

WIRRAL COUNCIL

CABINET – 25 NOVEMBER 2010

REPORT OF THE DIRECTOR OF LAW, HR and ASSET MANAGEMENT

OFFICE RATIONALISATION

1. EXECUTIVE SUMMARY

- 1.1 This report advises Members of terms agreed with Wirral Partnership Homes for the sale of Westminster House. In the light of that agreement, it recommends a way forward for rationalisation of the Council's administrative accommodation.

2. BACKGROUND

- 2.1 On 24 June 2010 Cabinet considered a business case which recommended a preferred option for the future provision of the Council's administrative accommodation. That option recommended the retention and refurbishment of a core group of 5 administrative buildings and the vacation of a further 17 buildings, which would be replaced with some 9,716 sqm of new-build accommodation.
- 2.2 Cabinet gave in principle support for the recommended option but recognised that further work was required to refine alternative courses of action. It therefore instructed officers to:
- (i) As a matter of priority, bring forward a fully costed action plan to implement those aspects of the preferred option that are not dependent on new build. The action plan to be presented for Cabinet approval at the earliest opportunity.
 - (ii) Further investigate those aspects of the preferred option that require new build along with Acre Lane, and to produce an options report for Cabinet to consider.
- 2.3 Subsequently, an opportunity arose to consider the disposal of Westminster House, which had been identified in the business case as one of the core group of buildings for retention and refurbishment.
- 2.4 At its meeting on 23 September 2010 Cabinet received a report that advised of interest from Wirral Partnership Homes (WPH) in the potential acquisition of Westminster House. WPH was conducting an option appraisal for its future office needs which was expected to be completed by 5 October 2010. Cabinet resolved that
- (1) The Director of Law, HR and Asset Management be authorised to discuss the potential sale of Westminster House with Wirral

Partnership Homes and report to the Cabinet at the earliest opportunity the outcome of those discussions, and

- (2) In the event of Wirral Partnership Homes wishing to purchase Westminster House, the report back to Cabinet will include an evaluation by the Interim Director of Corporate Services of the environmental, economic and regeneration impacts of the two options set out in the report, together with a recommended approach, taking all the relevant factors into account.

2.5 Discussions have taken place with WPH, and this report advises Cabinet members of their outcome as instructed. It considers the outcome of those discussions in the context of the changed circumstances since a business case was first developed and proposes a revised strategy for rationalising the office estate.

3. PRESENT POSITION

Terms for the sale of Westminster House

- 3.1 Following discussions WPH has indicated that the purchase of Westminster House is its preferred option and that it would be prepared to enter into a contract to buy the building from the Council. Entering into such a contract would be subject to its due diligence enquiries. The following terms have been provisionally agreed, subject to Council approval and to formal approval by the WPH Board.

Vendor:	Wirral Council
Purchaser:	Wirral Partnership Homes
Property	The freehold interest in Westminster House and associated land shown on the attached plan
Purchase price:	£1.9m, based on a jointly commissioned valuation report prepared by the District Valuer
Costs:	Each party to pay its own legal and surveyor's costs in the sale.

Options to be considered

- 3.2 Prior to the interest of WPH Westminster House was proposed as one of the core buildings to be retained and refurbished, with its use to be intensified so that it could form a base for a substantially increased number of staff. The report to Cabinet on 23 September 2010 explained that if Westminster House was to be retained it would require a comprehensive scheme of refurbishment and upgrading. If it is now to be sold, alternative modern open plan office space will be required to accommodate reducing numbers of staff in fit for purpose accommodation without the need for new build..
- 3.3 If Westminster House was to be retained and the North and South Annexes vacated the vacant buildings would be demolished and the

sites retained pending long term regeneration proposals for the wider area.

