

TITLE	Wokingham Borough Council, Future Office Provision
FOR CONSIDERATION BY	The Executive on Thursday, 28 September 2023
WARD	(All Wards);
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Leader of the Council and Executive Member for Housing - Stephen Conway

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

The purpose of this report is to consider the Council's current office provision and identify opportunities for a change in approach and provision which could bring financial and social-environmental benefits. The issue is considered in the context of the current and future financial pressures on the authority and a review of how best to use its own assets to help address these pressures.

RECOMMENDATION

That the Executive:

1. Agree in principle that the Council should review its office accommodation provision, including the opportunities for the relocation of its headquarters out of Shute End, to a more appropriately sized and more energy efficient building(s)
2. Agree that 28-38 Peach Street, Wokingham is the preferred alternative headquarters location and, subject to the approval of resources, will be the focus of more detailed feasibility and planning work
3. Approve a Supplementary Estimate of £175,000 within this financial year to fund feasibility, detailed design work and programme and project costs, including external consultancy support and expertise, for the alternative headquarter location
4. Note that updates and outputs from the next stage of feasibility work will be reported back to the Executive.

EXECUTIVE SUMMARY

Through the efficient use of its own property assets, the Council can drive financial efficiencies by reducing the financial burden of maintaining its property portfolio and ensure that the assets it does hold work as hard and as flexibly as possible. This can provide opportunities to both reduce current ongoing revenue costs and provide capital from the disposal of unrequired assets. The Council's own office accommodation is one of the largest elements of its property holdings. Accommodation ranges in size from the headquarters at Shute End in Wokingham town to smaller satellite offices throughout the Borough and locations where WBC staff co-locate with partner organisations. Changes in working practices during and post the Covid-19 pandemic has meant that the demand for traditional office provision (fixed desks) has reduced significantly. This has given the authority the opportunity to review the provision in terms of type, quantity and location of office and workspace for the Council's staff. The initial primary focus of this review has

been on the Council's existing headquarters at Shute End in Wokingham town. Shute End is the authority's largest and most costly office asset, and subsequently, where the biggest opportunity to generate savings has been identified.

The office accommodation at Shute End extends to a gross internal area of circa 10,600m², is arranged over 4 floors and provides for 800 desk spaces and supporting office functions. Daily surveys of occupancy have been carried out following the cessation of Covid 19 lockdown restrictions. The survey data shows that attendance levels at Shute End are not consistent throughout the week but that the highest daily average desk occupation is 219. This demonstrates that the current desk capacity of the building of 800 represents a significant overprovision, whilst the on-going and future investment costs of the current office represent a significant capital and revenue cost to the Council.

Adapting and changing our own office accommodation is a significant opportunity for the Council to lead by example and demonstrate how it is responsibly responding to the current financial challenges and the changes in modern ways of working by amending its own working practices to meet these challenges. Executive is therefore asked to agree in principle that the Council should review its office accommodation provision, including the opportunities for the relocation of its headquarters out of Shute End, to a more appropriately sized and energy efficient building(s).

A review of the opportunities and feasibility of the relocation of the Council HQ from Shute End to more appropriately sized accommodation has been undertaken to inform this Executive decision. Three opportunities for future headquarters provision have been identified and this report sets out the financial and non-financial appraisal of these options. This appraisal concludes that 28-38 Peach Street, Wokingham (the former Marks & Spencer's building) performs the best and subsequently Executive are asked to note that 28-38 Peach Street is the preferred new headquarters location and, subject to the approval of resource, will be the subject of more detailed feasibility and planning work.

Subject to the approval of Executive, more detailed feasibility and implementation work will be required to fully understand and design and plan for the relocation of the Council's Headquarters from Shute End, to 28-38 Peach Street. Executive are recommended to approve a Supplementary Estimate of £175,000 for within this year 2023-24 to enable the start of the next stage of feasibility work and the appointment of external consultancy support, including a programme manager and planning, design and valuation teams.

Executive are asked to note that updates on and the outputs of feasibility work, including planning and design, will be reported back to the Corporate Leadership Team and Executive on agreed milestones and for decision making when required.

