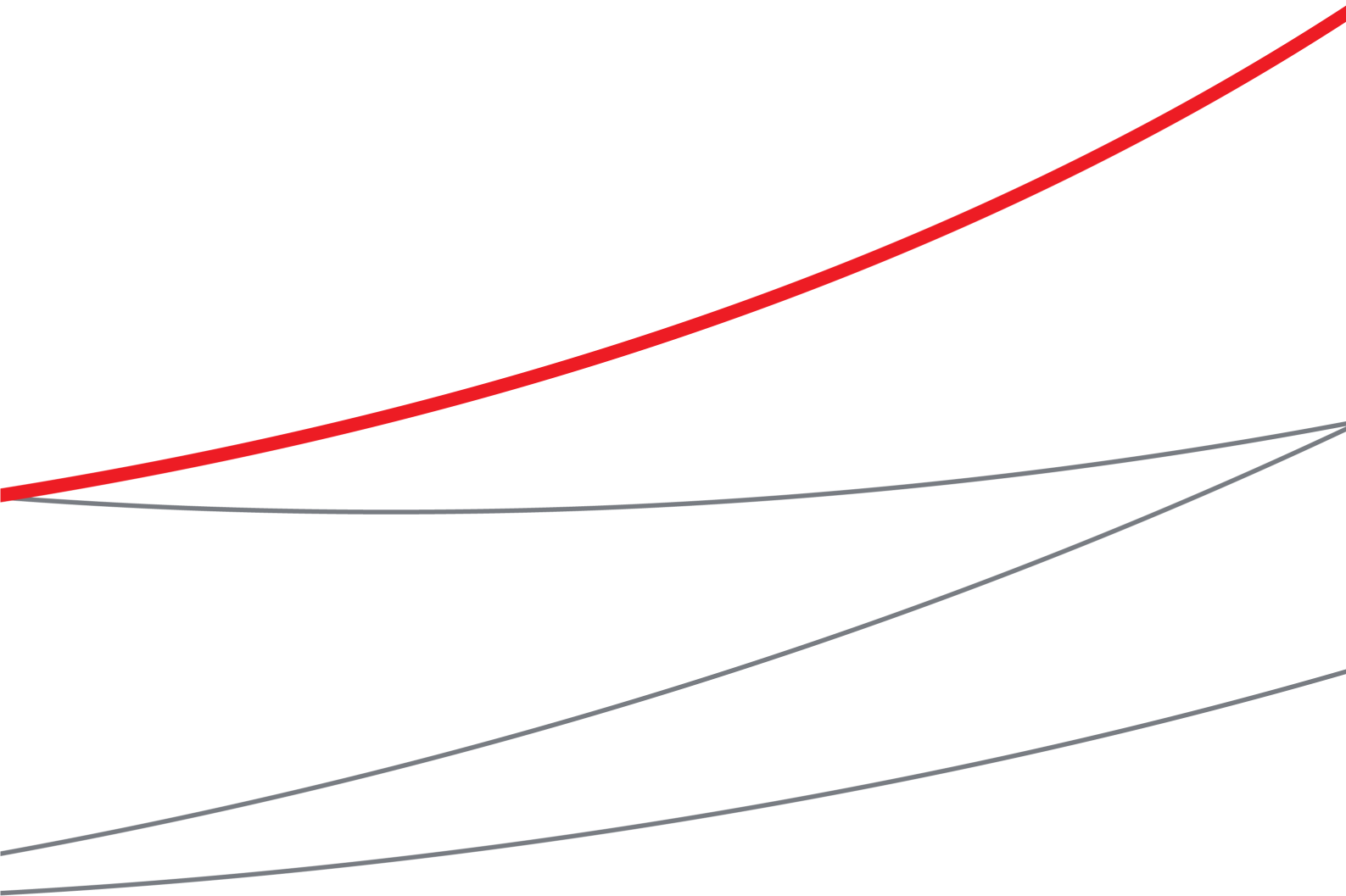


# Wirral Borough Council Strategic Asset Review: Office Accommodation

March 2010



**EC HARRIS**  
**BUILT ASSET**  
**CONSULTANCY**

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## Appendix

**Appendix A Glossary of Terms**

**Appendix B Financial Model (included as a separate cd)**

**Appendix C Offices Location Map**

**Appendix D Indicative Project Timetable for Delivery**

**Appendix E Cheshire Lines (commercial in confidence – not included)**

### Version Control

<b>Version and date</b>	<b>Author(s)</b>	<b>Reviewed (4 eyes)</b>
Draft 0.3 12.03.10	David Revell, Catherine Harvatt	Peter Hogg
Draft 0.6	David Revell, Catherine Harvatt	(Construction Model Inputs) M Getgood
Draft 10	David Revell, Catherine Harvatt	Peter Hogg
Final draft (12a) for WBC Head of Asset Management	David Revell, Catherine Harvatt	Dan Gregory

# Wirral Borough Council Strategic Asset Review: Office Accommodation

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## 1. Executive Summary

Wirral Borough Council has recognised a ‘once in a generation’ opportunity to use its office accommodation and a 21st Century working environment within it, as a catalyst for long – term cost efficiency and delivery of services to citizens. To maximise this opportunity, the Council has commissioned EC Harris to undertake a structured 16 week review to explore the opportunity and to define the best possible outcome. The exercise has brought together the Council’s existing change activity, its front line service departments and the back office functions of Finance, Human Resources (“HR”), Information Technology (“IT”) and Asset Management to produce a consolidated view on the accommodation model that will best support Wirral’s vision and strategy in the short, medium and long term. The exercise has defined and examined the Council’s office accommodation options, analysing their relative merits, savings and investment required. This Business Case sets out the options, including analysis of the financial aspects of each and the benefits arising from them.

The exercise has been conducted on the Council’s behalf by International Built Asset Consultancy, EC Harris. The exercise involved wide and thorough engagement with Officers throughout the Council, meetings with lead Members of each of the three political groups represented on the Council and engagement with other third parties with a potential stakeholder interest in this project. EC Harris has enjoyed excellent co-operation and assistance from everyone in the Council with whom it has come into contact and, in particular, Ian Brand, Phil Ashley and the staff of the Asset Management Division. The exercise established:

- An understanding of how the Council is organised, how it wishes to utilise its space and the steps it is taking to deliver its vision and strategy.
- How much physical space this may demand, based on experience of best practice, and what direct accommodation cost savings can be made.
- How the space can most effectively be delivered to create an efficient working environment.
- What opportunities for broader cost saving and service delivery improvement accommodation can enable and what the financial value of this will be.
- What specific options exist for Wirral implementing the model and how these support the Council’s regeneration agenda.

# Wirral Borough Council Strategic Asset Review: Office Accommodation

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Wirral Borough Council has embarked on a Strategic Asset Review which includes all the built assets of the Council. The project to deliver strategic recommendations for the future of the office accommodation sits within the Strategic Asset Review.

The current configuration of the Council's office portfolio has evolved over time and no longer offers an efficient money saving solution to their current needs and ambition to create an excellent Authority. The Council has identified a total of 42 buildings which house some form of back office function. Of these, 22 have significant numbers of staff with the remainder catering for the needs of small numbers of staff and a variety of other agencies and functions. It was agreed that this study should focus on the portfolio of 22 with significant occupation and potential to deliver savings.

Functions are widely dispersed across this portfolio and although much of the corporate estate is described as being in satisfactory condition, substantial sums of money would be required to be spent to deal with the maintenance backlog and planned maintenance thereafter to ensure the estate is fit for purpose for the next 25 years. No benefits from improving the utilisation of space would result from this approach and the opportunity for creating efficiency savings from the estate would be very limited. The number of office buildings and the dispersal of staff in itself suggest a more concentrated model could deliver greater operational efficiency. Current spending on the office portfolio has been historically low, but sufficient to ensure the buildings continue to function adequately. This position, however, cannot be sustained into the future.

A range of options have been investigated to provide a long term solution. The options present a variety of configurations with differing new build area requirements attached to them. The Option which delivers the best combination of benefits and cost and is therefore the most economically advantageous solution is described in this Business Case as Option 3, although other options appear almost as good. In the light of this outcome, it is recommended that Wirral Borough Council undertakes a further piece of detailed analysis to affirm the benefits of Option 3 compared with other closely ranked Options. Option 3 retains Wallasey Town Hall, but disposes of the North and South Annexes to the Town Hall. This Option also retains Solar Campus (which it is proposed is more intensively used), Cheshire Lines (which currently has 14 years of lease remaining), Acre Lane and a refurbished Westminster House. The remainder of the accommodation is provided in a new build. Option 3 delivers discounted average revenue savings to the Council (compared with do minimum) in excess of £800,000 per annum over the model period of 25 years. A central assumption of an overall reduction in staff of 10% has been modelled from the outset.

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The new build will deliver significant economies in operating costs, much better use of space as a result of intelligent and efficient design, the Council's emerging agile working policies and greater efficiency around energy use. Facilities Management services costs are also reduced as a result of working from a smaller overall amount of space. The efficient working methods will be enabled by a significant investment in IT which is managed as a separate work programme within the overall transformation agenda.

In arriving at these savings, for reasons of reasonable caution, a number of potential areas of saving have been excluded from the model. These are:

- FM efficiency savings (as opposed to savings arising from a smaller area);
- HR savings from lower absence and less recruitment costs;
- Savings in business rates from demolition of surplus areas at Acre Lane;
- Reduced staff travel and expenses arising from fewer inter building journeys
- Car park income
- Potential property sale receipts (eg North and South Annexes of Wallasey Town Hall)

Acre Lane is retained under each Option, but the long term future of the building is uneconomic. Re-provision of the asset should be examined by way of a separate option appraisal, possibly as a second phase development following delivery of the reconfigured office accommodation.

Wirral Borough Council is progressing rent review discussions with the landlords of the Cheshire Lines building. There may be an opportunity to extend the Council's interest at this location.

This Business Case is not intended to settle the debate about where any potential new building might be located. However, the advantages and disadvantages of a range of options are examined. There is a clear opportunity in this debate to connect the office accommodation project with the Council's regeneration aspirations for the area.

# Wirral Borough Council Strategic Asset Review: Office Accommodation

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## 2. Introduction

### 2.1 Purpose of the Document

The purpose of this Business Case is to analyse the options available to Wirral Borough Council (“WBC”) to rationalise and modernise its use of administrative accommodation and to make recommendations on the configuration (but not the location) of that accommodation based on that analysis. Possible locations are identified separately in Chapter 7 with some advantages and disadvantages of each to begin to inform a structured debate.

The rationalisation and modernisation of administrative accommodation is set in the context of a wider Strategic Asset Review (“SAR”) that the Council is undertaking which in turn is designed to make a major impact on the Council’s Corporate Objective 5; ‘To Create an Excellent Authority.’ The SAR will contribute to Corporate Objective 5 by improving the Council’s use of land and assets. The modernisation and rationalisation of the administrative estate can make a significant impact on bringing this improvement about. This Business Case demonstrates how this can be achieved. This Business Case focuses on the back office functions, but there are linkages to front of house services which are frequently delivered from buildings or locations which also deliver back office functions: these include One Stop Shops. Re-provision of One Stop Shop accommodation is incorporated into the recommendations for overall re-provision where appropriate. The Business Case also includes proposals in respect of Acre Lane Professional Excellence Centre and Solar Campus, which deliver training and educational services as well as some back office functions.

The Business Case provides a robust audit trail for future investment decisions that the Council will make to achieve its overall goals. In order to do this, the Business Case is compliant with the approach of the Treasury Green Book and follows the process identified as best practice by the Office of Government Commerce (“OGC”.) Accordingly, the Business Case follows the 5 case model. Much of the analysis and the conclusions in this Business Case have been prepared and agreed through contact and interface with Council Officers. It’s purpose is to contain no surprises and offer an affordable and deliverable solution that all those who own and are affected by the preferred solution can sign up to and identify with. The five case model is:

1. Strategic Case
2. Economic Case
3. Financial Case
4. Commercial Case



# Wirral Borough Council Strategic Asset Review: Office Accommodation

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## 5. Management Case

### **Strategic Case**

The strategic case establishes what is driving the proposal, why there is a need for change and why the current operating model is in need of review and change. A key focus is the needs of WBC and the consequent benefits that are deliverable to its citizens. It also takes account of WBC priorities for regeneration and considers the possible regeneration benefits that could be secured by the development of a new administrative office strategy. The output from the strategic case will be a set of SMART (specific, measurable, achievable and agreed, realistic and timetabled) objectives that define the project. This will capture the drivers for the strategy and the impact of the change

### **Economic case**

The economic case explores the different options for meeting the project objectives, including the do minimum option and also investigates a list of options for change and how value for money can be achieved. In summary the purpose of the economic case is to:

- Define the objectives to be met and benefits being sought;
- Generate the options for meeting those objectives;
- Measure the benefits of each option;
- Determine the costs of each option;
- Assess the key project risks.

By bringing together the information in these steps, it is possible to determine which option best balances cost and benefits based on the information to hand.

### **Financial case**

The financial case illustrates the revenue savings achieved by each option.

### **Commercial Case**

The commercial case details the various delivery options for the project and recommends a route to establishing the preferred approach. All options are considered together with their advantages and disadvantages. The benefits of the recommended delivery solution should be viewed in the light of the local economy, the risk profile of the preferred option, the relationship of capital investment and revenue saving and the perceived timescales.

# Wirral Borough Council Strategic Asset Review: Office Accommodation

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The following commercial options are considered:

- Internally generated cash flows supported by Prudential Borrowing as required;
- Strategic Partnering and the Integrator Solution; (this is totally distinct from the Construction Employment Integrator which is a WBC initiative);
- Solution which introduces Council assets into a delivery vehicle;
- Private Finance or form of Public Private Partnership;
- Developer led opportunity

The Business Case model is constructed on the assumption of a Prudential Borrowing (“PB”) route. Other potential delivery routes require some other form of public/private partnership arrangement and it is recommended that they are assessed against the benchmark of PB and only employed if better value for money and regeneration benefits can be clearly demonstrated.

## **Management Case**

The management case seeks to determine how the project will be managed and who will be involved with this. Those involved will include both those in and outside WBC, including employees, and other stakeholders.

A successfully well managed project requires the following inputs in accordance with the principles of PRINCE2 (“Projects in Controlled Environments Version 2”):

- A clear project structure that includes wide-ranging and appropriate council and cross-organisational input;
- Identification and provision of the resources necessary to support the project;
- A benefits plan;
- A plan for post project evaluation, to determine that the required benefits have been achieved;
- A timetable for the whole project, up to and including post project evaluation.

A number of these areas are ably supported through parallel work streams within the overall SAR and a willingness of the Council to ensure best practice is followed, for example by enquiring into the benefits obtained through the Office of Government Commerce (“OGC”) Gateway Review Process.

