



Assets, Regeneration and Growth Committee

1 June 2015

Title	London Borough of Barnet Accommodations Options Review Outline Business Case (OBC)
Report of	Chief Operating Officer
Wards	All
Status	Public
Enclosures	Appendix A - London Borough of Barnet Accommodation Options Review Outline Business Case
Officer Contact Details	Chris Smith, Head of Estate Management, London Borough of Barnet

Summary

An Accommodation Options Review has been commissioned in relation to Barnet Council's office accommodation provision from October 2015 onwards. The approach used is in accordance with HM Treasury Green Book, Five Case principles. The Outline Business Case (OBC) has been prepared to enable officers and members to review the accommodation options and identify a preferred option for the Civic Estate.

Recommendations

1. That the Committee acknowledge and note the contents of the Outline Business Case (OBC).
2. That the Committee note that the preferred option for Barnet Council's office accommodation is to proceed on the basis of a new build development at Colindale.
3. That the committee grants authority to procure a contractor through a framework panel.
4. That the Committee delegate the authority to approve the appointment of the preferred contractor to enter into the pre-construction stage agreement to the Director of Commercial.

5. That the Committee note that a Full Business Case (FBC) be prepared for consideration in December 2015.

1. WHY THIS REPORT IS NEEDED

1.2 Introduction and purpose

1.2.1 There are a number of medium term options available to the Council from 2017 onwards. These are:

- **‘Do Nothing’** as a baseline – continuing with leases in both the NLBP sites and Barnet House;
- **‘Do Minimum’** – exit from NLBP Unit 4 and consolidate into NLBP Unit 2 and Barnet House; and
- **‘Do Maximum’** – having consolidated as per the ‘Do Minimum’ option beforehand, develop new, specialist accommodation at Grahame Park in Colindale to move into in 2017.

1.2.2 The OBC has been completed in accordance with HM Treasury’s Green Book ‘five-case’ business case principles and therefore includes the following:

- Strategic Case – setting out the context for the Council’s office accommodation, current arrangements and the case for change, constraints and investment objectives;
- Economic Case – appraising the options for office accommodation for Barnet, and the preferred way forward;
- Commercial Case – indicating the commercial implications of the preferred way forward;
- Financial Case – indicating how the preferred way forward could be funded; and
- Management Case – outlining the initial plans for delivery to manage the way forward.

1.2.3 The OBC has been prepared to enable officers and members to review the accommodation options in order to establish and agree the preferred way forward in terms of the Civic Estate from 2017 onwards.

1.2.4 Subject to approval of the OBC, the scheme will move to the next stage in the process i.e. full planning permission and procurement of a construction contractor. A Full Business Case (FBC) will be prepared with additional detail for consideration in December 2015.

1.3 LBB’s strategic objectives

1.3.1 The Council’s ambition is to move to a more ‘agile working’ organisation and it is committed to providing a more flexible working environment. The current

office accommodation includes a significant amount of unused space and it is considered that, alongside the introduction of flexible and agile working, LBB could occupy a much smaller footprint in the future.

1.3.2 In addition, LBB has a medium term financial challenge of achieving savings around £90m between 2015 and 2020, with around £6m of that being targeted through the existing estate.

1.3.3 The Council also has a number of regeneration objectives, in particular within the Colindale area of the borough and as such, the Council has investigated the potential benefits of relocation to this area.

1.4 Existing Portfolio

1.4.1 The current Civic Portfolio comprises four buildings situated at Units 2 and 4 North London Business Park (NLBP), Barnet House and Hendon Town Hall.

1.4.2 The key factor which enables the Council to restructure the Civic Estate is the ability to break the occupational lease in NLBP Unit 4 in October 2015. This will enable the council to take a two stage approach to revising the Civic Estate by consolidating into the existing buildings in the short term (i.e. 2015-2017) and exploring other options in the medium term (beyond 2017).

1.8 Recommendation

1.4.3 The preferred option as identified in the OBC (and in line with the decision made at SOC stage), is to build new office accommodation at the Grahame Park Site, Colindale. This option offers the greatest public value for money and meets all of the Council's strategic objectives. It ensures that the Council's future accommodation needs and investment objectives are met through securing the target savings required, it enables flexible working and will bring significant benefits to the Colindale regeneration area. The chosen solution is capable of being sourced and procured under the existing LBB / Capita contractual arrangements.

2 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

2.2.1 Do Nothing represents the current status quo, and continues to lease office space at the current sites. This does not meet the medium term financial strategy and continues current under-utilisation of the existing estate.