BACKGROUND

In light of the continued significant budgetary pressures the Council faces, and in order to ensure the continued focus of investment towards front line services it is imperative that the authority is as efficient as possible in other areas of the organisation, including the use of its property portfolio. Through the efficient use of its property assets, the Council can drive both financial efficiencies by reducing the financial burden of maintaining its property portfolio and ensure that it has a multi-functional portfolio of assets aligned to future business need and which meets the needs of our communities and residents.

The Council's office accommodation where its workforce is based is one of the largest elements of the Council's property holdings. Accommodation ranges in size from the large headquarters at Shute End in Wokingham town to smaller satellite offices throughout the Borough and locations where WBC staff co-locate with partner organisations.

In line with national trends, our working practices have changed during and post the Covid-19 pandemic, with a significant proportion of staff working a greater proportion of their time from home and/or remotely from the office and significantly reducing the demand for traditional office provision (fixed desks). This has given the authority the opportunity to review the provision in terms of type, quantity and location of office and workspace for the Council's staff in order to ensure that it enables front line services to be delivered in our communities and contributes towards financial efficiencies.

The initial primary focus of this review has been on the council's existing headquarters and primary office base at Shute End in Wokingham town, where the majority of staff are based. It is the authority's largest and most costly office asset, and subsequently, where the biggest opportunity to generate savings has been identified.

The work to date has also preliminarily identified other opportunities for further satellite workspaces, potentially with partner organisations, that would all contribute to the efficient and localised based provision of services, utilising both the existing property portfolio and new and expanded opportunities. These opportunities and the outcomes of feasibility work will be reported back to Executive in due course.

BUSINESS CASE

Existing office accommodation at Shute End Headquarters

The office accommodation at Shute End extends to a gross internal area of circa 10,600m², is arranged over 4 floors and includes:

- 800 Desk Spaces
- Meeting rooms.
- Council Chamber and committee rooms
- Reception and back-office functions
- Political Offices
- Registrars Service

Desk space and meeting rooms equate for the majority (90%) of the useable floor area within the offices.

Current demand for desk space in Shute End is driven by business need and staff choice on how to work, following the cessation of any restrictions to working practices in the offices in March 2022. For the majority of officers, the Council operates a SMART working policy, with SMART working defined as “does not require a fixed desk, will use any combination of working from home, using a hot desk in the office, using a touchdown point in the office, and/or being “out and about” in various locations.” Where driven by business need, including the nature of the work undertaken, some staff and teams are required to locate themselves in the office during working hours and/or for a minimum period of hours or days per week.

Daily surveys of occupancy have been carried out following the cessation of Covid 19 lockdown restrictions. The survey data shows that attendance levels at Shute End are not consistent throughout the week but that the highest daily average desk occupation is 219. This demonstrates that the current desk capacity of the building of 800 represents a significant overprovision.

The current provision of office accommodation at Shute End, represents a significant capital and revenue cost to the Council.

In the 2022-23 financial year the property costs for the operation of Shute End (revenue) were circa £1.1m. This comprised the cost of utilities, business rates, insurance, security and planned and reactive maintenance, but excludes staffing costs.

As a way of part mitigating these operational costs, in December 2022, the office accommodation at Shute End was consolidated down into two floors, with significant areas of the building closed down and available desk numbers reduced from 800 to 405. This consolidation has reduced annual running costs (heating, lighting, cleaning etc.) by £63,000 per annum and has achieved a one-off business rates reduction of £17,000.

The Shute End offices require on-going investment to ensure they continue to meet legislative health and safety requirements and provide an appropriate quality workspace. A key area where future investment will be required at Shute End is to ensure compliance with the Modern Energy Efficiency Standards (MEES). The Shute End offices currently has an EPC rating of D. The Government confirmed in the Energy White Paper (2020) that by 2030 non-residential properties will be required to achieve an EPC rating of B. Improving the energy efficiency of Shute End to meet the necessary MEES would incur a very significant capital cost.