# Wirral Borough Council Strategic Asset Review: Office Accommodation

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## 2.2 Methodology

The methodology employed for the study was in three stages over 16 weeks. The first stage involved a intensive period of fact finding and data gathering, including a series of focus interviews with, political leaders, the Chief Executive, Deputy Chief Executive, Executive Directors and key Heads of Service. These interviews were complemented by a data gathering exercise on the existing buildings, their use and functions. This stage culminated in a stakeholder workshop held on 5 February. The details of this workshop are provided at Chapter 4. The Members and Officers met in focus interviews were as follows:

*Fig 2.1 Focus Interviews*

<b>Interviewee</b>	<b>Role</b>
Cllr S Foulkes	Leader of the Council and the Labour Group
Cllr S Holbrook	Deputy Leader of the Council, Leader of the Liberal Democrat Group and Portfolio Holder for Corporate Resources
Cllr J Green	Leader of the Conservative Group
Steve Maddox	Chief Executive
Jim Wilkie and Corporate Services Management Team	Head of Corporate Services and Deputy Chief Executive
Ian Coleman with Tom Sault	Director of Finance with Head of Service for Accounting and Research
Howard Cooper with David Armstrong	Director Children's and Young Peoples Directorate with Head of Branch
David Green and Management Team	Director Technical Services
Bill Norman with Ian Brand	Director Law, HR and Asset Management with Head of Asset Management
Alan Stennard and Management Team	Director Regeneration
John Webb with Mike Fowler	Director Adult Social Services Directorate with Head of Branch – Finance and Performance
David Ball	Head of Housing and Regeneration
Chris Hyams	Head of Human Resources
Jacqui Roberts	Head of Transformational Change
John Carruthers with IT Management Team	Assistant Director Finance Directorate

# Wirral Borough Council Strategic Asset Review: Office Accommodation

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Stage 2 of the process concentrated on developing a set of options that would deliver the project objectives that emerged at the focus interviews and were ranked and weighted by the 5 February workshop. These options are identified at Section 4.4.

The final stage in the process is the delivery of this Business Case.

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## 3. Strategic Business Case for Change

### 3.1 Economic and Financial Context

The overall economic context in which this business is presented significantly reinforces the case for an improved and more efficient configuration of corporate office accommodation in Wirral. The government targets for efficiency savings across the public sector as a whole have been most recently articulated in the Comprehensive Spending Review (“CSR”) of 2007 and HM Treasury’s Operational Efficiency Programme (“OEP”) which identified a further £14.8bn of public sector savings by 2011. The drive towards greater operational efficiency is given greater urgency as a consequence of the rapid increase in public sector borrowing (estimated to rise to £180bn) to mitigate the worst effect of the recent recession. Most analysts accept that repayment of this debt will begin to have a marked impact on Council budgets from 2011. This, therefore, is an excellent time for Wirral to create operational efficiencies through better use of its corporate estate in order to protect and enhance front line services. The overall economic context also introduces an urgency and necessity to address the issue of the corporate estate. It is therefore important that the momentum of the project is maintained following the delivery of this Business Case.

### 3.2 Wirral Borough Council

The Wirral peninsular covers 60.35 sq miles between the estuaries of the Mersey and the Dee. The area is one of contrasts. The industrial and business centre is concentrated in the eastern part of the borough facing the Mersey and Liverpool and the more residential rural aspects are found to the west of the M53. The accessibility of Liverpool with shopping and leisure attractions has resulted in a progressive decline of Birkenhead as a main retail and leisure attraction. This is now being addressed vigorously by a regeneration outline study for Birkenhead and Wirral Waters.

Wirral is home to 312,293 people recorded in the 2001 census with a total electorate of 248,043. 30.4 percent of Wirral’s population is under the age of 25 and 18 percent is over 65.

Wirral Borough Council was created in the 1974 local government reorganisation when it became part of Merseyside. The 1974 reorganisation merged 5 former District Councils into a single Council. WBC is the third largest metropolitan authority in the North West of England. The Council employs approximately 12,500 staff including teachers and is the largest single employer in the area. The Council has

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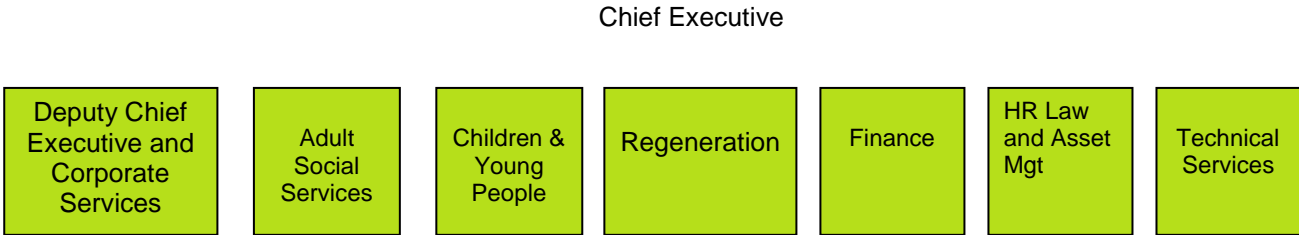
an annual budget of circa £336m and administers the Pension Fund for the Mersey Authorities with a value of £3bn.

The Corporate Plan for 2008-2011 identifies an efficiency investment budget to generate savings and continue to provide services that represent value for money to Council Tax payers.

The 2009 Comprehensive Area Assessment (“CAA”) for WBC produced an overall score of 2 out of 4 (performing adequately) for Managing Performance and Use of Resources. In relation to WBC Objective 5 (To Create an Excellent Council) the Audit Commission noted: “The Council has made reasonable progress to strengthen its capacity to improve services....The Council has reasonable financial capacity and has achieved savings of £37m in the past three years. It is running several large projects which aim to improve efficiency and make extra savings. The Council also places greater emphasis on value for money from its services, and aims to better understand how much its services cost compared to (sic) others so it can take action where its costs are higher.”

The Council is organised currently into the following directorates, each headed by a Chief Officer. It is noted that the Director of Regeneration retires on 31 March 2010 and it is not intended to replace him. Interim arrangements will be put in place for the management of that Department’s services pending a review of the organisational structure.

*Fig 3.1: Departmental Organisation*



### 3.3 Strategic Asset Review

The Council has recently undertaken a Strategic Asset Review (“SAR”). Decisions on the way forward with various types of assets were reported to Cabinet on 15 January 2008. That meeting resolved that the office accommodation aspects of the SAR should move forward to implementation and that the process of making savings from the rationalisation of the Council’s office accommodation should be progressed. The overall SAR has resulted in a substantial change programme with a

# Wirral Borough Council Strategic Asset Review: Office Accommodation

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number of interrelated projects. The Office Rationalisation Programme is one of these and is itself divided into the following work streams:

## **Work Stream 1**

Work Stream 1 has determined the costs, income and usage of the existing accommodation to inform the current operating model and provide information for the analysis in this Business Case.

## **Work Stream 2**

The terms of reference of this Work Stream are to:

- Develop a plan for future building use, focussing on physical requirements, and providing for the maximum use and efficiency of retained buildings and confirm the demolition and disposal programme;
- Engage with partners to explore opportunities for co-location and rationalisation;
- Establish an appropriate framework for managing the performance of the administrative estate

The original project for the review of office accommodation within the SAR contained two key elements. As a basis for future actions, a long term strategy for the future of the corporate office estate is required, and this Business Case addresses that. Secondly, a project was being developed for the refurbishment of Westminster House to support building rationalisation and agile working. Plans were previously drawn up as part of the overall EC Harris exercise to demonstrate that 500 staff could be accommodated in the refurbished space. The SAR Project Board meeting on 14 January 2010 decided that the Westminster House refurbishment element of the project would be put on hold pending recommendations on the strategic direction.

This Business Case operates within the remit of Work Stream 2.

## **Work Stream 3**

This Work Stream is developing WBC's approach to agile working and is providing a framework for implementation of the working practices consistent with a modern working environment. The Work Stream is identifying, in collaboration with Human Resources ("HR") and Information Technology ("IT") colleagues how and where agile working will be used. This Work Stream is tasked with leading and facilitating workplace change and developing and managing a communications plan for the whole project.

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### Work Stream 4

This Work Stream is examining the Facilities Management (“FM”) arrangements; identifying options for delivering savings and recommending a way forward.

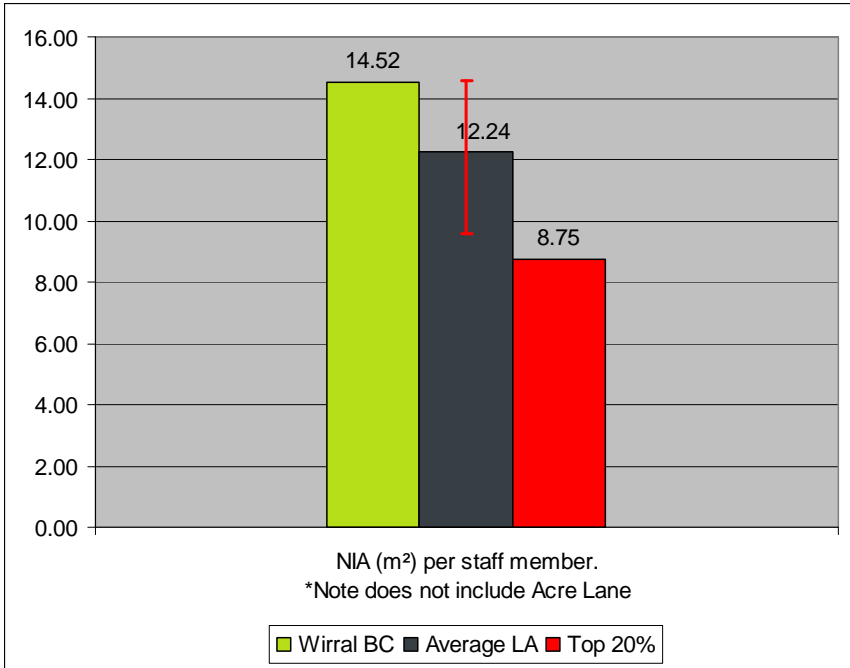
### Work Stream 5

This Work Stream is responsible for managing the implementation of the agreed rationalisation. It will deal with the re-location of staff and all that is entailed from the project schedule of building closures, disposals and demolitions.

### 3.4 The Current Office Accommodation Operating Model

The chart below shows the Net Internal Area (“NIA”) per staff member in administrative functions for WBC compared with a sample of representative Councils drawn from across England. This exhibit also shows the performance of the top 20% of those Councils. The bar shows the range of the upper and lower quartiles from which the average is obtained. Wirral BC performance is almost in the lowest quartile when set against these benchmarks.

Fig 3.2: NIA per Staff Member



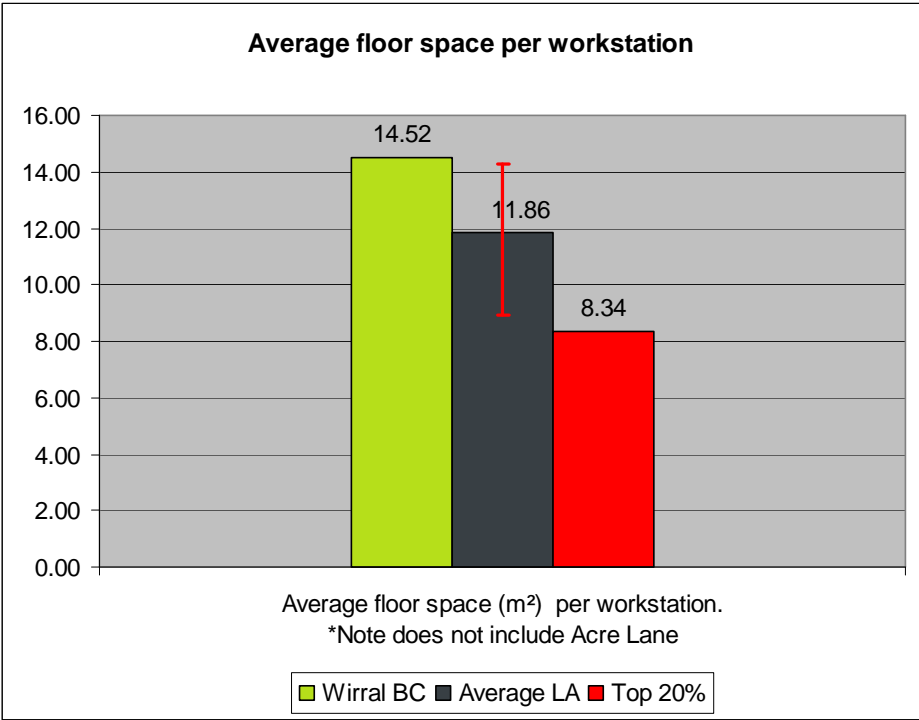
The current model works broadly on the basis of one desk per employee which means that the average floor space per workstation is the same as that for each



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employee in the administrative estate. The allocation of individual offices in Wirral has developed as a result of the constraints of individual buildings and through custom and practice. The chart below shows the position of WBC compared with the same group of Councils some of which operate on a more efficient desk to staff ratio.

Fig 3.3: Average floor space per workstation



The following table shows the performance of individual buildings and includes building locations to additionally illustrate the dispersal of the current operational administrative portfolio. The dispersal is also illustrated in a map format at Appendix D.

Fig: 3.4 Building Location and Occupancy

Building	Location	Staff numbers	GIA(Note1)	NIA(Note2)	NIA m2 per staff member
Bebington Town Hall	Bebington	112	1542	1213	10.83
Bebington Town Hall Annexe	Bebington	63	836	707	11.22
Birkenhead Town	Hamilton Square,	19	4979	2385(est)	125.53

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<b>Building</b>	<b>Location</b>	<b>Staff numbers</b>	<b>GIA(Note1)</b>	<b>NIA(Note2)</b>	<b>NIA m2 per staff member</b>
Hall	Birkenhead				(Note 3)
Bedford Road	Rock Ferry	18	175	140	7.78
Cheshire Lines	Birkenhead	447	6894	3367	7.53
Conway Centre	Birkenhead	171	4037	2952	17.26
Devon Gardens	Rock Ferry	4	279	223	55.75
Finance Municipal Building	Birkenhead	292	3838	2645	9.06
Hamilton Building	Birkenhead	227	3775	2881	12.69
Liscard Municipal Building	Wallasey	73	2106	1516	20.77
Moreton Municipal Building	Moreton	60	977	791	13.18
Pennant House	Bebington	11	636	431	39.18
Professional Excellence Centre, Acre Lane	Bromborough	158	8083	6010	38.03 (Note 4)
Rock Ferry Centre	Rock Ferry	56	1936	1549	27.66
Solar Campus	Wallasey	115	5598	4199	36.51 (Note 4)
The Old Courthouse	Wallasey	54	1800	1191	22.06
Treasury Building	Birkenhead	185	4586	2709	14.64
Wallasey Town Hall	Wallasey	190	7809	3741	19.69
Wallasey Town Hall North Annex	Wallasey	143	2061	1445	10.10
Wallasey Town Hall South Annex	Wallasey	138	2211	1493	10.82
Westminster House	Birkenhead	347	4733	3600	10.37
Willowtree	Moreton	56	1494	1195	21.34
<b>Total</b>		<b>2939</b>	<b>70385</b>	<b>46383</b>	<b>15.78</b>

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Building	Location	Staff numbers	GIA(Note1)	NIA(Note2)	NIA m2 per staff member
<b>Total (excluding Acre Lane Professional Excellence Centre)</b>		<b>2781</b>	<b>62302</b>	<b>40373</b>	<b>14.52</b>

Notes:

- (1) Gross internal area of the buildings
- (2) Net internal area of the buildings
- (3) Birkenhead Town Hall was previously vacated in preparation for disposal. The Registrars remain as the sole occupants.
- (4) Includes educational or training facilities.
- (5) Accommodation occupied by the Merseyside Pension Fund is excluded