- 3.4 The report to Cabinet on 23 September 2010 proposed the retention and refurbishment of the North and South Annexes to Wallasey Town Hall as an alternative to the retention of Westminster House, and set out indicative costs for their refurbishment. However, since then the Council has invited staff to apply for voluntary severance/early retirement and has received a significant response. The Council's future needs for accommodation are very likely to reduce markedly.
- 3.5 Given the provisional agreement reached on terms for the sale of Westminster House, options for members to consider are therefore:
- Sell Westminster House to WPH and; retain the North and South Annexes; and accept that our ability to vacate other office accommodation will be severely constrained unless investment is made in the retained stock.
 - Decline the offer from WPH; refurbish and intensify the use of Westminster House; demolish the North and South Annexes and retain the cleared sites for future regeneration and vacate as many other buildings as possible.

Evaluation of the options by the Interim Director of Corporate Services

- 3.6 The Interim Director of Corporate Services has reviewed the two options to consider their environmental, economic and regeneration implications, and his comments and conclusion is set out below.

Option 1 – sale of Westminster House to Wirral Partnership Homes and retention of the North and South Annexes.

- 3.7 Environmental impacts
- WPH intend to refurbish and upgrade Westminster House prior to taking occupation. They are investigating the use of sustainable technologies. The sale of Westminster House to WPH can therefore trigger a reduction in the environmental impact of three buildings.
 - Any comprehensive refurbishment of the North and South Annexes that incorporates sustainable technologies will significantly improve the environmental performance of both buildings and reduce their CO2 emissions.
 - Consolidation of activities in fewer locations will reduce car travel and related CO2 emissions. Refurbishment and intensified use of the Annexes would facilitate a further reduction in the number of Council offices and travel between buildings. Whilst the Council will retain a

dispersed office base consideration will be given to the most appropriate occupiers of the Annexes given the future structure of the Council; potential synergies with Wallasey Town Hall and services that are based elsewhere.

- WPH intend to bring together in Westminster House some 163 staff from several locations outside Birkenhead town centre, in addition to retaining existing town centre staff. This should reduce car travel and CO2 emissions arising from their activities.

3.8 Economic impacts

- The relocation of Council staff from Westminster House is likely to have no significant economic impact on Birkenhead town centre. It is anticipated that some Council staff previously based in Westminster House will remain in Birkenhead in other locations, but at this stage the final distribution of staff has yet to be determined.
- Sale of Westminster House to WPH will result in that organisation remaining in Birkenhead town centre rather than see it relocated elsewhere. It will also result in an additional 163 staff being based in the town centre, in addition to the 110 staff already based at Europa Boulevard.
- There will be some benefit to individual business based around Wallasey Town Hall from staff remaining in the Annexes. Given the current economic profile of the Seacombe area however, wider economic benefits are considered to be negligible.
- If WPH relocates to Westminster House it will vacate its existing offices at Europa Boulevard. This is a smaller area of high quality office accommodation which is likely to be easier to re-let than a vacated Westminster House. The space is likely to be more attractive in the market to local firms wishing to expand or relocate to Birkenhead.
- Sale of Westminster House to WPH supports the business plan of one of the Council's key strategic partners by helping it to rationalise its accommodation and retain its headquarters in its preferred location within the borough.
- If WPH does not fully occupy Westminster House it would have the opportunity to offer surplus space within the refurbished building for rent on the market. This would increase the available supply of good quality refurbished accommodation to let in Birkenhead.

3.9 Regeneration impacts

- The Council's vacation of Westminster House is not considered damaging to the perception of Birkenhead town centre providing that

the re-use and continued occupation of the building is secured. Sale to WPH does this.

- Any intensification of the use of the Annexes would increase activity in the area of the town hall and in overall terms may help retain and improve confidence in the Seacombe area.
- Any refurbishment scheme would improve the appearance of the Annexes (and in turn improve the setting of the town hall). It would also demonstrate investment in the Seacombe area.
- Continued use of the Annexes will not interfere with wider regeneration proposals for Seacombe, as these are considered to present long term opportunities.