Despite the recent savings achieved, the ongoing revenue cost of the overprovision of office accommodation, together with future capital costs to meet legislative energy efficiency standards, indicates that the continued occupation of Shute End in its current configuration represents a significant financial burden on the authority. Occupying a more appropriately sized and more efficient accommodation could substantially reduce these costs in future years.

Adapting and changing our own office accommodation is a significant opportunity for the Council to lead by example and demonstrate how it is responsibly responding to the current financial challenges and the changes in modern ways of working by amending its own working practices to meet these challenges. The opportunity also presents an opportunity to demonstrate how the authority is utilising its own property portfolio to

ensure it occupies and uses its assets in the most energy efficient way, in line with the aspirations of our own Climate Emergency Action Plan (CEAP).

Therefore, for the reasons set out above the Executive is asked to agree in principle that the Council should review its office accommodation provision, including the opportunities for the relocation of its headquarters out of Shute End, to a more appropriately sized and more energy efficient building(s).

Criteria for future headquarters accommodation

When considering suitable alternative headquarters, a number of criteria have been applied.

1. Appropriate capacity and size

In view of the functions currently provided for within Shute End and an understanding of the approach to service delivery, future headquarters accommodation will be required to provide:

- 225 desk capacity (based on data from current occupancy surveys and approaches to SMART working)
- A range of work, collaboration and meeting spaces
- Provision of offices for political leadership and Corporate Leadership Team
- Reception
- Back of House support facilities
- Dedicated space for Registrar's statutory functions and safe storage of legal documents
- Appropriate provision for staff, councillor and visitor car parking

2. Availability

In order to deliver service and financial efficiencies as quickly as possible alternative premises should be available in the short-term and not encumbered by lengthy leases or potentially lengthy acquisition processes.

This has led to a focus on options already within the Council's ownership, as this minimises the time risk to the council associated with completing a new property transaction. Utilising of our own existing properties would also ensures the authority is making more efficient use of its existing assets in line with the objectives set out above.

However, options of buildings not within the Council's ownership but which could be available in the short-term to be rented by the authority will be considered in a future assessment.

3. Environmental Credentials

All options considered should be able to achieve as a minimum the requirement for Display Energy Certificate (DEC) Level B by 2030, but preferably could achieve as close as feasibly possible to CEAP ambitions of Net Zero Carbon performance.

The capital cost of investment in the building required to bring it up to these standards would be considered in the financial appraisal of the option.

4. Location

The Council's headquarters is currently located in Wokingham town, which is the largest area of population within the Borough and an accessible location for the majority of Borough residents and Council staff. Council staff also contribute to the Wokingham town centre economy and support the regeneration programme in the town, increasing footfall and spending money through purchases made in the town on lunch breaks or at the beginning and end of the working day.

Accessibility to Council services for our residents is important and therefore sites not accessible and outside of development limits (e.g in the countryside) have not been considered.

Given the criteria set out above, especially relating to size and capacity, the options for an alternative headquarters have all been identified within Wokingham town to date. However when considering opportunities for any leasing options, suitable properties outside of Wokingham town may be identified and will be assessed accordingly.

Options for re-provision of additional functions

There are two key functions currently undertaken at Shute End which need to be re-provided for and which may need to be and/or could benefit from being re-provided separately to a new Council HQ.

- *Complex and/or sensitive customer interactions.*

There are a number of customer interactions that currently occur at Shute End which are sensitive due to the nature of the issues being addressed and to individual customers. These include the 'Front Doors' for Housing enquiries, and Childrens and Adults Services clients, and Children's Services Conferencing Facility. In discussions with the relevant services, it is considered these interactions would be better served from an alternative setting to the formal and public office setting of a new HQ. Alternative options, within the council's existing portfolio and including through the development of Community Hubs in locations across the borough, have been identified to meet the requirements of these functions and the next phase of this project will review these options in greater detail.