*Fig 3.5: Building Functions*

Building	Directorate	Wirral BC Function	Other Occupiers
Bebington Town Hall	CYPD  HR, Law and Asset Management	Various Educational Support Services  Buildings Supervisor	
Bebington Town Hall Annexe	CYPD DASS UNISON	Social Care Locality Teams Union office	Co-located with NHS Teams
Birkenhead Town Hall	Law, HR and Asset Management	Registrars	
Bedford Road	CYPD	Lifelong Learning Service	
Cheshire Lines	Technical Services HR, Law and Asset Management Finance  DASS CYPD	Headquarters Asset Management (planned move on 1/7/2010) Wirral Archive Call Centre Call Centre Community Patrol HQ	(24 hour operation)
Conway Centre	CYPD DASS	Social Workers Welfare Benefits Homeless and Housing Options Team	Connexions

# Wirral Borough Council Strategic Asset Review: Office Accommodation

Building	Directorate	Wirral BC Function	Other Occupiers
	Regeneration & Finance	One Stop Shop	
Devon Gardens	CYPD	Social Care	
Finance Municipal Building	Finance	Benefits, Revenue, Misc Income, administration, information management,	
Hamilton Building	CYPD Finance	Headquarters Data Centre	
Liscard Municipal Building	CYPD DASS	Social Care Care Management	Connexions
Moreton Municipal	CYPD Finance	Social Care One Stop Shop	
Pennant House	Finance	One Stop Shop	
Professional Excellence Centre, Acre Lane	CYPD	Professional Training Specialist Education Support	Also used by Edge Hill University, PCT and other bodies.
Rock Ferry Centre (257 Old Chester Road)	CYPD Finance	Social Care  One Stop Shop  (Also houses public library. <b>Note 1.</b> )	Wirral Partnership Homes
Solar Campus	CYPD	Youth Services (Exclusions, Youth Offending,) Anti Social Behaviour	
The Old Courthouse	Regeneration	Community Safety	Police
Treasury Building	Finance	IT, Financial Services, Internal Audit, Print Unit, Change Team, Main Data Centre	Occupational Health Service
Wallasey Town Hall	Chief Executive Corporate Services	Policy Members and Democratic Services Council Chamber Committee Rooms Civic Hall and Ceremonial	

# Wirral Borough Council Strategic Asset Review: Office Accommodation

Building	Directorate	Wirral BC Function	Other Occupiers
	HR, Law and Asset Management Finance Regeneration	Space Support Services Law Team One Stop Shop Trading Standards Environmental Health Licensing	
Wallasey Town Hall North Annex	Corporate Services  Regeneration	Communications, Tourism and Marketing Teams and Strategic Development Storage  Housing and Regeneration	
Wallasey Town Hall South Annex	HR, Law and Asset Management  Regeneration	Conveyancing HR Training facility Asset Management Team (planned move to Cheshire Lines on 1/7/2010) Strategy and Implementation	
Westminster House	DASS  Regeneration	Headquarters Social Care Cultural Services	NHS Wirral
Willowtree	CYPD	Social Care Resource Centre	

**Note 1.** The purpose of this Business Case is to make recommendations in respect of office accommodation. It is assumed that the Rock Ferry Centre public library is unaffected by any proposal.

The Council currently has some form of presence in 42 buildings from which administrative, technical or back office functions are undertaken. A number of these buildings also have public facing services or One Stop Shops and are part of Wirral's initiative to continue to develop efficient and accessible services to its citizens. Of the 42 buildings, EC Harris was asked to focus attention on 22 buildings identified in Fig 3.4 where there is significant Council occupancy. The remaining 20 buildings are recorded as accommodating just 47 office staff and a variety of other occupants. Under the current model, every Directorate, with the exception of Technical Services, has a core administrative function spread across at least 2 of

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the 22 buildings in the study. Our study did not look at the organisational detail, but compared with other Councils, services seem unduly dispersed. This will have a bearing on travel costs, efficient working and communications.

A capital budget of £1.5m per annum over 4 years has been identified to upgrade the Council's IT systems to provide a key enabler for agile working and support a modern working environment in a reduced office portfolio. There is also a separate revenue budget of £750,000 per annum for desk top equipment.

## 3.5 Project Objectives, Assumptions and Constraints

The SAR report to Cabinet in January 2009 which gave approval for the office accommodation project to proceed identified the need to make recurrent savings of £1m from the future level of recurrent operating costs of the existing portfolio. The aim is now to treat this as a minimum figure. This objective, therefore, was established as a principal driver for the project from the outset, and the options which have been generated as a result of this exercise are designed to show how this could be achieved with a combination of modelled and potential additional savings.

**Crucially, the change programme, of which the SAR is a component, has not yet determined the future staff numbers or the organisation of functions within a rationalised portfolio. It is considered very important that the organisational drivers and the future operating model for the Council are clarified. These are an integral part of the physical accommodation aspects, as they will impact not only on the consideration of the merits of the options but the real benefits that will be delivered from occupation.**

In order to legislate at a very general level for the overall size of the organisation going forward the core assumption of an overall reduction of 10% in staff to be accommodated has been made. This has regard to the current economic climate and potential expenditure constraints in future years. The sensitivity analysis in Section 5.6 shows the financial impact on the options of re-providing office accommodation for existing staff numbers and a 20% reduction. These are illustrations only and are not intended to be prescient in terms of any way in which the Council may organise its resources in the future.

As explained in Section 3.4 (The Current Office Accommodation Operating Model) the present general arrangement (with a few isolated exceptions) is for each person to have a desk, irrespective of whether the working pattern of the individual is desk or client or site based. The focus interviews and the stakeholder workshop of 5

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February 2010 achieved a consensus that the Council should be considerably more ambitious than that and, accordingly, an average provision of 7 desks for every 10 employees has been targeted in this exercise. This is fully comparable with other councils that have adopted similar office accommodation strategies.

Similarly, the SAR report to Cabinet identified a future requirement of 10sqm per workspace. Initial work for the Westminster House project and experience of EC Harris working with other councils has demonstrated the feasibility of creating excellent working environments comprising an average of 6.5sqm for each workspace (including local, but not general circulation space.) This average takes into account, for example, the needs of mobile staff who need touch down space and technical staff who may have specialist requirements. Accordingly, these metrics determined the requirements of the project brief.

A number of the focus interviews discussed the advantages and disadvantages of leased as opposed to owned property for the services currently delivered from the portfolio. The broad consensus was that the Council would be prepared to own or lease any new accommodation, or acquire accommodation as part of a developer agreement. The key requirement was stated to be a compelling business case that clearly showed the financial advantage of the recommended approach.

In particular, a business case which advocated new build would need to demonstrate clearly the merits of the proposed solution that could be explained through an effective communications strategy, not least to the wider public, that clearly articulated the value for money and other benefits to local people.

As part of this exercise, contact was made with each of the partners in the Strategic Assembly Partnership to ascertain any views on the office accommodation project. A summary of the responses is provided at Chapter 4 of this Business Case. There is a high level of enthusiasm within the Council to take advantage of any opportunities there might be to link with other local providers to deliver more joined up services and greater efficiency. This is happening on the ground. For example, both CYPD and DASS employ joint working through shared accommodation. Therefore, any business solution to the office project should fulfil the needs of WBC, ensure that proper provision is made for the existing joint working and seek to extend Total Place type initiatives wherever there is common ground and a mutual willingness to do so.

## 3.6 Project Scope

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The scope of this Business Case includes accommodation where front office and back office functions exist side by side for operational and efficiency reasons. The approach to these elements in this Business Case is as follows:

## **One Stop Shops**

The in scope buildings that currently incorporate WBC led one stop shops are:

- Conway Centre;
- Moreton Municipal Building;
- Pennant House;
- Rock Ferry Centre;
- Wallasey Town Hall.

This Business Case makes no specific recommendations with respect to the location of One Stop Shops, although re-provision of a One Stop Shop is included in the financial model. However, in the event of a disposal programme which includes any of the buildings currently housing the One Stop Shops a fuller analysis will be needed. This analysis should include:

- Footfall in current locations;
- Most appropriate future location for services taking the asset vacating programme into account;
- The opportunities for joint agency working
- Alternative, better ways, of the public accessing Council services, for example, using IT connections

This exercise has the potential to deliver further savings opportunities.

## **Offices used by administrative personnel and mobile employees**

An over-arching position has been reached in consultation with Directors in the focus meetings and ratified by the stakeholder workshop that an overall average space allocation of 6.5 sq metres per workstation and an average ratio of 7 workstations per 10 employees would be applied to any potential new build. It is anticipated that existing refurbished accommodation may not achieve this level of efficiency. However, overall it will accommodate the needs of services which consist of desk based and mobile workers. Our overall approach is based on the experience of a number of other councils and the metrics that we have used assume that Wirral can replicate the best of class. A targeted desk utilisation study would help to inform that these assumptions are robust.



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## **Buildings with specialist services and have public access.**

This arrangement applies particularly to the Acre Lane Professional Excellence Centre and the Solar Campus. It is proposed to exclude the Acre Lane Professional Excellence Centre from any potential new build solution. Proposals on a longer term way forward for Acre Lane as part of the SAR are at Section 4.4.

Solar Campus fulfils two distinct needs of an education and training centre for vulnerable young people and a focal point for CYPD Youth Services. This Business Case does not attempt to provide any recommendations in respect of the School on the Campus, but it is proposed that improved use could be made of the space in the St Marys building. This is described more fully in Chapter 4.

## **Outsourcing**

The brief for the Business Case did not include any assumptions on variations which incorporated outsourcing of support or Facilities Management (“FM”) services, although WBC is prepared to consider leasing options on future office accommodation.

## 3.7 Interfaces

### **Data Centre Upgrade**

WBC has commissioned a study, which has reported, into the risks present with the existing data centres located in Treasury Building and in the Hamilton Building. Decisions on any recommendations which involve significant outlay to address lower grade risks are pending decisions on recommendations in this Business Case. Under the options for change identified in this Business Case, both current data centres will require re-locating. The cost of re-providing the buildings to house these is incorporated in the modelling.

### **Wirral Archive**

The Wirral Archive has been situated in the Cheshire Lines Building since 2008. It provides the archive for the Council and also public records. There is also a public on line research facility. Planning for the future capacity of the Archive in line with forecast demand pressures is underway. It is noted that the current internal usage of the Archive varies significantly between Directorates (both in terms of items lodged and volume of churn of documents.) It is possible that a consistently applied policy on document storage would deliver a different conclusion about the capacity of the Archive. Also, the option of outsourcing the storage of older retained items may relieve capacity issues in the short to medium term.

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## 4. Option Appraisal

### 4.1 Benefits Ranked and Weighted

The key objectives for the office accommodation project set out at the beginning of the exercise were to establish a Business Case to:

- Optimise value for money and efficiency in the use of administrative accommodation;
- Realise savings of at least £1m from the revenue budget from 31 March 2011;
- Modernise working environments that deliver better efficiency and a greater degree of agile working.

During the focus interviews with Directors and Heads of Service these objectives were discussed and a more detailed list of project objectives analysed. A stakeholder group was then formed which took part in a workshop held on 5 February 2010. The workshop was tasked with deciding the ranking and weighting of the project objectives to determine which benefits were most important when choosing a final solution. The starting point for this analysis was the individual assessments of project objectives provided by leading Members, Executive Directors and Heads of Service at the Focus Interviews held during January. The workshop attendees were as follows:

*Fig: 4.1 Workshop Members*

<b>Name</b>	<b>Position</b>	<b>Voting</b>
Kevin Adderley	Head of Strategic Development	Yes
David Armstrong	Head of Branch, CYPDD	Yes
Phil Ashley	Asset & Support Services Manager	Yes
David Ball	Head of Housing & Regeneration	Yes
Ian Brand	Head of Asset Management	Yes
Gill Foden	Organisational Development Manager	Yes
Jayne Marshall	Principal Manager, DASS	Yes
Jacqui Roberts	Head of Corporate Change	Yes
David Taylor-Smith	Deputy Director of Finance	Yes
Jack Holroyd	EC Harris	No
David Revell	EC Harris	No

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Below are the outcomes from the workshop:

*Fig. 4.2 Ranked and Weighted Benefits*

Objectives	Rankings	Weighting*
Employ the minimal use of space, save money and deliver greater efficiency in fit for purpose working environments	1	29
Bring about improved services to customers and value for money to Council Tax payers	2	27
Achieve a recurrent saving of at least £1m in office accommodation property operating costs	3=	14
Act as a catalyst for regeneration activity in Wirral (support the regeneration agenda)	3=	14
Promote shared services within Wirral BC and with other local service providers	5	8
Co-locating Directorates to achieve efficiencies	6	5
Reduce the Council's carbon footprint	7	3
		<b>100</b>

The detailed requirements of the above benefits are as follows:

**Employ the minimal use of space, save money and deliver greater efficiency in fit for purpose working environments**

This objective reflects that this project is not just about the building, but, more importantly, about achieving better economy, efficiency and productivity through working environments. It also sits at the core of the way in which the Council wishes to deliver its services in the future, using built assets as an enabler rather than a constraint to flexible working and better value.

**Bring about improved services to customers and value for money for Council Tax payers**

Improved customer service is recognised as being at the heart of the service transformation. This is created by reducing overheads, better co-operative working within the council and the IT which enables the mobile working, providing quicker more efficient responses to customer needs.

This was seen as important for the following reasons:

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- Demonstrating good value for Council Tax payers;
- Showing a clear intention to engage in an open and visible process for key decisions that effect public services;
- A willingness to learn lessons from previous projects and other Councils that have undertaken similar exercises.

## **Achieve a recurrent saving of at least £1m in office accommodation property operating costs**

The total expenditure on the existing corporate office portfolio within scope in 2008/09 was £4.091m. This figure excludes £8.9m accumulated backlog maintenance and an additional £8.25m identified as a maintenance requirement over the next 10 years. The approval of the SAR by Cabinet in January 2009 set out a savings target of £1million of property operating costs by 31 March 2011. This minimum target is incorporated into the overall savings programme within the Council's Change Programme and is thus an important feature of the office accommodation strategy.

## **Act as a catalyst for regeneration activity in Wirral (support the regeneration agenda)**

The SAR is concurrent with a number of specific regeneration projects. There is therefore an excellent opportunity to re-provide civic accommodation which will act as a catalyst for area regeneration. The covenant of WBC in the overall investment strategy is capable of attracting complementary investment and levering funding into the office accommodation project itself, depending on the preferred funding route for any potential new development. Savings obtained through the accommodation project also potentially could be used to support regeneration.

Current major regeneration projects in varying stages of planning or physical development are:

- Wirral Waters;
- Birkenhead town centre;
- Woodside;
- New Brighton.

The regeneration planning of Wirral Waters and Birkenhead town centre creates a wide range of investment opportunities within which a civic campus could integrate.

## **Promote shared services within Wirral BC and with other local service providers**

There was a high level of consensus from focus interviews and the workshop event that in undertaking this review, the Council should present every opportunity to other

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local providers to co-locate services or share facilities. Initial contact was made with all Strategic Assembly Partners and no immediate opportunities were identified. However, it is important that the ongoing debate facilitates continuing dialogue with all potential partners to develop continued efficiencies and in support of the Total Place initiative.

This was seen as important for the following reasons:

- Demonstrating good value for Council Tax payers;
- Showing a clear intention to engage in an open and visible process for key decisions that effect public services;
- A willingness to learn lessons from previous projects and other Councils that have undertaken similar exercises.