2.2.2 The Do Minimum option will increase utilisation in the existing estate, enable more agile working practices to be achieved and support greater collocation of services, supporting integrated working. However, it offers lower public value for money than the Do Maximum option. Furthermore, the estate will remain

situated over a number of sites and this option does not contribute towards the Council's regeneration objectives.

3 POST DECISION IMPLEMENTATION

- 3.2.1 If the recommendation is approved by the Committee, the next step will be to progress to Full Planning and procurement of a supplier. An FBC will also be developed.

4 IMPLICATIONS OF DECISION

4.2 Corporate Priorities and Performance

- 4.2.1 Within the contractual arrangements between LBB and Capita, under the CSG contract, target minimum savings are identified in terms of reducing the cost of civic accommodation.

4.3 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 4.3.1 The basis of and approach to funding the proposed scheme at Colindale is set out in detail in the OBC. Savings profiled in the current MTFS, including savings put forward as part of the Priorities and Spending Review, assume a cumulative reduction of £45.1m in the cost of office accommodation up to 2023/24. The preferred option in the OBC estimates a reduction of £46.1m over the same period. During FBC stage, the costs will need to be reviewed further to ensure the targets in the MTFS are continued to be fully met.
- 4.3.2 The cost of build, including the cost of buying out the developer's interest at Grahame Park, is estimated to be in the region of £36m. There will be further certainty on the cost of the build once a development partner has been procured and the FBC will set this out.
- 4.3.3 The costs in relation to the interim move/consolidation into NLBP 2 and Barnet House are currently estimated at £4.5m and include the cost of fit out and refurbishments at Barnet House and the cost of IT infrastructure. These one-off costs will be funded from reserves.
- 4.3.4 Current projections indicate that there may be a requirement for an additional site of 20,000 sq ft in the first 2 years from October 2015 to October 2017. An estimate of this cost has been factored into the one-off costs but will be further set out in detail in the FBC once a site has been agreed.
- 4.3.5 Costs to exit NLBP 2 and NLBP 4 have been estimated and factored into the OBC. However the OBC does not currently include a cost to exit or potential revenue from alternative tenants at Barnet House. This will be factored in at FBC stage.

4.4 Legal and Constitutional References

4.4.1 The Council Constitution under Responsibility for Functions sets out the terms of reference for the Assets, Regeneration and Growth Committee which includes:

- Develop strategies which maximise the financial opportunities of growth; and
- Asset Management – all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council
- To approve any non-statutory plan or strategy within the remit of the Committee that is not reserved to Full Council or Policy and Resources.

4.5 Risk Management

4.5.1 Key risks to the Colindale scheme are that (those in relation to the short term exit of NLBP 4 have been reported on separately as part of the Accommodation Implementation Programme):

Implementation risks:

- Planning permission is not obtained in time to meet the Council's timescales;
- The building overruns and target savings are not achieved;
- That the space specified for the building is unrealistic and more space is required than has been specified to date.

Business risks:

- Business continuity arrangements are affected by consolidation into one building;
- Customer access requirements are not suitable;
- Limited parking or the new location affects staff retention or staff efficiency;
- Staff new ways of working are not implemented properly resulting in a higher space requirement than planned;
- Restrictions to space affect staff ability to work efficiently.

4.5.2 The business case sets out mitigations to the above, which will be explored further by a series of programme arrangements which will report to Delivery Unit Board. These are as follows:

- **Smarter and Agile Working** is responsible for focussing on how the organisation will change and adapt, opting new working practices and using new flexible tools and approaches to best meet customer needs, aligned with a new office base in 2017;
- **Delivering Colindale** is responsible for the delivery of the move to new office accommodation in 2017.

4.5.3 In particular, prior to FBC, further detailed work will be completed on the staffing, flexible working and IT arrangements to meet the space requirement set out, and detailed design work will take place to provide greater assurance on build and implementation costs.

4.6 Equalities and Diversity

- 4.6.1 Equality and diversity issues are a mandatory consideration in the decision-making of the Council. This requires elected Members to satisfy themselves that equality considerations are integrated into day to day business and that all proposals have properly taken into consideration what impact, if any, there is on any protected group and what mitigating factors can be put in place.
- 4.6.2 The policy proposals set out in the FBC are designed to ensure fair and equitable treatment of all Barnet's communities in relation to their access to The Civic Estate.

5 BACKGROUND PAPERS

- 5.2 None