- *Civic meeting space, including the Council Chamber*

Meeting space is required to support and enable the Council's democratic processes including committee and other statutory meetings. Currently the main meeting rooms used for these purposes are:

- The Council Chamber comprising of a fixed seating area for councillors with a capacity of 55, as well as desks and seating for officers and a viewing gallery. The core function of this space is to accommodate Full Council meetings which

- occur 10 to 11 times a year in the evenings. Although this is the core function of the Chamber, it is also used regularly for meetings with a large capacity requirement, including Planning Appeals and internal departmental meetings
- David Hicks 1 and 2 committee rooms which have capacity to accommodate meetings for up to 22 and 16 people (seated) respectively. The rooms host a variety of committee and statutory meetings including the council’s Executive, Planning Committee, and various Overview and Scrutiny meetings. Most of these meetings occur outside of normal office hours in the evening

Given the need to ensure our assets work as efficiently and as flexibly as they can, a like for like replacement of the current Council Chamber, with fixed furniture and IT provision for use at full capacity 10/11 times a year, does not fit this ethos. In addition, the alternative headquarters buildings (see below) will not be able to accommodate a dedicated Council Chamber of a similar size. A number of other similar local authorities have approached the provision of a Council Chamber in a flexible and at times innovative way and we have used these as examples of how else the Council Chamber could be provided for. Alternative options to meet this accommodation need have been identified, including the use of other buildings currently owned by WBC, and will be considered in further detail as part of the next phase of this project.

Given that the majority of the committee meetings held in David Hicks 1 and 2 are held outside of normal office hours, it is considered that meeting rooms within a new HQ could accommodate this requirement whilst still being available for use during normal working hours.

Potential Alternative Accommodation Options

Based on the specification set out above, the options identified for a future HQ within the Council’s existing property portfolio were:

1. Shute End but with consolidated floorspace
2. 28-38 Peach Street (Former Marks and Spencers store)
3. Rubra 2, Mulberry Business Park.

A fourth option was considered comprising a ‘campus’ arrangement including the former Wokingham Library, Resource House and Seymour House on Denmark Street, Wokingham. However, an opportunity was identified to secure a letting of Resource House to the NHS in partnership with our own Adults Services team, that letting has now progressed and the residual properties are not of sufficient size to meet the needs of a headquarters provision.

Option 1, Remain at Shute End, is based on the existing layouts and desk capacities currently in place on the Lower Ground and Ground floor levels at Shute End. Options 2 and 3 were reviewed by external consultants Arup to give an indicative view of capacity and understanding of how far they could meet the design specification.

The estimated capacity of each of the options is shown in the table below.

Property	Gross Internal Area (m2)	Estimated Capacity
Shute End – Consolidated to lower and ground floors only	5714	348 (existing desk numbers at lower & ground floor)

28-38 Peach Street	2557	253
Rubra 2, Mulberry Business Park	1901	177

Rubra 2 does not have sufficient capacity to meet the required 225 desk capacity plus other floorspace requirements. However, it has been retained as an option for consideration in case its performance in the financial and non-financial assessments warrant its further consideration if capacity requirements can be reduced.

Assessment of Options.

The three options were assessed and scored from both a financial and non-financial perspective.

Financial Assessment.

A financial analysis has been undertaken reviewing the revenue and capital costs and incomes and values associated with each of the options.

Capital works cost

Costs to convert and/or refurbish the building that would become the new headquarters have been estimated, on a build cost /m2 with reference to BCIS tender price indices, inclusion of an assumption that the new headquarters will achieve a DEC rating of B as a minimum under the MEES legislation, and the required re-provision of Information Management Technology systems and infrastructure.

Capital receipts from surplus assets

For each of the three options it has been assumed that the competing/alternate properties are surplus to the Councils requirements and would be disposed of to generate a capital receipt (based on residential land value). Valuations of the assets were undertaken by an external consultant in January 2023.

Executive will note that, subject to the approval of Executive of this paper, the Shute End site is included in the WBC Sites Promotion paper to be considered later in this agenda for residential development.

Net Capital Position

The Net Capital Position outlined below therefore assumes the generation of a capital receipt from the disposal of the alternate options, minus the estimated capital works for the refurbishment of the new HQ building.

Operating costs (revenue)

Costs of operating the building as the headquarters have been estimated including utilities (assuming DEC rating of B), business rates, maintenance, cleaning and insurance.