### Co-locating Directorates to achieve efficiencies

The current operating model disperses the core back office functions of the Directorates as follows:

*Fig 4.3: Dispersed Current Model*

Directorate	In Scope Buildings occupied
Adult Social Services (DASS) 3 buildings	Bebington Town Hall Conway Centre Westminster House
Children and Young People (CYPD) 10 buildings	Acre Lane Bedford House Conway Centre Devon Gardens Hamilton Building Liscard Municipal Building Moreton Municipal Building Rock Ferry Centre Solar Campus Willowtree
Corporate Services 2 buildings	Wallasey Town Hall Wallasey Town Hall North Annex
Finance 9 buildings (including One Stop Shops)	Cheshire Lines Conway Centre (One Stop Shop) Finance Municipal Building Hamilton Building Moreton Municipal Building (One Stop Shop)

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Directorate	In Scope Buildings occupied
	Pennant House (One Stop Shop) Rock Ferry Centre (One Stop Shop) Treasury Building Wallasey Town Hall (One Stop Shop)
Law, HR and Asset Management 4 buildings	Cheshire Lines (planned move in July 2010) Wallasey Town Hall Wallasey Town Hall South Annex Birkenhead Town Hall (Registrars)
Regeneration 6 buildings	Conway Centre The Old Courthouse Wallasey Town Hall Wallasey Town Hall North Annex Wallasey Town Hall South Annex Westminster House
Technical Services 1 building	Cheshire Lines

Reducing the number of buildings to co-locate Directorates was seen as delivering the following efficiencies:

- Saving on corporate overheads;
- Better communication on cross Directorate issues;
- Improved access to corporate and common support functions; and,
- More effective collaborative working

**Reduce the carbon footprint for the Council**

In anticipation of future standards for public buildings, any new building which may be occupied as a consequence of this business case should have a BREEAM rating of ‘Excellent’ and good practice would determine that it should also meet Sustainable Operations of the Government Estate (“SOGE”) targets. As a result of the government’s targets to reduce carbon emissions by 12.5% by 2010 and 30% by 2020, any move to a different building (either new or refurbished) also reinforces the need to anticipate the future requirement of a BREEAM rating of ‘Excellent’. Achieving a BREEAM Excellent standard will require an approximate 7% increase in capital cost of the build compared to BREEAM very good standard. However, this can deliver up to 30% in energy efficiency savings over the life of the building. These factors are assumed in our modelling.

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Reducing the amount of travelling between buildings will be achieved as a consequence of operating from fewer assets. This will not only save time and expense, but also reduce the overall carbon footprint for the Council.

## **Other Benefits**

Directors additionally wished to take the following benefits into account:

- Improvement in HR costs, including reduced recruitment costs and lower staff absences which have been demonstrated to be delivered as a result of improved and modern working environments;
- A solution which minimised business disruption during the transitional period, which indicates that double decanting should be avoided wherever possible.

## 4.2 Approach to the Options Study

The options and their qualitative and financial evaluation which follow are designed to address two fundamental issues. First, it assesses the comparative advantage of taking steps to rationalise the portfolio as opposed to continuing to manage in the existing environment or undergoing piecemeal change. Second, the options offer varying degrees of new build as a practical and cost effective solution to the office accommodation strategy. The process does not attempt to define the location of any new or revised accommodation solution. Chapter 7 examines currently known sites and addresses the pros and cons of each in order to inform the subsequent debate on location.

This Business Case does not propose alternative uses for any of the buildings within its scope which may become surplus to requirements. It is assumed, however, that all such unused buildings will be disposed of and proposals for any potential disposals will be brought forward at the appropriate time

## 4.3 Cheshire Lines

Currently WBC leases 3367 sq m (NIA) of accommodation in the Cheshire Lines Building. The building accommodates the Technical Services Directorate headquarters, Call Centres, the Wirral Archive and (from 1 July 2010) the Asset Management Team. WBC leases this accommodation for £410,000 per annum (currently under review.) There is a further 14 years remaining on the lease which will expire in 2024. The accommodation in Cheshire Lines is recently refurbished and achieves an economy of 7.75 sq m per workstation. The working environment is of generally fair to good standard, although lacking in natural light. There may be the opportunity for the Council to extend its interest at this location.



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Each of the following options includes the retention of Cheshire Lines under the current lease agreement, as the outcome of the review is not currently known.

## Acre Lane Professional Excellence Centre

The Acre Lane Professional Excellence Centre managed by CYPD is generally recognised as providing a stimulating learning environment bringing clear benefits and involving a number of agencies working alongside WBC. The facility itself, however, is not economical to run. It has an annual energy cost of £97,578 (rated as F); the total outstanding maintenance requirement (current and planned) amounts to £2,488,000 and the carbon emissions from a large and rambling building are 617 tonnes per year. Further, the building itself is located remotely from the rest of the corporate office estate and accessibility is not ideal for the functions of the Centre.

Each of the options in the following Section 4.4 (excluding Option 6 – the complete new build option) include the retention of the existing Acre Lane facility. However, in anticipation of delivering further economies from integrated working, the site options also identify the sites that would possibly accommodate a new Centre as part of a second phase development. In this event, it is recommended that all of the agencies that currently use the Centre are involved in the consultation and invited to contribute to the capital cost of the development. Any proposal to re-provide the Centre should also be based on a separate business case to determine its long term business objectives and revenue targets.

In the interim, it is recommended that the gymnasium, hall and associated accommodation amounting to 850sq m (which are empty and in need of repair) are demolished. This will achieve an immediate estimated annual saving of £6,435 on the uniform business rate. Furthermore, any internal works that are intended to generate additional capacity are similarly subject to a business case appraisal to demonstrate that they will deliver genuine value for money.

## 4.4 The Options

The following configuration options were arrived at as a result of the process of

- An initial viewing of the current in scope buildings;
- The underlying geographical distribution of the buildings;
- The need to offer the opportunity to make continued use of either Wallasey or Birkenhead Town Halls, assuming that the latter is not sold as part of the current marketing initiative, (Options 5 and 6 demonstrate the cost of utilising neither);

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- The metrics of 6.5 sq m per workstation (average) and an overall staff to desk ratio of 7:10 for the new build;
- The views expressed at the Focus Interviews, the 5 February 2010 Stakeholder Workshop and discussions with the Head of Asset Management.

The future numbers of staff and the organisation of services in respect of these options are not yet decided. The national spending cuts anticipated to affect local government from 2011 are expected to generate the need for efficiencies in back office functions. Accordingly, the central assumption of a 10% across the board staffing reduction has been made and informs the staff numbers in the following options. The impact of retaining staffing levels and a reduction of 20% are included as sensitivities at Section 5.6.

## **Option 1: Do minimum option, including addressing backlog maintenance within the next 5 years**

The immediate backlog maintenance on the existing office portfolio for the 22 in scope buildings is £8.9m or £128 per sq m compared with the existing expenditure of £12 per sq m. A further £8.25m has been identified as being required to prevent further degeneration of the assets and to secure their future over the next 25 years. The net present value of Prudential Borrowing over 10 years to maintain the existing estate is £39,899,281 with no benefits arising from this investment. The impact of delay in addressing this backlog in maintenance expenditure would be to increase the liability in real terms in future years. This would be due to deterioration in the building fabric, further deterioration in the energy efficiency rating across the estate and rapidly deteriorating conditions for staff. Health and Safety issues could also be expected to arise.

## **Option 2: Retain Wallasey Town Hall, Cheshire Lines, Acre Lane, retain the North and South Annexes with refurbishment, improved utilisation of Solar Campus and refurbishment of Westminster House. Provide the balance of the required accommodation in new build**

This option retains Wallasey Town Hall with existing levels of occupancy. It therefore incurs the current maintenance expenditure and backlog maintenance associated with this building. The existing Council Chambers and Members' offices would also continue to be used under this option. This option also assumes that the existing lease on the Cheshire Lines Building will run its natural course and WBC will continue to pay rental under the current agreement. Acre Lane Professional Excellence Centre is retained in its existing location, but it is proposed that possible synergies and economies of scale that will result from a second phase development on the new build site are fully investigated.

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Both North and South Annexes of Wallasey Town Hall are refurbished under this Option. Together the Annexes are modelled to be capable of accommodating 458 staff in their refurbished state (compared with their current loading of 281.) This option effectively retains the Wallasey Campus centred on the Town Hall.

Solar Campus currently provides important services for young people, but, in relation to the remainder of the corporate estate, is considerably under-utilised. Without a structure plan to build a functional utilisation model it is difficult to anticipate what a future optimum usage might be. However, a staffing complement of 200 is envisaged as necessary to justify the retention of the building in terms of its efficiency for office accommodation purposes, in support of its primary function to provide special educational and training support for young people. (This equates to an average of 9.56 sq m per workstation. It is believed that this level of economy should be possible with only minor modifications to the St Mary's building.)

The Westminster House refurbishment project, as it was originally conceived as part of the overall strategy, is included in this option. It will deliver a good quality economical environment for DASS and other Departments to engage in modern working practices.

The total number of staff remaining to be accommodated in new build under this option is 692.

### **Option 3: Retain Wallasey Town Hall, Cheshire Lines, Acre Lane, better use of Solar Campus, refurbish Westminster House. Provide the balance of the required accommodation in new build.**

This option repeats the main features of Option 2, but envisages the disposal of the North and South Annexes to Wallasey Town Hall. These annexes are not within the existing areas of housing restraint and any future potential housing development would be able to make use of the waterfront location and be designed around the feature of the Town Hall as a focal point.

This option will require 1150 staff to be accommodated in the new build.

### **Option 4: Retain Cheshire Lines, Acre Lane, make better use of Solar Campus and refurbish Westminster House. Re-provide democratic and corporate functions currently in Wallasey Town Hall in Birkenhead Town Hall. Provide the balance of the accommodation in new build.**

The legacy buildings of the former District Councils include two former Town Halls at Birkenhead and Wallasey. The options for alternative use of these buildings are extremely limited, particularly in the current economic climate. In the event that Birkenhead Town Hall is not disposed of, this option provides for its re-use as an

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alternative to Wallasey. It is possible that some future use could be devised for Wallasey Town Hall in the event that the North and South Annexes are disposed of.

This option therefore configures services identically to Option 3, but moves the democratic heart of the Council from Wallasey to Birkenhead. This would provide a better civic campus feel to Birkenhead in the event that the new build was sited in the Wirral Waters or Birkenhead Town Centre regeneration study areas.

This option requires a new build capable of accommodating 1223 staff using the same metrics as before.

**Option 5: As option 4 but assumes that Birkenhead Town Hall is disposed of and its staff are housed in a new build. This option would therefore involve re-providing the Council Chamber, civic space and Member accommodation in the new build.**

This option would create a more efficient new building, but would be more capital intensive and probably challenging in terms of public acceptability. The abandonment of both Wallasey and Birkenhead Town Halls in favour of a larger new build would be difficult from a presentational point of view. The perceptible improvement in public services in return for the investment may be similarly hard to justify.

The total number of staff to be accommodated in a new build under this option is 1540, together with additional accommodation modelled at 500sqm for new Council chamber and Member accommodation.

## **Option 6: complete new build solution**

**This option models the effect of a total new build solution for all the buildings in scope.**

- This option would commit the Council to a substantial capital development. A single large building would not provide the flexibility to respond to funding cuts or future ways of working that may require a greater degree of flexible or home working;
- The solution would require a new building of 20,650 sq m which would not provide the most economically advantageous solution;
- A full new build would mean abandoning both Wallasey and Birkenhead Town Halls, but WBC would retain a contingent liability for each;
- It would mean providing a new Council Chamber and Member offices or devising some other arrangement for Council meetings;
- The Council would retain liability for the lease on Cheshire Lines;

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- Acre Lane Professional Excellence Centre and Solar Campus would be replaced contributing to a very large and high risk project;
- It is unlikely, in view of the above, to be capable of attracting support from the Council, stakeholders or the wider public.

## 4.5 Assessment of the Options against the Qualitative Benefits

The above accommodation options have been scored against the objectives in terms of how well they meet them by giving them a qualitative score. This score has then been multiplied by the agreed weighting. The results are shown as follows:

*Fig 4.4: Assessment of Benefits of Each Option*

Project Objectives	Options					
	1	2	3	4	5	6
	Score from 1-10 weighted to reflect relative importance of the objective (see Fig: 4.2)					
Employ the minimal use of space, save money and deliver greater efficiency in fit for purpose working environments	28	145	185	185	228	181
Bring about improved services to customers and value for money to Council Tax payers	0	169	176	172	166	192
Achieve a saving of at least £1m in office accommodation property operating costs	0	126	126	112	84	26
Catalyse regeneration activity in Wirral (support the regeneration agenda)	0	58	84	96	98	107
Promote shared services within Wirral BC and with other local service providers	14	41	56	56	55	50
Co-locating Directorates to achieve efficiencies	16	24	33	35	35	44
Reduce the carbon footprint	0	17	21	21	24	21

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for the Council						
<b>Total weighted score for each option</b>	<b>58</b>	<b>580</b>	<b>681</b>	<b>677</b>	<b>690</b>	<b>621</b>

### 4.6 Rationale

The weighted benefit scores awarded to each option determine the extent to which that option meets the project criteria agreed by Directors in focus interviews and ratified by the Workshop of 5 February 2010.

#### The Do Minimum Option

The do minimum option scores poorly against every benefit criterion. It scores some points in respect of the working environment in recognition of the fact that the IT investment to provide the technical backbone for agile working is budgeted for separately and will deliver the ability for people to work in a more agile manner, to a degree, irrespective of the buildings. Some co-location will be possible under the central assumption of a 10% reduction in staff numbers. There is no opportunity to catalyse regeneration activity and no identified opportunity to generate revenue savings.

The above paragraph describes one approach to a do minimum option. It is possible to develop other variants on this theme which would progressively economise on space over time. This could be described as a Do Minimum Plus approach. However, irrespective of the way in which a do minimum option is configured, this type of intervention will tend to be characterised by an opportunistic and unplanned approach where asset use will be driven by circumstances rather than the key objective of creating planned sustainable savings from asset use.

#### Minimise the use of space and save money

In respect of the options proposing an element of new build, the greater amount of new build produces a higher score for securing a modern fit for purpose working environment. It is assumed that retained buildings even if refurbished will not provide the same degree of flexibility of use of space due to the constraints of the existing buildings. It is estimated that the North and South Annexes can be refurbished to provide an average of 7 sq m per workspace. A complete new build solution would achieve good space efficiency but the extent of the new build would limit flexibility.

#### Improved Services to Customers and Value for Money to Council Tax payers

Improved customer services are achieved broadly across all remaining options. The transfer of the Registrars in Options 4 and 5 reduces the scores slightly for these options. The full new build solution provides little or no flexibility to respond to future

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customer needs and the additional cost will detract from the ability to channel funds into improving customer services.

## **Achieve Annualised Savings of at least £1m**

The extent and the timing of savings differ for each of the Options. The additional savings opportunities (identified at Section 6.2) are excluded from this part of the analysis. The variation in the scores reflects the timing of the savings and the degree of risk inherent in delivering the savings under each option.

## **Catalyse Regeneration**

The ability to use the covenant and the physical presence of the Council to support the areas of regeneration study vary as a function of the extent of the new build and its location. The option to retain Birkenhead Town Hall (in preference to Wallasey) is viewed as slightly better in this particular respect and abandoning both Birkenhead and Wallasey Town Halls as in Options 5 and 6 could have a negative impact.

## **Shared Services**

The ability to attract services shared across other service providers is not considered to be directly related to a particular building configuration, but a civic campus in the Birkenhead area (possibly, but not necessarily, centred on the Town Hall) may create a better strategic relationship with the accommodation needs of potential partners.

## **Co-locating Directorates**

The larger single building will provide better opportunities for collaborative working in the Council and create efficiencies of common and support functions.