Option 2 – Retention of Westminster House and vacation and demolition of the Annexes

3.10 Environmental impacts

- Retention of Westminster House by the Council ideally would require its comprehensive refurbishment, as previously reported. The opportunity would be taken to improve its environmental performance and reduce CO2 emissions.
- This option assumes the demolition of the North and South Annexes, which would eliminate CO2 emissions arising from the use of those buildings
- Relocation of Council staff to Westminster House would reduce the environmental impact of travelling between departments, with more staff based in Birkenhead. There would however be some increased impact from additional journeys to Wallasey Town Hall.
- Given that its current accommodation is too small for its future needs, a decision not to sell Westminster House to WPH could precipitate its move to another location outside the town centre. This would be likely to cause an increase in business travel and CO2 emissions arising from its activities.

3.11 Economic impacts

- Intensification of the use of Westminster House and significant implementation of agile working could result in an estimated 600 staff being based there; potentially some 250 staff above its previous occupation. It should be noted however that in view of its use as an agile office base not all those staff would be in the building all the same time. The economic impact of this additional number of people on the town centre is considered to be insignificant.

- Vacation and demolition of the Annexes is considered likely to have a serious impact on the few local businesses in the area of Wallasey Town Hall that derive significant income from staff currently based there. The economic impact on the wider Seacombe area is considered insignificant.
- The Annexes are considered unattractive to the rental market given their current condition and their location they are unlikely to be re-let as they stand. Disposal of the buildings would not be recommended, as in the long term the sites on which they sit have regeneration potential

3.12 Regeneration impacts

- Continued use of Westminster House will avoid the negative impact that would result from a vacant building.
- Demolition of the Annexes would reinforce a perception of abandonment in the Seacombe area, where other recent demolition has further increased the amount of vacant land. (If the Annexes were to be left vacant as an alternative to demolition this would substantially increase the perception of abandonment.)
- The setting of the town hall – which is a listed building and is to be retained as a core asset – would be more isolated with the removal of the Annexes and clearance of the sites.

3.13 In all the circumstances the Interim Director of Corporate Services recommends Option 1 – the sale of Westminster House to WPH and the retention of the North and South Annexes – as the approach to be taken by the Council. Consideration should also be given to the future refurbishment of the Annexes, given the additional benefits that would deliver (see below)

3.14 Disposal of Westminster House provides an opportunity to realise an early capital receipt which. Analysis of the remainder of the in-scope buildings shows very limited opportunity for the realisation of capital receipts from the sale of other properties.

Refurbishment of the North and South Annexes

3.15 The business case presented to Cabinet on 24 June 2010 explained that the Council has reached a point at which substantial investment is required to its administrative buildings in the short to medium term. Where buildings are to be retained in the long term as part of the core estate they will require significant refurbishment and upgrading to ensure that they perform effectively in the future. The North and South Annexes are currently laid out inefficiently internally, which precludes their optimum use. Total identified backlog maintenance for the two buildings is £742,000. There is also a total estimated life cycle maintenance requirement for the two buildings of £1,311,000.

- 3.16 Refurbishment of the Annexes would provide modern flexible office accommodation to `kick start` a wider rationalisation programme [as had been originally intended by the planned refurbishment of Westminster House] and will support the vacation of additional buildings.
- 3.17 In the light of the deadline for submission of bids to the Capital Programme, a bid has been made to the capital programme for a scheme to move forward with the refurbishment of the Annexes, provisional upon members agreeing to the disposal of Westminster House.
- 3.18 An important issue in the sale to WPH will be the Council's vacation of the building at the earliest possible date to allow WPH time to refurbish it and meet their timescales to relocate from other accommodation. Some 30 staff from NHS Wirral occupy part of the ground floor, and it has been agreed that they will be relocated to the adjacent NHS offices in Old Market House. The remaining staff in the building are from DASS. Options are being developed for the relocation of those staff and these will be discussed and implemented with the Interim Director of Adult Social Services.