Potential for income generation

Specific to the Shute End Consolidation option, the estimated revenue costs assume the letting of the unused floors of Shute End following consolidation of Council office accommodation down to Lower Ground and Ground Floors of the building.

Prevailing market conditions at the time will determine whether this is viable. However, an external review undertaken in early 2023 indicated that the office market in the town is somewhat depressed, with most agents citing a substantial amount of vacant office space available at the time. Failure to let the empty 'surplus' space at Shute End would result in the Council continuing to incur the running costs of the whole building.

In the event surplus space is let to a third party the costs could be mitigated (and potentially an income generated) for the duration of the letting only. This option therefore represents a significant and ongoing financial risk.

The above considerations have been incorporated into a full financial analysis, with an option appraisal based on a ten-year cashflow and net present value. A financial summary of the options is set out in the table below with a financial analysis based on cost per desk. All assumptions are relevant as at the date of the valuations (July 2023).

Property	Capacity	Net Capital Released (£,000)	Net Revenue Costs (£,000) pa	Cost per desk (£)	Cost of oversupply* (£,000)
Shute End Consolidated	348	1,090	450	1,292	159
28-38 Peach Street	253	5,470	245	970	27
Rubra 2	177	8,240	178	1005	UNDERSUPPLY.

* Cost of oversupply assumes demand of 225 desk provision.

This analysis shows that Rubra 2 offers the best net capital position, due to the more limited capital costs of refurbishing the building for Council use compared to the other options, and the two alternative assets (Shute End and 28-38 Peach Street) having higher capital values and the ability to generate larger capital receipt upon disposal. Shute End offers the lowest net capital position as the Shute End site has the highest capital value and that value is foregone if the site remains in office use and is not developed.

This analysis shows that the total running costs of Shute End are by far the highest of all options even if one assumes the unlikely scenario of income being generated from unused floors. And even in this case, on a unit (per desk) basis it is the highest. The other two options have a lower on-going revenue cost.

NON-FINANCIAL ASSESSMENT (PESTLE ASSESSMENT)

Each of the 3 options has been subject to a non-financial assessment (PESTLE review – political, economic social, technology, legal, environmental), assessing how far the options deliver against the Council's key objectives in the Council Plan. The table below summarises this scoring (1 poor to 5 good).

Corporate Objective	Measure	Shute End	28-38 Peach Street	Rubra 2
Being the best we can be	"Fitness for purpose of office" - how suited is the building to providing a more modern office?	3	4	4
Being the best we can be	Split site "inefficiency" - logically better to operate from a single site than from two separate locations	5	5	2
Delivering the right homes in the right places	Release of housing land/units to the market - ability of the option to release land for housing	2	5	5
Provide safe and strong communities	Town centre regeneration – organisation at the centre of the town - opportunity to enhance the town centre and keep spending power in the town centre	2	4	1
Enjoying a clean and green borough	Carbon / net zero impact - ability to contribute to carbon reduction	3	3	3
Being the best we can be	Value for money - deliverable cost:benefit	2	4	5
Enriching lives	Staff wellbeing – most suitable working environment for staff	4	4	3
Being the best we can be	Civic decision making in the community – potential for a more distributed workforce and Council meetings	2	5	5
Changing the way we work for you	Driving organisational change – helping support the wider transformation of the Council	2	5	4
		2.78	4.33	3.56

The PESTLE review demonstrates that alternative headquarter sites can deliver an improved office environment, potential housing units from a released site, better value for money, good staff wellbeing and help drive organisational change

Overall performance

The table below takes the above two sections (financial and non-financial assessments) and combines them into one table to give an overall "cost benefit" assessment. It shows the key metrics used in the assessment, financial and non-financial, and ranks the three options against each other using a Red, Amber, Green (RAG) rating. Green is the best option in each category and red the worst option.