## **Carbon Footprint**

The carbon footprint is derived from the burning of fossil fuels (coal, petroleum products and natural gas) in proportion to their carbon content. Replacing the least energy efficient assets and constructing to BREEAM excellent standards will produce the greatest relative savings in operating costs. The clustering of back office buildings will reduce travel between premises and consequently carbon emissions generated by car travel.

## 4.7 The New Build Model

A model to assemble the new build has been made in order to develop the costs of the new build in the financial model in the following Chapter: The new build model incorporates the following features:

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Fig 4.5: Building Model Characteristics

Model feature	Characteristic
The numbers of staff to be accommodated in new build	Determined on the basis of a central assumption of 10% fewer staff by the time the new build is operational. Sensitivities in Section 5.6 identify the impact of steady state staffing and a 20% reduction
Allocation per workspace	6.5sq m average, taking into account smart design for mobile workers and a limited capacity for cellular offices
Workspace to staff ratio	7 workspaces for 10 staff as an average
Area breakdown	The design model allocates space on the following metrics of the NIA: workstations 62%, meeting rooms / reception 12%, staff facilities 5%, data centre, communications hubs and facilities management (“FM”) space 3%. This is considered sufficient to accommodate the data centre in the new build (for example, 3 communications hubs plus one data centre of approximately 100 sq m)
Grossing up factor	The model produces a grossing up factor of 18% to arrive at the GIA.
Car parking	One car park space for 40 sq m is allowed for
One Stop Shop	No allowance made for a number of One Stop Shops that might need to be re-provided greater than 1, pending detailed service delivery solution and agreed location for the build. Construction cost of a One Stop Shop designed and constructed similarly to the existing Conway Centre facility would require approximately £937,125 capital and this requirement is incorporated into the financial model.
Energy efficiency	A 7% increase in capital is modelled to achieve BREEAM excellent and 30% revenue savings on energy for each new build option compared to the buildings it replaces.



# Wirral Borough Council Strategic Asset Review: Office Accommodation

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## 5. Economic and Financial Case

### 5.1 Introduction

This Chapter of the Business Case provides the net present values (“NPV”) of each option, against a range of modelled assumptions for each option. The NPV enables a judgment to be made on the value of the benefit at any given time – the time value of the money which is then aggregated over the evaluation period to provide the relative benefits of each of the Options considered. The Chapter then relates the net present values of these options to their benefit score in the previous Chapter to arrive at the most economically advantageous option. Full discounted cash flows that apply to each option and further detail on the modelling assumptions are included at Appendix B. All the input data (other than general benchmarking data) in this Business Case was supplied by WBC and this information and the figures provided are relied upon to form the basis of the financial model.

Each option is modelled over a 25 year period, which takes into account the scale of the investment and savings to be generated, and, excludes all VAT. The repayment period for Prudential Borrowing has been agreed with the Finance Directorate of WBC and is modelled over 10 years.

It is prudent to illustrate the effect of any allowance for optimism bias which may enter into the model. This reflects the human characteristic of under-estimating costs at the planning stage. Accordingly, the impact of a 10% upward movement in construction prices is analysed at Section 5.5. The sensitivity of steady state staffing and a 20% staffing reduction is included at Section 5.6.

The financial model is constructed prudently to identify the capital outlay of the options and the savings arising from vacating the relevant buildings under each option. Chapter 6 additionally identifies a series of additional savings opportunities which will arise over and above the modelled savings, but are either not customarily captured within the model savings analysis or the input data is estimated from benchmarks rather than Wirral specific information. Therefore these savings are **not included in the financial model**. It is recommended that these benefits are noted here as potentially deliverable and assessed more closely going forward. They are:

- The estimated FM efficiency savings;
- The potential value obtained from property receipts
- HR administration savings arising from lower sickness absence and reduced turnover proven to result from improved working environments;

# Wirral Borough Council Strategic Asset Review: Office Accommodation

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- Savings arising from demolition of Acre Lane surplus accommodation
- Savings in staff travel, expenses and time resulting from reduced inter site travel
- Car park income resulting from any possible future arrangement to introduce a car parking charging regime for staff as part of the strategy

Section 5.7 examines the key variant of the cost benefit of the Westminster House refurbishment project;

Section 5.8 examines risk.

## 5.2 Do minimum Option

The do minimum option is included as a benchmark against which all other options are assessed. This option assumes that the existing portfolio of 22 in scope administrative buildings is retained without refurbishment and with no change to the current density of use. All backlog and outstanding maintenance is tackled over the next 5 years under this option and funded through Prudential Borrowing at Public Works Loan Board (“PWLB”) rates over 10 years. This option does not confer any quality benefits whatsoever and the maintenance liability of the existing portfolio would inevitably increase over time.

The impact of not planning for this hike in maintenance costs now would be to increase the liability in real terms in future years. This would be due to deterioration in the building fabric, further deterioration in the energy efficiency rating across the estate and rapidly deteriorating conditions for staff. The costs associated with this option must recognise, as they do, the consequences of retaining these buildings for a further 25 years.

The immediate accumulated backlog maintenance on the existing office portfolio for the 22 in scope buildings is £8.9m or £128 per sq m compared with the existing expenditure of £12 per sq m. A further £8.3m has been identified plus on going planned maintenance as being required to prevent further degeneration of the assets and to secure their future over the next 25 years with no benefits arising from this investment. On the assumption that these costs relate to labour and materials costs only, they would be need to be enhanced by the cost of professional fees. For the purposes of this Business Case we have used the figures on maintenance costs provided by WBC.

The impact of the maintenance spend of the combined £8.9m and £8.3m for the do minimum option is shown in the graph below:

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Fig 5.1: Maintenance Spend – Do Minimum

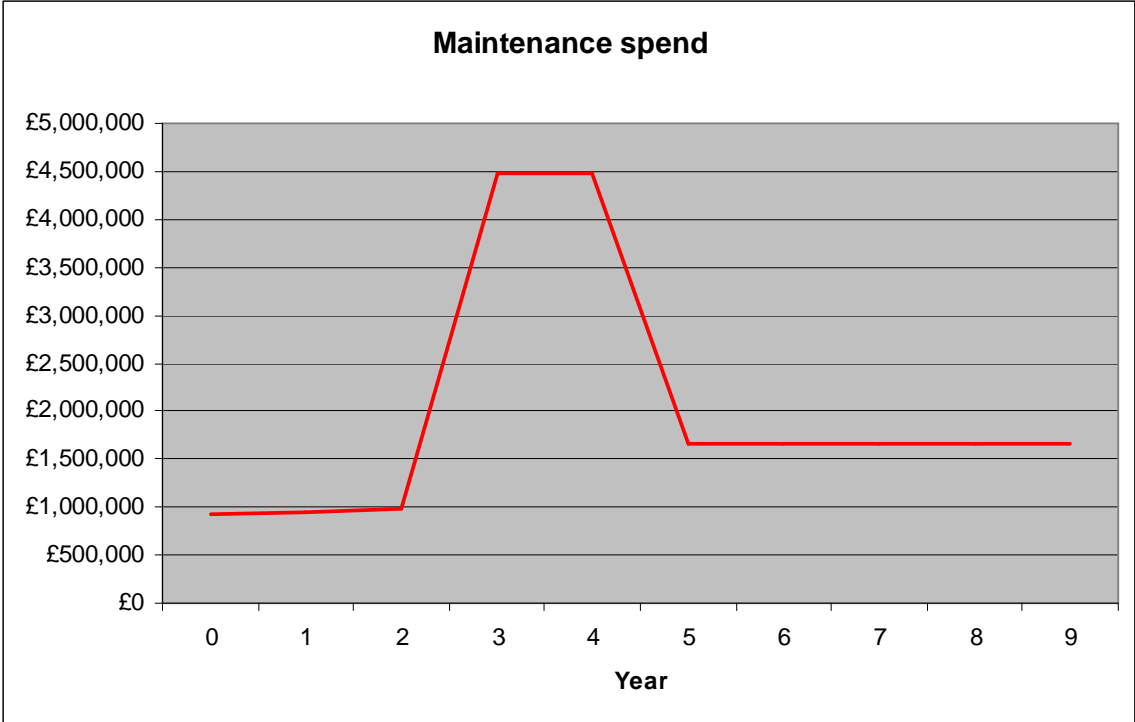


Fig 5.2: Do minimum NPV

Option	Net Present Value (£)
1. Do minimum	106,277,212

The do minimum option presents the highest NPV of all of the options. It would therefore not be advantageous to progress this route as it the most costly and would receive no other benefits.

### 5.3 Quantitative Evaluation of the Remaining Options

**Option 2: Retain Wallasey Town Hall, Cheshire Lines, Acre Lane, retain the North and South Annexes with some refurbishment, improved utilisation of Solar Campus and refurbishment of Westminster House. Provide the balance of the required accommodation in new build**

This option requires a new build area of 5,819 sq m and refurbishment of 4,272 sq m in addition to some betterment of Solar Campus. The Prudential Borrowing to carry out these works is assumed to be repaid over 10 years. The refurbishment of

# Wirral Borough Council Strategic Asset Review: Office Accommodation

Westminster House is modelled by means of capital allocation and consequently does not attract interest. Backlog maintenance and planned programmed maintenance (Prudentially Borrowed) is modelled to be carried out over the next 5 years. Surface level car parking for the new build is calculated at 1 space per 40 sq m. This would provide an average of 1 space per 5.4 staff.

Retained accommodation attracts maintenance costs as in the do-minimum option. This is replaced with refurbishment costs and an appropriate level of on-going life cycle cost for the refurbished buildings.

Fig 5.3: Option 2 NPV

Option 2	Net Present Value (£)
Wallasey TH, N&S Annexes (refurbishment,) CL (existing lease), AL, SC, WH (refurbishment) plus new build	84,366,929

**Option 3: Retain Wallasey Town Hall, Cheshire Lines, Acre Lane, improved utilisation of Solar Campus, refurbish Westminster House. Provide the balance of the required accommodation in new build.**

This option increases the new build element as a replacement for Wallasey Town Hall North and South Annexes. The new build element therefore increases to 9,178 sq m and the impact of swapping new build for refurbishment increases the NPV of the PB over a 10 year repayment profile. Modelling for Westminster House and car parking provision at the new build is as option 2.

Fig 5.4: NPV Option 3

Option 3	Net Present Value (£)
Wallasey TH, CL (existing lease), AL, SC, WH (refurbishment) plus new build	85,177,197

**Option 4: Retain Cheshire Lines, Acre Lane, improved utilisation of Solar Campus and refurbish Westminster House. Re-provide democratic and corporate functions currently in Wallasey Town Hall in Birkenhead Town Hall. Provide the balance of the accommodation in new build.**

This option reflects the lower amount of usable space in Birkenhead Town Hall as opposed to Wallasey. The new build requirement is therefore increased to 9,716 sq m. All other modelled assumptions are as for previous options. This Option incurs the cost of re-providing existing functions in Wallasey Town Hall to Birkenhead.

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Fig 5.5: NPV Option 4

Option 4	Net Present Value (£)
Birkenhead TH, CL (existing lease), AL, SC, WH (refurbishment) plus new build	87,678,151

**Option 5: As option 4 but this option assumes the successful disposal of Birkenhead Town Hall. This option would therefore involve re-providing a more space efficient Council Chamber and Member accommodation in the new build.**

This option assumes that neither Birkenhead nor Wallasey Town Halls are re-used. The staff who would occupy Birkenhead Town Hall under Option 4 are accommodated in new build. New, smaller and fit for purpose Member accommodation and Council Chamber is also incorporated in the new build solution under this Option. This therefore requires new build of 12,540 sq m. Other modelled assumptions are as for other options.

Fig 5.6: NPV Option 5

Option 5	Net Present Value (£)
CL (existing lease), AL, SC, WH (refurbishment) plus new build	87,332,775

**Option 6: This option is included to show the cost of a total new build solution.**

The new build replaces everything included in the 22 in scope buildings, including Acre Lane Professional Excellence Centre and Solar Campus. The entire new build, which is assumed to incorporate the new build efficiencies across the board, requires 20,650 sq m of office space including new Member accommodation and Council Chamber.

Fig 5.7: NPV Option 6

Option 6	Net Present Value (£)
Total new build solution	83,814,426

## 5.4 Benefits and Quantitative Summary

In order to understand the relationship between the financial analysis and the benefits delivered by each of the options a value point score has been calculated for each option. This methodology, which is widely used in this type of analysis is derived by dividing the benefit score by the NPV of each option. This produces the following result.

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Fig 5.7: Value Point Analysis

Option	Do minimum 1.	Option 2	Option 3	Option 4	Option 5	Option 6
Benefit Score	58	580	681	677	690	621
Cost in NPV terms (£m)	106.3	84.4	85.2	87.7	87.3	83.8
Value points	0.55	6.87	7.99	7.72	7.90	7.41
Value ranking	6	5	1	3	2	4

Fig 5.8: Option Ranking

Option	Value points	Ranking
3	7.99	1
5	7.90	2
4	7.72	3
6	7.41	4
2	6.87	5
1	0.55	6

The value points per option (particularly for Options 3 and 5) are closely grouped, with Options 3, 5, 4 and 6 ranging from 7.99 to 7.41. In considering which Option to carry forwards, the sensitivities, variants and savings are important considerations. It is also very important to note the additional capital cost associated with Option 4 which involves vacating Wallasey Town Hall, and Option 5 which involves vacating both Wallasey and Birkenhead Town Halls.

### 5.5 Optimism bias

#### Construction costs

It reflects best practice to allow for an element of optimism bias in the calculations at an early stage of the project. We believe that all our assumptions in this Business

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case are reasonable and prudent; the costs reflect a basket of indices over the projected construction period and only savings which can be fully modelled are included in the analysis. However, to follow the best practice requirement the table below shows the impact of a 10% increase in construction costs.

*Fig: 5.9: Impact of 10% increase in construction costs*

Option	NPV (£)
1	106,277,212
2	85,561,890
3	86,541,804
4	89,507,141
5	89,197,279
6	86,824,567

## 5.6 Sensitivity Analysis

### Change in staffing levels

Staffing sensitivities impact on the NPV of the options as follows:

*Fig 5.10: Staffing Change Impact*

Option	NPV (£) -20%	NPV (£) Steady State
1	106,277,212	106,277,212
2	80,063,550	88,670,307
3	80,873,819	89,480,576
4	83,375,184	91,981,530
5	83,031,345	91,636,153
6	79,573,975	88,052,957

## 5.7 Variants

### Westminster House

The refurbishment of Westminster House was included as a discrete project in the overall office accommodation strategy. The NPV of the cost of this project compared with a 'no refurbishment' option is shown below. This cost comparison does not take account of the savings and efficiencies generated by this development which are rolled into the overall savings for each of the options; for example the ability to

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empty the South Annex as a result of the Westminster House refurbishment saving all utility and FM costs associated with that building.

*Fig 5.11: Westminster House Refurbishment*

	<b>NPV Cost over 25 years</b>
Refurbishment of Westminster House	10,194,684
No Refurbishment	8,220,848

### **One Stop Shop (“OSS”)**

The effect of replacing the Conway Centre One Stop Shop is included in the financial model. Based on the areas of the existing One Stop Shops, if it is necessary to replace an OSS facility (additionally to Conway Centre) an area of 638 sq m is estimated to be required per facility producing an additional build cost (including externals, fees and an allowance for contingencies) of £937,125.