The wider rationalisation programme

- 3.19 The sale of Westminster House and refurbishment of the North and South Annexes would constitute the first major step in the office rationalisation project.
- 3.20 Cabinet on 23 September 2010 considered the changing context for office rationalisation since the business case developed. In particular
- The financial position both nationally and locally has worsened, and pressures on revenue and capital spend have greatly increased
 - The local government financial settlement for the next 4 years is awaited and is expected to add to the Council's budgetary pressures.
 - Staff applications for voluntary severance and early retirement are currently being considered, with a substantial initial response made by staff to the offer made.
 - Organisational restructuring will follow the voluntary retirement and severance of staff, with the future shape of the organisation yet to be determined
- 3.21 In this context it is not intended to bring forward proposals at this time for the development of any new build accommodation. The rationalisation programme over the short to medium term will therefore be restricted to what can be achieved within the constraints of the

existing estate and available resources. The approach to be followed, where possible, will be to;

- Intensify the use of a wider group of core assets
- Prioritise investment for maintenance and upgrading of those core buildings
- Increase agile working to reduce the requirement for fixed desks

3.22 The schedule attached as Appendix A summarises key issues and constraints for the buildings within the scope of the project with potential timescales for vacation.

3.23 Vacating buildings and achieving savings will depend upon the creation of additional capacity in those buildings that are retained and this, in turn, is likely to require investment.

3.24 Assuming that the sale of Westminster House is agreed, the following table indicates buildings that can be vacated in 2011/12 with the full year savings.

Building	Staff No's	Budget (1) Provision	Building Vacated By
Westminster House	238 (2)	350,127	June 2011
Willowtree (office only)	56	54,909 (3)	June 2011
Old Court House	54	86,622	June 2011
Totals	348	491,658	

Notes

- 1) Budget costs are those used in the preparation of the business case, based on 2008/09 budgets for consistency with previous reports.
- 2) Some staff have already relocated from this building.
- 3) Budget split for administrative element of the facility to be confirmed.
- 4) This will give part year savings in 2011/12 of £368,742.

3.25 It has been made clear throughout the review of administrative accommodation that such annual savings will only be achieved with 'one-off' initial investments in buildings and IT, together with the widespread adoption of agile working.

3.26 It is proposed to implement the first stage of the rationalisation project through the closure and vacation of Westminster House, Willowtree

and the Old Court House. It is recommended that the project plan is developed in detail and monitored through the Strategic Change Programme Board, with further reports to Cabinet as appropriate. As it is developed the project plan will take into account the outcome of the current voluntary retirement and severance exercise.

- 3.27 It is also recommended that the current budgetary savings target of £1m by 31 March 2011 be revised to align with the indicative savings and timescales set out in the table above.
- 3.28 As a second phase of the project detailed consideration will be given to the vacation of Liscard Municipal, Bebington Town Hall and Bebington Town Hall Annexe, together with a major building from those identified in Appendix A. Options will be developed that take account of the future size and shape of the organisation; future service delivery needs; opportunities offered by agile and home working and available resources. These will be the subject of further reports.

4. NEXT STEPS

- 4.1 If Cabinet agrees the recommendation to sell Westminster House to WPH the following would be the next steps in delivering office rationalisation
- 4.2 Agree arrangements for the decanting of staff from Westminster House to a timescale agreed with DASS and WPH.
- 4.3 Develop a detailed project plan and deliver the vacation of Westminster House, Willowtree and the Old Court House, with that project plan subject to monitoring by the Strategic Change Programme Board
- 4.4 Develop proposals as later stages of the project for further refurbishment and rationalisation of buildings using planned maintenance, the capital programme and other funding sources as appropriate. Such proposals would address major issues such as the reprovision of the existing data centres.

5. RISKS

- 5.1 The rationalisation of the Council's offices will form a major programme linked to other aspects of the corporate change programme. A comprehensive approach to risk management will be developed and managed within the delivery programme.

6. CONCLUSIONS

- 6.1 Since a business case for Office Rationalisation was first considered, circumstances have changed significantly and a proposal for new build accommodation will not be recommended in the current economic climate.