Financial summary with PESTLE scores

Property	Capacity	Net Capital Released (£,000)	Running Costs (£,000) pa	Cost per desk (£)	PESTLE Score
Shute End Consolidated	348	1,090	-450	1,292	2.78
28-38 Peach Street	253	5,470	-245	970	4.33
Rubra 2	177	8,240	-178	1005	3.56

Shute End with four red ratings suggests that it is not fit for purpose into the future. Whilst Rubra 2 has a similar RAG rating to the 28-38 Peach Street it is a much smaller and an under-capacity building. 28-38 Peach Street comes out as the best option when considering the overall PESTLE and per desk cost.

Based on the above assessment, Executive are asked to note that 28-38 Peach Street is the preferred new headquarters location and, subject to the approval of resources, will be the subject of more detailed feasibility and planning work.

Next Steps

Subject to the approval of Executive, more detailed feasibility and implementation work is now required to fully understand and design and plan for the relocation of the Council’s Headquarters from Shute End, to 28-38 Peach Street, Wokingham.

Further assessment will also be undertaken of any opportunities for the leasing of a property in third party ownership and a cost-benefit analysis of these opportunities will be undertaken to enable a comparison with the current preferred option of relocation to 28-38 Peach Street.

This work will require the establishment of a dedicated cross-departmental project team, supported by external consultancy support. An indicative project plan has been drafted which shows the duration of this project over the next three years, with a new headquarters opening in January 2027.

An initial bid has been made to the Medium-Term Financial Plan for capital budget for this project for years 2024-25 and 2025-26, but this will not be confirmed until the budget setting process concludes in February 2024. In the interim, Executive are recommended to approve a Supplementary Estimate of £175,000 for within this year 2023-24 to enable the start of the next stage of feasibility work and the appointment of external consultancy support, including a programme manager and planning, design and valuation teams.

Executive are asked to note that updates on and the outputs of feasibility work, including planning and design, will be reported back to the Corporate Leadership Team and Executive on agreed milestones and for decision making when required.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces unprecedented financial pressures as a result of; the longer term impact of the COVID-19 crisis, Brexit, the war in Ukraine and the general economic climate of rising prices and the increasing cost of debt. It is therefore imperative that Council resources are optimised and are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£175,000	Funding sought though Supplementary Estimate (part of this decision being taken)	Capital

Next Financial Year (Year 2)	£3,075,000	Funding bid has been made to MTFP (to be confirmed)	Capital
Following Financial Year (Year 3)	£3,000,000	Funding bid has been made to MTFP (to be confirmed)	Capital

Other Financial Information

The financial implications of the Council's current headquarters provision and future alternatives are set out in the main body of the report.

Ensuring best value for money from the councils property assets is an important element towards being able to set a balanced budget as the Council continues to face significant budgetary pressures. The realignment of the current provision potentially provides opportunities to significantly reduce ongoing revenue costs and release scarce capital funds.

Monies spent on feasibility and planning and design work are spent at risk until the financial savings are realised on completion of the project. If the project does not complete, then monies spent in the interim will be a non-recoverable revenue cost

Legal Implications arising from the Recommendation(s)

Agreed that this is within Executive's power and that no Part 2 papers are needed. Otherwise Legal implications are contained within the Report.

Stakeholder Considerations and Consultation

Key stakeholders in this project include staff, councillors and residents, particularly those who access WBC services face to face. Appropriate opportunities for consultation with stakeholders will be identified through the planning and implementation process. A Staff Change Group will be established to feed into the programme and feasibility and design work.

Public Sector Equality Duty

An initial assessment has been undertaken. Further assessment and appropriate mitigation measures will be identified throughout the project.

Climate Emergency – *This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030*

All development will need, as minimum, to meet the Council's relevant planning policies as at the date of the grant of any planning permission and national Building Control legislation. In addition to this, the development of the Council's office accommodation, gives the authority the opportunity to demonstrate how the authority is utilising its own property portfolio to ensure it occupies and uses its assets in the most energy efficient way, in line with the aspirations of our own Climate Emergency Action Plan (CEAP).

Reasons for considering the report in Closed Session

List of Background Papers
None

Contact Sarah Morgan	Service Commercial Property
Telephone Tel: 0118 908 8371	Email sarah.morgan@wokingham.gov.uk

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