### 5.8 Risk

Risk will develop organically with the project. The risk matrix below identifies a series of strategic risks appropriate to this stage of the project. It is envisaged that the strategic risks identified below will be developed in terms of their impact and likelihood by the stakeholder workshop as part of the wider dissemination of the conclusions and recommendations in this Business Case. At the delivery stage of the project, the risks can be sub-divided into internal organisational risks around approvals and governance, design development risks, procurement risks and operational risks. At that stage it will be possible to cost the risks into the analysis using this Business Case model and the cost of sensitivities and optimism bias as a barometer for absorbing the cost of risk into the project.

*Fig 5.12 Risk*

<b>Risk</b>	<b>Description</b>
Project not progressed for internal reasons	Persist with do minimum option incurring steep maintenance costs with no benefits
Organisational design not developed to support the preferred asset configuration	New asset and refurbished accommodation not used to the optimum to provide minimum amount of space



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7:10 workspace to staff ratio not achieved	Inability to use the space efficiently
Suitable site not identified	Need to reconfigure the preferred solution or incur additional cost in site acquisition
Preferred option becomes unaffordable	2011 settlement makes the capital investment a higher risk
Flexible working methodology not agreed	Outputs from Work stream 3 not adopted
IT support to agile working not adopted across the portfolio	Lack of efficiency across the service functions and unable to derive full benefit from the building; improvised use of space
Headcount does not reduce by 10%	Additional costs incurred as identified in the sensitivity model
Planning permission not obtained for the preferred site	Alternative site options to be considered or delay to address planning conditions
Business continuity risks emerge during the transitional period	Risks particularly apparent during the transfer and decanting period
Strategy delayed because of individual service issues	It is important to look at the whole picture rather than risk allowing individual components to determine the strategy.

## 5.9 Conclusion

The cost benefit analysis identifies Option 3 as the most economically advantageous offer, providing the best combination of costs and benefits, but the advantage is not great compared with Options 4, 5 and 6. Chapter 6, Affordability and Savings, examines the savings attributable to each of the Options.

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## 6. Affordability and Savings

### 6.1 Affordability of the Preferred Solution

The overall financial position of WBC is reported as sustainable, notwithstanding any further financial pressures that will emerge in government decisions on allocations to Local Authorities over the coming period. The Audit Commission has complimented the Council in its 2009 Comprehensive Area Assessment on the savings that it has accumulated over recent years. The office accommodation project and other projects within the overall change programme (for example the IT initiatives) have demonstrated a willingness to engage in invest to save approaches in support of delivering business objectives.

The annual recurrent savings target for the office accommodation project was set at a minimum level of £1m. The table following identifies the average modelled savings for each Option.

Fig 6.1: Average Savings

Option	Average Saving per Year (£) (Note 1)
1	n/a
2	876,411
3	844,001
4	743,962
5	757,778
6	898,511

Note 1: NPV of savings averaged over 25 years

On the face of the analysis Option 6 delivers the highest level of savings overall. However, the reasons why we believe this project to carry unacceptably high delivery risks are given in previous Chapters. The savings would also take longer to materialise. Option 2 similarly, does not, on the current analysis, deliver the same extent of project benefits sought in the SAR strategy compared with Option 3. The savings derived from Option 3 relative to the do minimum Option 1 are illustrated in the graph below.

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Fig 6.2: Option 3 Yearly Savings relative to Option 1

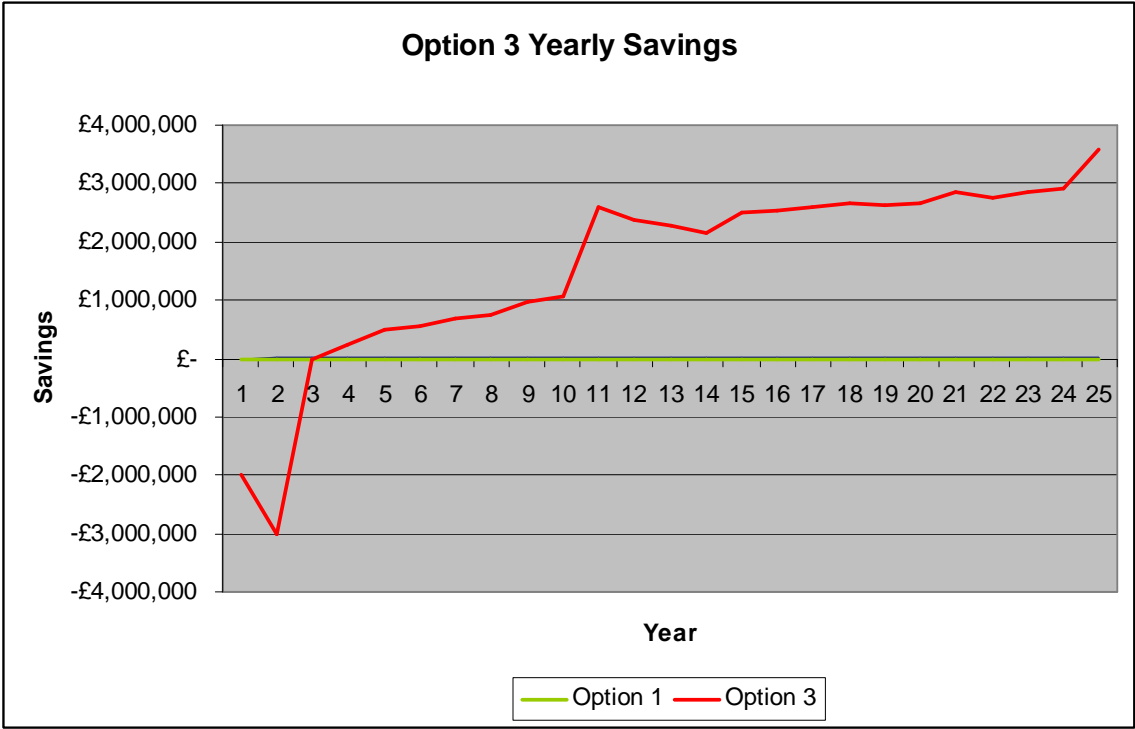
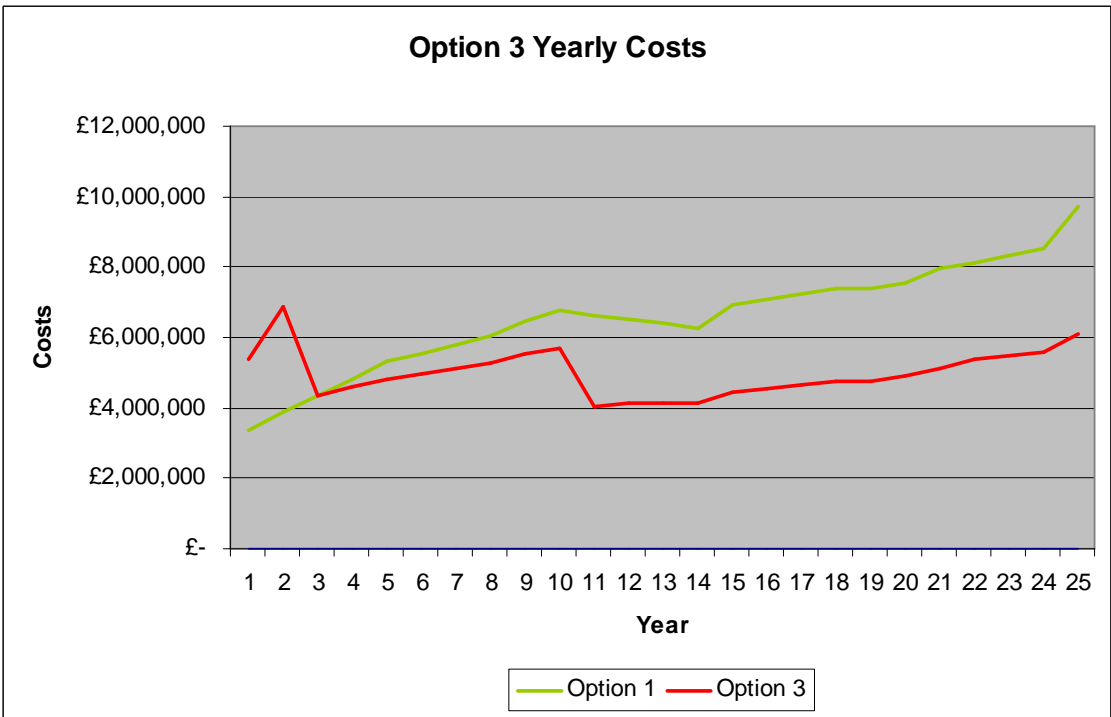


Fig 6.3: Option 3 Costs Compared with Option 1



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If a 20% staff reduction were to take place then the following average savings could be achieved. This shows average savings in excess of £1m delivered under Options 2, 3 and 6.

*Fig 6.4: Average Savings (20% staff reduction)*

Option	Average Saving per Year (£) (Note 1)
1	n/a
2	1,048,546
3	1,016,136
4	916,081
5	929,835
6	1,068,130

The following table identifies the included and excluded items in the above analysis.

*Fig 6.5: Model Inclusions and Exclusions*

Included	Excluded
Capital cost of new build (incorporating construction, fees and contingencies with allowance for BREEAM excellent)	Any demolition of surplus buildings
Refurbishment of retained accommodation	VAT (assumed recoverable)
All maintenance costs for retained buildings (including backlog)	Information Technology ("IT") (budgeted separately)
Facilities Management ("FM")	Dispersal costs (ie staff allowances for change of location) (assumed neutral)
Utilities	HR savings
Business Rates	FM efficiency savings
Income currently generated by the existing building portfolio	Car Park income
Ongoing life costs of new building	Re-provision of One Stop Shops additionally to the replacement of the OSS at Conway Centre
Building Insurance	Property sales and other capital receipts
Car parking allowance for new build	Acre Lane modifications
Replacement of OSS at Conway Centre	Removals
Data centre (in separate location)	Decanting costs
Service Charges	Mileage savings (fuel and time)
Security costs for empty Town Halls	Storage

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Included	Excluded
	Site acquisition costs

## 6.2 Additional Savings Opportunities

### Facilities Management

Identified annual FM spend on the existing office accommodation portfolio is £536,300 or £8.19 per sq m. The financial model makes appropriate allowances for providing FM services over a smaller space, but does not currently assume any FM efficiencies arising from new building design or redesigned refurbished space. The Asset Management Division is due to receive greater responsibility for FM across buildings previously managed by principal occupiers. The Division will take the opportunity to identify any savings which may be presented by this rationalisation.

### Property Sale Receipts

The sale of the North and South Annexes to Wallasey Town Hall under options 3, 4, 5 and 6 may attract a substantial capital receipt in due course. This receipt could be further enhanced by planning permission for housing in support of the wider regeneration objectives. Clearly, market expectations have changed in the 5 years since the most recent valuation and the market currently may not be receptive to the offer. This may change in future. Furthermore, the release of these properties to the market as part of the office accommodation re-provision programme also offers the prospect of a developer partner agreement which may offer better value overall.

*The sale of the North and South Annexes is identified as an additional (ie not modelled) receipt because it is a differentiator between option 2 and all other options (apart from do minimum.)* No other capital receipts are referenced, although clearly, there is an opportunity to dispose of these assets when the market is suitable for realising appropriate value.

### HR

The Audit Commission Comprehensive Area Assessment (“CAA”) for Wirral for 2009 commented that attendance levels needed to be improved and staff sickness was high. The detail of these costs in WBC has not been provided as part of this Business Case, but benchmarked savings from other Councils and comparable organisations shows a saving of up to 39% is achieved in sickness absence and related HR costs as a consequence of moving to new, fit for purpose accommodation within an environment supported by IT enabled agile working. It is recommended that current costs are established and a savings target identified for the new facility.

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## **Acre Lane Surplus Accommodation**

Demolition of the gym and sports hall and associated accommodation at Acre Lane will produce an immediate business rate saving of approximately £6,435 or £219,788 over the 25 year period. There will be 'one off' cost of demolition circa £70,000. Demolition costs can vary considerably however and it would be advisable to obtain specific quotations to verify this estimate.

## **Car Park Income**

No allowance has been made for income from car park charges. Experience elsewhere shows that charges for use of car parks adjacent to offices are deliverable as an additional income stream. Other public bodies that have introduced car parking charges that we have sampled (including Councils) set charges ranging from £2 to £9.77 per week and budget for an income stream of between £45,000 and £100,000 per annum.

## 6.3 Conclusion

The NPV of the average savings of Option 3 is £844,001. This base line saving could be expected to be improved upon by delivering the additional savings identified above and/or by achieving an overall staffing reduction greater than the 10% in the central assumption.

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## 7. Site Options

### 7.1 Identification of Site Options

It is not the purpose of this Business Case to make firm recommendations on the location of any solution which may involve a move to a new site. However, part of the study involved an examination of possible sites and this Chapter reports on these with the advantages and disadvantages identified in terms of their suitability and performance against the benefits criteria identified in Chapter 4 in order to inform a structured debate to aid a final solution.

### 7.2 Evaluation of Site Options against Project Objectives

In evaluating the various potential sites for their suitability, it is recommended that, as a minimum, the following search criteria are applied:

- The amount of land available; (the present building metrics for option 3 indicate a minimum of 3 acres.) A further 3 acres for a possible second phase Acre Lane project which may or may not sit alongside the new office building. These measures are to be confirmed going forward with the design brief and detailed site characteristics etc;
- Good accessibility by public transport and sustainable transport links. This approach has been endorsed by Mersey Travel;
- Within the footprint of the regeneration study area;
- An assessment of ease of obtaining planning permission in relation to the Local Development Framework (“LDF”)

The site options identified as part of this study are set out in the following table.

*Fig 7.1: Site Evaluation*

Ref No	Site	Comments
1	Wirral Waters	The regeneration of Wirral Waters is a strategic priority for the Council. The study area covers a wide area which may contain a number of opportunities for locating a potential new build. The further work which may be undertaken to create specific preferences for new build should include an examination of the detailed opportunities in the Wirral Waters regeneration study area. (Please also see ref no. 4 below.)