- 6.2 The provisional agreement of terms now reported for the sale of Westminster House to WPH provides an opportunity to achieve a capital receipt and reduce annual revenue costs.
- 6.3 The Director of Corporate Services has considered the environmental, economic and regeneration impacts of the proposed sale and is satisfied that it is the most appropriate option for the Council.
- 6.4 To drive wider rationalisation a bid is being made to the capital programme for funds to refurbish and intensify the use of the North and South Annexes, subject to Members approving the sale of Westminster House.
- 6.5 It is recommended that the sale of Westminster House to WPH be approved on the terms now reported.
- 6.6 Given current constraints, the Council's medium term strategy for administrative accommodation will be based on the approach outlined in paragraph 3.21 above.

7. FINANCIAL IMPLICATIONS

- 7.1 Sale of Westminster House to Wirral Partnership Homes will give a capital receipt to the Council of 1.9m.
- 7.2 A scheme to refurbish and improve the North and South Annexes will be considered in developing the Capital Programme for 2011/12.
- 7.3 Options are being developed for the decanting of staff currently in occupation of Westminster House and, depending on the finally approved option, the costs will be met from the Planned Maintenance and Admin Buildings Budgets.
- 7.4 Sale of Westminster House will save £350,000 in annual running costs, with part year savings of £262,595 in 2011/12. In addition, the Council will no longer be required to meet the cost of backlog repairs (estimated at £176,400) and life cycle repairs (£1,860,000).

8. STAFFING IMPLICATIONS

- 8.1 All administrative staff will potentially be affected by the rationalisation of the Council's administrative estate and the implementation of new ways of working.
- 8.2 Effective communication and staff engagement are key to successful large scale workplace change, and a comprehensive communication strategy will be developed for the project.
- 8.3 Full engagement will take place with trades unions.

9. EQUAL OPPORTUNITIES IMPLICATIONS

- 9.1 An equality Impact Assessment has been completed for the overall rationalisation project. More detailed assessments will be undertaken as workplace changes are implemented. Any refurbishment of existing accommodation will allow the development of more accessible environments than exist in current accommodation.

10. COMMUNITY SAFETY IMPLICATIONS

- 10.1 None arising directly from this report.

11. LOCAL AGENDA 21 IMPLICATIONS

- 11.1 Any refurbishment and improvement of existing accommodation would allow the creation of a more sustainable administrative estate with lower environmental impact. In particular, the opportunity would be addressed in any programme of work to improve building efficiency and reduce energy consumption and CO2 emissions wherever possible. Potential could also be considered in any scheme for micro-generation and wider sustainable benefits.
- 11.2 Other benefits could be realised through new working arrangements, for example a reduction in business mileage and CO2 emissions due to the consolidation of offices and an increase in agile working.

12. PLANNING IMPLICATIONS

- 12.1 None arising directly from this report, although it should be noted that within the scope of the project Birkenhead Town Hall, Wallasey Town Hall and the Conway Centre are listed buildings.

13. ANTI POVERTY IMPLICATIONS

- 13.1 None arising directly from this report.

14. HUMAN RIGHTS IMPLICATIONS

- 14.1 None arising directly from this report.

15. SOCIAL INCLUSION IMPLICATIONS

- 15.1 None arising directly from this report.

16. LOCAL MEMBER SUPPORT IMPLICATIONS

- 16.1 This report will be of interest to all members.

17. BACKGROUND PAPERS

- Cabinet 9 July 2008 Strategic Asset Review
- Cabinet 16 October 2008 Transforming Wirral-Strategic Asset Review
- Cabinet 27 November 2008 Transforming Wirral-Strategic Asset Review
- Cabinet 15 January 2009 Transforming Wirral-Strategic Asset Review
- Council Excellence Overview & Scrutiny Committee 17 March 2010 – Office
- Rationalisation Project Update
- Cabinet 23 September 2010 – Office Rationalisation

18. RECOMMENDATION

- 18.1 That the sale of Westminster House to Wirral Partnership Homes be approved on the terms now reported and the Director of Law, HR and Asset Management be authorised to complete all necessary legal documentation.
- 18.2 A revised savings target be set in the Council's budget based on the vacation of the buildings identified in paragraph 3.24 of this report.
- 18.3 The approaches set out in this report to future provision of administrative accommodation and rationalisation be endorsed.

Bill Norman

Director of Law, HR and Asset Management