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Ref No	Site	Comments
2	Birkenhead, Beaufort Road	The total site occupies approximately 5.9 acres. There is one owner occupier remaining on what is otherwise a clean site. Merseyside Police Authority is purchasing the adjacent site to create a new Police HQ. Merseyside Police Authority has also expressed an interest in acquiring approximately 5 acres of the site for a co-located Area Command Centre. In the event that this application succeeds, the remaining space would be insufficient for a new building under any of the Options. There remains the possibility of locating a second data centre as a stand alone facility adjacent or linked to the Police Communications Centre for circa £147,000 build cost, based on an area of circa 100 sq m and a rate of £1,470/sq m.
3	Birkenhead, Europa Boulevard	The site currently in WBC ownership is subject to a development agreement with Europa Plaza Developments for a hotel and conference centre. The development agreement runs until 2014. The location is good for Birkenhead transport links and amenities. The site is approximately 3 acres which would be sufficient for the new building, but options 5 and 6 may result in constrained car parking availability and non-achievement of 1 space per 40sq metres used in the modelling tool. It would also provide insufficient capacity if a decision was made to incorporate the existing Acre Lane facility as a second phase. This second phase development if progressed would require an additional approximately 3 acres plus a car parking allocation.
4	Sites to be identified on regeneration study area in council ownership	GVA Grimley is commissioned by WBC to undertake an integrated regeneration study for Wirral Waters and Birkenhead Town Centre. It is recommended that all Council owned land in the study area is reviewed for suitability against the search criteria.
5	Cheshire Lines	There may be an opportunity for the Council to extend its interest at this location.
6	Birkenhead, Woodside	The Woodside Development Area may offer specific opportunities to introduce Council office accommodation to act as a catalyst for the progress of the Master Plan for Birkenhead Woodside. A Master Plan was produced in 2005 by the Building Design Partnership ("BDP") and Keppie Massie which is currently being refreshed. The Master Plan identifies various sites as having suitable potential for office development. The sites are in a variety of ownerships; for example, Secretary of State, Wichford (Birkenhead) and



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Ref No	Site	Comments
		private ownership (immediately adjacent to the development area.) The Plan for Woodside Business Park to the north of the study area in the ownership of Peel Holdings plc could also be considered. The area is adjacent to the existing listed Birkenhead Town Hall and therefore would create a campus configuration around democratic and civic functions at the town hall under option 4 which proposes the retention and re-use of Birkenhead Town Hall.
7	Birkenhead, Queensgate	The new development is not in Council ownership. Managing agents (Knight Frank) advise that this property is currently under offer. One of the offers is reported as enabling re-letting. The terms of this are unclear at present. The property may make suitable accommodation in the event that a temporary decant is required.
8	Bromborough, vacant sites on Wirral International Business Park	Vacant sites are available of up to 15.62 acres which would accommodate any option. The most land hungry options 5 and 6 can be expected to use in excess of 3 acres including 1 car park space for every 40 sq metres when the building is stacked over 5 floors. Public transport links are not as strong in the Bromborough area; dispersal costs could be expected to arise and additional car parking may need to be identified for the site.
9	Wallasey, Dock Road Depot, Dock Road	Leased by WBC to WPH and Colas who are vacating the site. The site is approximately 4.1 acres. This area is considered suitable for any new build option assuming a floor plate of between 1,500 sq m and 2,080 sq m and 1 car park space per 40 sq m. Access by public transport is limited at present, particularly by rail. However, road access is generally good.

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## 8. Commercial Case

### 8.1 Delivery Options Introduction

This Business Case assumes that the capital costs of the project will be funded entirely from Prudential Borrowing (“PB”) with the cost of the loan amortised over 10 years. However, the preferred procurement route for delivering the office accommodation strategy in its entirety will depend ultimately on a variety of factors. For example, the risk adjusted value of the portfolio, the opportunity for planning gain, the cash flow required by the project and the Council’s appetite for risk and approach to the risk management process. The experience of WBC in managing various forms of contractual relationship is also a consideration. In short, there is not a one size fits all type solution. The most successful councils arrive at a procurement choice through careful analysis of project requirements. Doing otherwise can be costly and counter-productive. Bearing in mind the character of the local property market as we understand it and the prevailing economic climate, the Prudential Borrowing route appears to offer the best prospects of delivery of the new office accommodation. But, WBC may wish to consider the feasibility of introducing opportunities presented by the wider regeneration plans

Separate legal and financial advice is also recommended in the case of implementation of any of the other structures described, to ensure that the Council is at all times acting within its legal powers. Members should also be aware of any potential conflicts of interest arising from membership of specially formed companies or Joint Ventures (JVs.)

This section of the report identifies the procurement and financing options generally and considers the pros and cons of each. This is intended to assist WBC in coming to a view. The following routes are considered:

Prudential Borrowing

Strategic Partnering Agreement

Integrator Model (which is not the same as the Construction Integrator operated by WBC)

Local Asset Backed Vehicle (“LABV”)

Private Finance Initiative (“PFI”)

While generally historically better value for money can be obtained from putting a number of properties into a single vehicle, the procurement options are not totally mutually exclusive and some combination of the above may suit the needs of this

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particular programme. For example, a discrete spend to save scheme may repay interest on Prudentially Borrowed capital on an element of the strategy with a guaranteed income stream (eg car parking) leaving projects with a different risk profile to a solution incorporating an element of private finance.

The information in this section also assumes that WBC wishes to act as a single entity. Any of the options described can be applied to an arrangement whereby services are shared or jointly delivered with another public service, but the public sector risk profile may differ for individual public sector entities in these scenarios. For example, a shared service centre delivered in conjunction with NHS Wirral might be delivered by a Local Investment Finance Trust (“LIFT”) Co which may lever in additional public funding. Each of the following options will require some form of competitive process to identify the strategic partner or contractor that the Council identifies as providing the most economically advantageous proposition.

## 8.2 Prudential Borrowing

Capital investment decisions funded through PB should take full account of affordability, value for money, the implications of external borrowing and all relevant strategic planning objectives including the SAR. All these features should be taken into account when setting the prudential indicators.

The system operates under the following key principles:

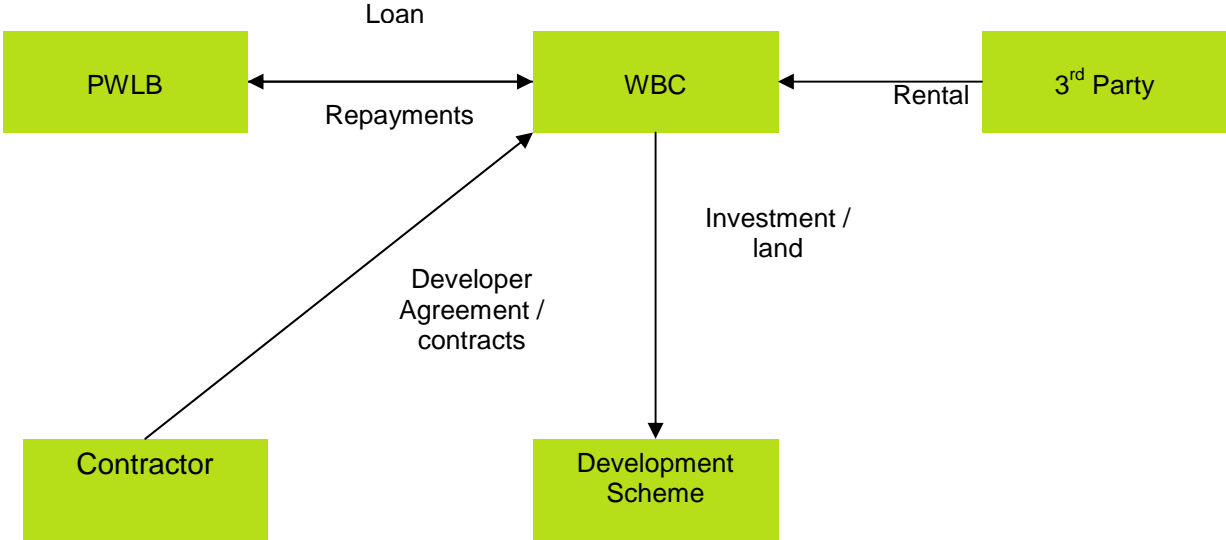
- The impact of the borrowing must be reflected in revenue budgets over the repayment period. This is a particularly relevant condition since risk is not transferred to a private sector partner under this option over and above that which is secured in a building contract. WBC must therefore ensure the sustainability of revenue to meet risk adjusted costs arising from construction, ownership and asset maintenance;
- The council must maintain a balanced budget;
- A set of Prudential Indicators are used to provide performance measurement in managing and controlling the impact of the investment decision.

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Fig 8.1: Prudential Borrowing

Strengths	Weaknesses
Prima facie economical funding method Council retains control May be combined with a framework agreement for project delivery, thus avoiding a separate competitive dialogue process May be combined with other funding options within the portfolio solution	Council retains project risks and benefits realisation risk stays with the council Prudential indicators may rule it out as an option The council should retain provision in its budget to meet contingencies throughout the asset life cycle.

Fig 8.2: Prudential Borrowing Model



### 8.3 Strategic Partnering Agreement

This form of agreement could range from a consultancy based service to an agreement to outsource various functions (either core or non core) and support services. The extent of the strategic partnering is dependent, among other things, on the scope of the project, the policy of WBC to outsourcing and the level of resources and skills in house to manage the consequences of the programme. These agreements are, however, typically characterised by not transferring delivery risk to the private sector partner, although payment can be linked to success or benefits realisation via a previously agreed mechanism. The above does not describe a full solution and neither would this option, on its own, have the capacity to raise project finance. A strategic partnering arrangement could, however, have the potential to

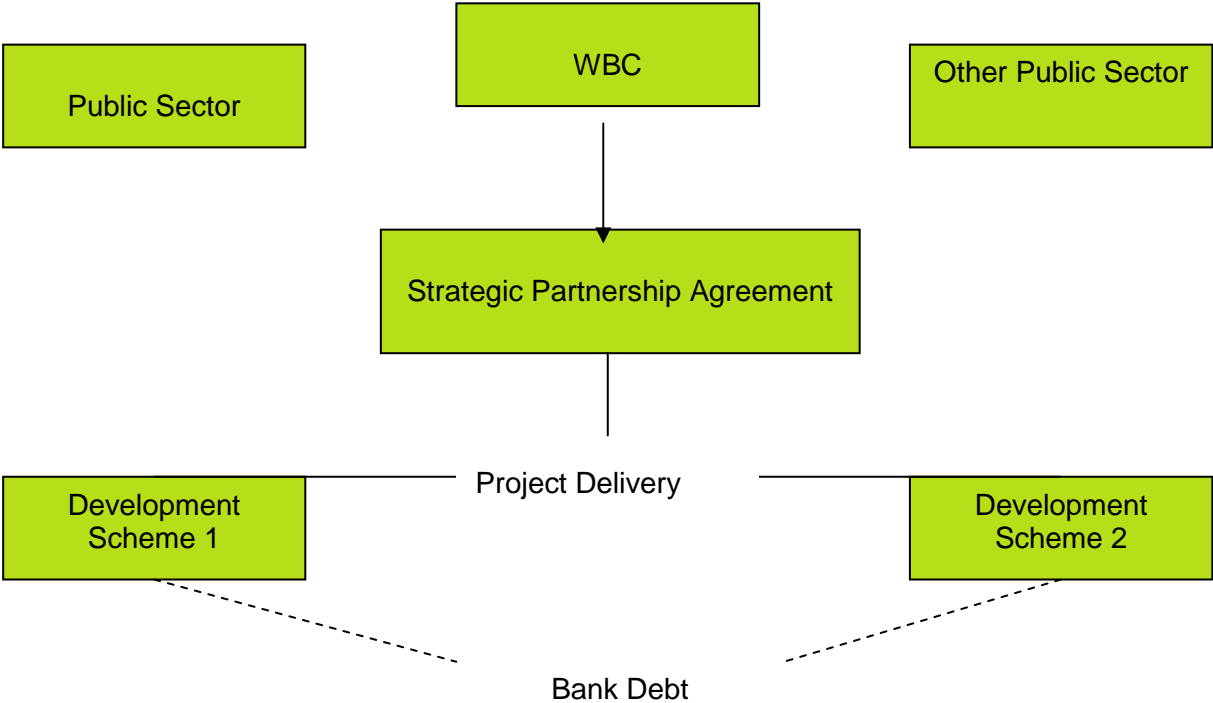
# Wirral Borough Council Strategic Asset Review: Office Accommodation

crystallise into a Joint Venture (“JV”) type arrangement by mutual consent of the parties to the agreement.

Fig 8.3: Strategic Partnering

Strengths	Weaknesses
<p>Creates flexibility</p> <p>Enables partnering without a formal JV structure</p> <p>Can be applied to a property portfolio with some flexibility within each discrete scheme</p> <p>Encourages participation from property consultancies and management companies, giving access to relevant expertise</p> <p>Council does not feel dominated by a separate legal entity</p>	<p>May attract a variety of partners offering a different combination of skills and motivations</p> <p>Council will need to define its requirements carefully to ensure that the partner is relevant and suitable in the medium to long term</p> <p>May not offer a complete solution to the council’s needs</p>

Fig 8.4: Strategic Partnering Model



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## 8.4 Integrator Model

This model is a development on from the strategic partner model, and is particularly applicable where the programme can be cascaded into current and future phases; for example, any option which re-provided Acre Lane Professional Excellence Centre as a second phase. The contractor takes construction risk and property risk on the initial phase, using the interest in sites known to become surplus to lever in capital for the initial phase of works. The value of the surplus sites is underwritten. The Council is protected from downside risk on property values and surpluses generated are shared between the client and the contractor. Under this model, the contractor would carry out a competitive tender for any subsequent phases, thus ensuring that the Council can continue to demonstrate best value on each individual transaction.

This model would be challenging to implement in the current economic climate where property values are likely to be depressed.

*Fig 8.3: The Integrator Model*

<b>Strengths</b>	<b>Weaknesses</b>
<p>It is not necessary for the Council to undertake a procurement exercise for each individual scheme</p> <p>The ability to lever in capital for the initial development is underwritten by the contractor, thus avoiding cash flow problems associated with the initial tranche of office decant and relocation</p> <p>Gain share and risk share between partners</p>	<p>Site value may only be optimised by planning consent which could be difficult or costly to obtain</p> <p>Council locked into a medium or long term commercial agreement</p>

## 8.5 Local Asset Backed Vehicle (“LABV”)

LABV describes the arrangement whereby property assets are transferred to a newly created structure in return for a receipt paid to WBC which can be used to fund capital expenditure or reduce underlying borrowings. The covenant of the Council may be used to source cheap debt to fund the new build or refurbishment works. The newly created structure manages or disposes of properties as required by the strategy and can create a separate entity for each category.

There are a range of structural options available to deliver a LABV, including the use of Limited Liability Partnerships (“LLP”) which protect the council from unlimited

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liability. The relative tax efficiency of the structure will also be an important factor in determining the optimum structure for the delivery vehicle. If WBC was considering this route, separate tax advice would be required at the appropriate time.

Similarly to the integrator model, this model would be challenging to implement in the current economic climate where property values are likely to be depressed.

Fig 8.4: LABV

Strengths	Weaknesses
<p>Funding institutions may be involved at an early stage, adding additional confidence in the deal through financial due diligence</p> <p>Project remains firmly focussed because of profitability objectives</p> <p>Council will receive up front cash advance on the covenant of its property to fund the transformation programme</p>	<p>Structures to deliver can be complex and lead to delay in start up</p> <p>Only works effectively for portfolio transactions with a critical mass of land and property</p> <p>Current uncertainty in elements of the property market may add further delay and possibly dilute the deal for the council</p> <p>Profit maximisation may subsume the softer project objectives, such as optimised services, staff satisfaction or an ideal service configuration</p>

## 8.6 Private Finance Initiative (“PFI”)

PFI projects transfer construction and various degrees of operational risk to the private sector which the public sector pays for through a revenue charge for the life of the contract. The commercial terms of PFI are well understood in the market place. However, PFI requires a high degree of co-ordination and certainty of scope, particularly where multiple site projects are concerned. A PFI contract will need to be sustained for a period of 25 to 30 years and variations after the initial construction period may not be justifiable on value for money grounds alone. PFI contracts typically include outsourcing of support services (particularly those related to asset maintenance) and this may not fit with WBC’s strategic plans.

PFI agreements in the local government sector have traditionally relied on PFI credits to offset interest payments and financing charges. PFI credits are not currently available for property based projects; the government view being that these projects should be self financing and not require PFI credit support. The complexity and financing of PFI makes it generally unsuitable for projects of less than £50m capital cost.

Other forms of Public Private Partnership (PPP) which do not involve external finance from the banks or bond markets, but which nevertheless capture some

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essential PFI contract principles (for example, payment related to performance) may be an acceptable alternative to conventional PFI.

*Fig 8.5: PFI*

<b>Strengths</b>	<b>Weaknesses</b>
<p>Standardised approach well understood in the market place</p> <p>Designed to create strong long term partnerships</p> <p>Private sector will accept construction risk and varying degrees of operational risk in return for revenue payment linked to performance</p>	<p>Risks involved in refurbishment projects generally too costly for the public sector</p> <p>Unsuitable for smaller scale projects because of the financing costs and complex contract structures</p> <p>Council must provide certainty of scope and affordability to engage potential partners</p>

### 8.7 Conclusion

The developing accommodation strategy should identify, via a risk analysis and financial model, the most appropriate route for implementation from those outlined in this Chapter. It is very important to make the right decision. It is recommended that any alternative delivery models are matched against the Prudential Borrowing model set out in this Business Case and any alternative only pursued if it demonstrates better value or can be packaged into a regeneration delivery vehicle and delivered to the agreed timescale. This is considered important, bearing in mind the sharp increase in maintenance costs in the immediate future consequent on proceeding with the existing portfolio. A process of soft market testing will identify the market appetite for partnership working to deliver the facility. Any prospective approaches can be benchmarked against the PB route at the appropriate time.



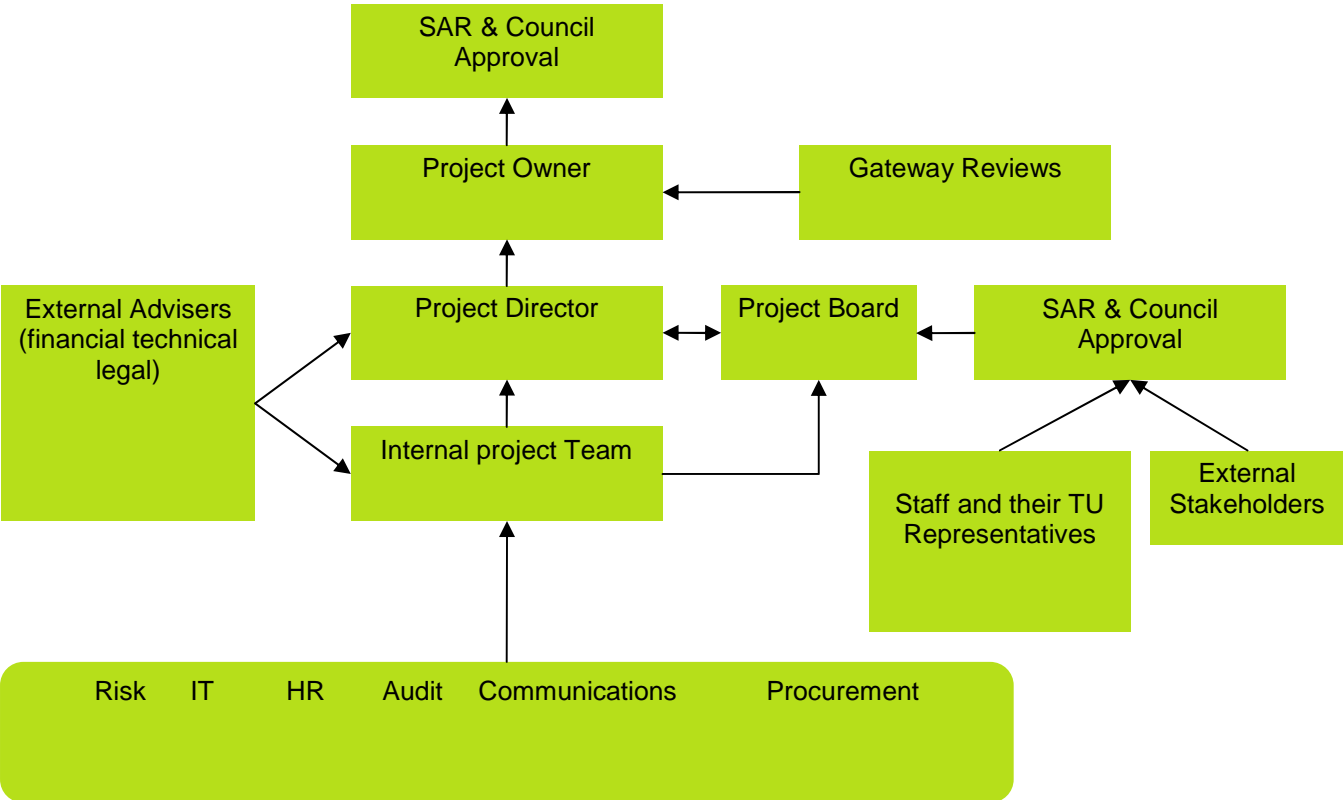
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## 9. Project Management and Organisation

### 9.1 Project Management and Governance

For the delivery of the office accommodation strategy, it is assumed that WBC will wish to continue to manage the delivery of the project with a methodology consistent with PRINCE 2 principles. This will involve appropriate governance structure and scrutiny as recommended by Local Partnerships (“LP”) and illustrated in the exhibit below.

Fig 9.1: Project Management and Governance



The Project Board is the operational group responsible for the completion and delivery of the project to the Council approval body. The Project Board is also responsible for risk management, stakeholder engagement and reporting to the project owner and Strategic Asset Review Board. It is envisaged that the Project Board will have the following responsibilities in relation to the Project:

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- Oversight of the functions of the Project Team
- Strategic guidance and direction;
- Recommendations to SAR Board and Cabinet on advisor team, service configuration, site selection and organisation, procurement route and contractor selection and value for money
- Integration of the office accommodation project with the overall SAR.

## 9.2 Risk Management

High level risks are to be reviewed through the development of the project to procurement and delivery. This will help ensure that the risks are owned by the organisation throughout the project life.

## 9.3 Project Plan

The indicative key milestones and corresponding dates to be agreed as part of the project plan are set out in the table following and in the time line chart at Appendix D. This should be taken as an indication only and mirrors the timetable assumptions in the financial model.

*Fig9.3: Indicative Project Plan*

<b>Activity</b>	<b>End date</b>
EC Harris deliver business case in final draft	31 March 2010
Workshop Group to review assumptions and metrics	16 April 2010
Finalise business case for Council Officers	21 May 2010
Business Case included on Cabinet Agenda	24 June 2010
Detailed analysis on Option 3 (viz a viz Options 4,5 and 6)	16 August 2010
Preferred Option included on Cabinet Agenda	2 September 2010
<b>Indicative dates for implementation</b>	
Procurement and funding route agreed	2 September 2010
Confirm Site Location and Commence Planning Application	27 September 2010
RIBA Stages A – C complete	29 October 2010
Achieve Planning Consent	27 June 2011
Select preferred contractor	25 July 2011
Complete Final Business Case	8 August 2011
Contract completion	5 September 2011
Other strategic moves in refurbished estate complete at this point	November 2011
Completion of construction	September 2013
Completion of decanting and commissioning	November 2013
Completion of Benefits Realisation	April 2014

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The project plan sets out a deliverable time frame for the approval processes for the business cases, development of the project brief, supplier negotiations and construction.

## 9.4 Benefits Realisation

A Benefits Realisation Plan is good practice for all significant public sector projects. This is designed to establish that the project can be delivered not only to time and cost, but also will deliver tangible benefits to the organisation on implementation. The Benefits Realisation Plan for this project also incorporates indirect benefits which have been facilitated, if not directly caused, by the outcome of the accommodation strategy.

*Fig 9.4: Benefits Realisation*

<b>Benefit type</b>	<b>Benefit descriptor</b>	<b>Why benefit will arise</b>
Direct	Real terms savings on maintenance costs	A key project objective is to reduce overall maintenance costs. The model shows the high impact of maintenance on the existing estate in the do minimum option.
Direct	Operational savings of £1m per annum on the corporate office estate	More efficient buildings on a smaller footprint leading to reduced backlog maintenance and utility costs
Indirect	Efficiencies generated by co-location of directorates	Service and asset configurations coherently organised around the new portfolio
Direct	Savings on staff travel to meetings	Directorates in single or adjacent buildings
Direct	Savings on corporate overheads	Savings on recruitment, sickness absences and staff turnover
Direct	Reduced carbon emissions	More energy efficient building and travel
Direct	Reduced business rate liability	Smaller footplate
Indirect	More effective communications between departments: less down time	General liaison will improve as a consequence of long term working in fewer locations; in particular IT problems will be resolved more efficiently by on the spot application
Indirect	Increased knowledge sharing and smarter project delivery	The layout of the new offices will encourage team working and provide working environments to support this ethos, negotiations with current suppliers are progressing opportunities for this in the existing environment
Indirect	Reduced risk to business continuity and efficiency	Better response co-ordination at times of emergency or peak pressure
Indirect	Greater staff satisfaction and productivity	Research has shown that staff respond positively to better working conditions and this results in lower turnover and higher satisfaction ratings in staff surveys

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Indirect	Bring about improved services to customers	Customer surveys to judge improved responsiveness
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## 9.5 Post Project Evaluation

The purpose of undertaking a post project evaluation is to assess how well the scheme has met its objectives and detailed criteria, and whether they have been achieved to time, cost and quality. In accordance with current guidance and good practice the project should be evaluated in the following key stages:

### Stage 1: Procurement Process Evaluation

A review of the option appraisal, evaluation and selection process will be undertaken on signing the contract to assess the effectiveness of the business case process in meeting project objectives contained in the contract for new development. This part of the review will identify any issues and lessons learned to be disseminated for future major projects. This stage will also enable the project board and any other WBC staff involved in the process to review their own performance to aid in up-skilling staff. This part of the review will also include structured knowledge transfer from the external advisers.

### Stage 2: Monitoring project delivery from lease signature to occupation

At this stage the actual project outputs achieved will be reviewed and assessed against requirements, to ensure that they match the outputs initially identified and all objectives on occupying the new accommodation are delivered.

### Stage 3: Initial post project evaluation of the service outcomes

This will be undertaken 6 months after full commissioning. The objective will be to determine the success of the process, and what lessons may be learned from it to apply to WBC major project delivery and across other Councils contemplating similar projects.

### Stage 4: Follow up post project evaluation

A full follow up will be undertaken 2 years into the operational phase to assess, in a structured way, the long term service outcomes, and ensure that the project's objectives continue to be met. It is envisaged that a similar methodology for this stage will apply to each lease renewal option stage after 5 and 10 years operation.

In each stage the following questions will be addressed:

To what extent have relevant project objectives been achieved and what were the reasons for any shortfall or gains?

To what extent did the project proceed as planned?

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Where any element of the plan was not followed, why this happened?

How future plans should be adjusted if required?

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## 10. Conclusion and Recommendations

### 10.1 Conclusion

This Business Case set out to demonstrate:

- The project to reconfigure the office accommodation portfolio for the Council is necessary and timely: continuing in the present estate with the current level of expenditure is unsustainable. Therefore the do minimum option creates the prospect of spending significant amounts of capital to maintain the estate as fit for purpose over the next 25 years with no or minimal efficiency or other savings arising;
- The most economically advantageous configuration solution, combining the delivery of Council objectives for excellence with the ability to deliver savings targets.

In considering the nature of the solution, various estates options were assessed combining the best use of existing accommodation with new build for the balance of the requirement. The end point of this analysis is that, from the information available and based on the set of assumptions set out in this Business Case Option 3 provides the best combination of assets for the new configuration. In summary this is because:

- The do minimum option is unsustainable over 25 years;
- Option 3 enjoys an advantage over the other Options due to its ability to deliver a greater range of benefits while delivering a savings profile. It also has the potential to capitalise on receipts from the sale of the North and South Annexes to Wallasey Town Hall while preserving the Town Hall itself in its current form. This option creates a new build requirement of 8440 sq m.

The NPV of the modelled revenue savings delivered by this option averaged over 25 years is £844,001 compared with the do minimum option. This excludes the windfall capital receipt of £1,032,000 from the sale of the North and South Annexes based on the most recent EUV (in common with all other Options apart from do minimum and Option 2) and a basket of other un-modelled savings.

### 10.2 Recommendations

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**10.2.1 Option 3 is identified as the strategic direction for the office accommodation needs of the Council. This option retains Wallasey Town Hall, makes better use of Solar Campus, retains Cheshire Lines, refurbishes Westminster House and provides the balance of accommodation in a new build. However, the benefit delivered by this option is only marginally better than other options considered. In view of this, it is recommended that a further detailed analysis is carried out to confirm the benefits of this option viz a viz Options 3,4 and 5.**

The following recommendations are also made:

- 10.2.2 Westminster House to be refurbished to accommodate 500 staff, increased from its present complement of 347. This will allow 153 staff to be moved from South Annex to Wallasey Town Hall within 2 years with a consequent saving on utility and FM costs.
- 10.2.3 Acre Lane Professional Excellence Centre to remain on its present site while the office accommodation is developed: the synergies and economies from co-location on an alternative site (possibly alongside the new office building) to be analysed with a view to re-providing the Centre as a phase 2 development.
- 10.2.4 Any further capital expenditure for development or refurbishment at Acre Lane to be the subject of a separate business case that shows that the cost will be recovered with profit derived from additional income over the next 5 years.
- 10.2.5 The gym and hall and associated accommodation at Acre Lane to be demolished realising an immediate business rate saving in year 0 of £6,435 and providing a discounted saving over 25 years of £219,788.
- 10.2.6 Discussions are initiated with the multi agency users of Acre Lane to invite them to make provision for a contribution to the capital cost of the new development.
- 10.2.7 A plan is developed to integrate the activities of the Office Accommodation work streams into the future organisational and staffing model for the Council in order to maximise the opportunities for savings and efficiencies in the new accommodation configuration.
- 10.2.8 Work is undertaken to establish the savings attributable to a reduction in HR overheads applying benchmarked savings from other projects. This should be established as a target for the new development.

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10.2.9 A decision is made concerning the location of the new build based on the information contained in this Business Case and any additional site opportunities that may come to light. Any site analysis should be assessed against the criteria identified in Chapter 7.



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## Appendix A

### Glossary of Terms

Acronym	In full
BDP	Building Design Partnership
BREEAM	Building Research Establishment Environmental Assessment Method
CAA	Comprehensive Area Assessment
CSR	Comprehensive Spending Review (2007)
CYPD	Children's and Young Persons Directorate (WBC)
DASS	Directorate of Adult Social Services (WBC)
DWP	Department for Work and Pensions
FM	Facilities Management
FTE	Full Time Equivalent
GIA	Gross Internal Area
HR	Human Resources
IT	Information Technology
JV	Joint Venture
LABV	Local Asset Backed Vehicle
LDF	Local Development Framework
LIFT Co	Local Investment Finance Trust Company
LLP	Limited Liability Partnerships
LP	Local Partnerships
NIA	Net Internal Area
NPV	Net Present Value
OGC	Office of Government Commerce
OEP	Operational Efficiency Programme (of HM Treasury)
PB	Prudential Borrowing
PFI	Private Finance Initiative
PID	Project Initiation Document
PRINCE2	Projects in Controlled Environments (Version 2)
PWLB	Public Works Loan Board
RPI	Retail Prices Index
RSL	Registered Social Landlord
SAR	Strategic Asset Review
SOGE	Sustainable Operation of the Government Estate
SMART	Smart' objectives are Specific, Measurable, Achievable, Realistic and Timetabled
VAT	Value Added Tax
WBC	Wirral Borough Council
WPH	Wirral Partnership Homes

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## Appendix B

Financial Model (see separate cd)

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## Appendix C

Office location map (see separate file)

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## Appendix D

Timelines (see separate file)

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## Appendix E: Commercial In Confidence

Cheshire Lines: Not included

# Contacts

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