

Leicestershire County Council

Work Well Project

Office Strategy



Prepared by Asset Management
October 2008

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Executive Summary

The Council is going through a period of substantial change and modernisation. The proposed new ways of working and delivering services depend upon having the right resources in place to support and enable the changes. It was recognised as both essential and timely to review the Council's existing office provision, understand and identify future requirements and produce an effective Office Strategy to ensure that the Council is equipped with the facilities required to be able to operate effectively and efficiently into the foreseeable future.

This Office Strategy builds on the earlier high-level Office and Storage Accommodation Business Case (August, 2006), which established the 'hub and spoke' model (with County Hall as the hub) as the preferred future approach. The subsequent Project Mandate: Office Accommodation Strategy (December, 2007) clarified the context and drivers for the Office Strategy and established the basis for its development. The resultant Office Strategy defines future accommodation requirements in more detail, undertakes a whole life-cycle financial and non-financial appraisal of the proposed Hub and Spoke model in comparison with the status quo and recommends the appropriate course of action for securing the future, best value office solution.

The Council's existing county-wide office portfolio accommodates 3,057 full time equivalent (FTE) office based staff. It has been formed over many years in an ad-hoc manner and comprises 53 properties of which only 14 score as 'good' in terms of utilisation, condition, running costs and suitability criteria. As at 2006/07, total office running costs are £4.9 million per annum and the total office maintenance backlog cost is £6.38 million.

Investigations into best practice case studies reveal some consistent themes that are common to all successful office re-configuration projects. These include the need for corporate commitment and leadership; an integrated HR, ICT, information management, property and change management approach; an effective Communication Strategy; the uniform application and acceptance of new accommodation and storage standards; centralised property management and facilities management services; the incremental introduction of changes; the early and demonstrable proof of benefits and improvements.

Stakeholder consultation obtained to help identify future office requirements echoed the same messages that are emerging from the case studies. In addition, the consultation groups emphasised the importance of creating a modern and flexible office portfolio, supporting a mixed economy of workstyle practices and promoting environmental sustainability; making a clearer split between customer facing and back office services, the latter being re-located to County Hall; maximising the opportunities for partnership working through shared use of facilities; ensuring the future model delivers important, qualitative service delivery and working benefits as well as cash efficiencies. The consultation also highlighted the importance of establishing effective governance and management arrangements as well as dedicated resources should it be decided to proceed with an office re-configuration project.

The Scrutiny Commission welcomed and accepted their Office Review Panel's recommendation to reduce and rationalise the Council's existing office estate and invest resources to improve and make better use of retained assets. The Panel also recommended that the Office Strategy be used to help reflect the Council's values as

customer focussed, working in partnership with others, providing value for money and being an employer of choice.

The pool of information obtained through the development of the Office Strategy culminated in the design of the optimal future model together with the supporting strategy for dealing with the existing offices.

The appraisal of the 2 options – Option 1: Hub and Spokes model and Option 2: Status Quo – reveals that the Hub and Spokes model is significantly more attractive than continuing with the Status Quo in both financial and non-financial terms.

The Hub and Spokes model is deliberately designed to address the inherent shortcomings and unsuitability of the existing office estate and to produce the non-financial benefits required. The future office estate will have a significant role in helping to cultivate the cultural, workstyle and service changes required by the Council's Change Programme and modernisation aspirations. Staff will be operating in modernised, flexible, attractive working environments, designed to accommodate new workstyle practices and to deliver more customer-focused services. Offices will be consistent in quality and level of facilities at all locations and there are increased opportunities for co-location with other partners. The reduced and more energy efficient future estate will also reduce the carbon footprint that is presently produced by the existing office estate.

County Hall becomes the principal 'hub' for all back office and non-locality based services and accommodates an additional 430 FTE staff re-located from county-wide offices, bringing the total County Hall office population to 2,143 FTE. This enables the rationalisation of the remaining office estate, reducing the total number from 53 to 22 buildings. This results in a 20% reduction in total office space from just under 40,000 sq m to just under 32,000 sq m, of which 23,450 sq m is located at County Hall.

The remaining offices are located in 6 'spokes' which are broadly organised around the county market towns and provide the necessary office, meeting and customer-facing facilities for the remaining 997 FTE office based staff. Additional customer-facing points will be available in expanded library facilities under the Customer First initiative. As far as possible, only those properties with a 'good' suitability rating are retained and the bad risk or poor performance assets are either sold or the leases are terminated. These include those properties in poor physical condition, buildings that are difficult or costly to modernise, are wrongly located, have poor access, are subject to onerous planning or other statutory requirements or have high occupancy costs. Any new facilities are leased and opportunities for occupying shared offices with other District Council are included in Hinckley, Melton Mowbray and Market Harborough. Further partnership opportunities are likely to follow in the longer term.

All offices will be upgraded and modernised to the same quality and level of facilities. The upgrade programme will be concluded over a period of 3 years. Office accommodation will be mainly open plan but with plenty of break-out and meeting rooms also available. Restaurant and refreshment facilities will be modernised and will include more self-serve facilities. Uniform space standards will apply in the allocation of space and the estate will provide for a variety of workstations to match the mixed economy of workstyles that are planned for the future. These include fixed and shared workstations and increased touch-down facilities.

The cashflow option appraisal reveals that the future Hub and Spokes model is less expensive than the Status Quo when taking into account all revenue and capital implications over the projected 25 year life cycle. Indeed, the Hub and Spokes model produces cash efficiencies/revenue savings in every year with effect from Year 1. At year 3 annual savings are around 14.6% (equating to £890,000 pa), rising to around 29% pa just after year 6 and continuing at this level for the remainder of the 25 year life cycle. In cash terms, revenue savings are around £1m pa with effect from year 5 rising to £1.7m pa from year 12 onwards.

The total capital expenditure required to deliver the future model amounts to £20.7m, comprising the costs of the office upgrade and clearing the maintenance backlog. It is proposed that the Council would fund this through the earmarked capital receipts of £3.8 m from the sale of surplus freehold office properties with the balance funded from Prudential Borrowing. There is sufficient scope to pay the resulting financing costs of Prudential Borrowing from the projected revenue savings.

The key to realising the benefits anticipated from the future Hub and Spokes model lies in the more efficient and effective use of office space. This is borne out by the sensitivity analysis of the cash flow analysis which demonstrates that of the three main variables likely to adversely affect the model's results (rising build costs and delayed property sales being the other two), exceeding the projected floor area allocations could have a significant impact on potential revenue savings. Rationalising floor space and removing the poor and under-performing properties create the cashflow to support the modernisation of the new estate. Improved space utilisation is, in turn, dependent upon the universal acceptance/compliance with standardised uniform floor area allowances and upon having the ICT, HR and Information Management development to enable the new modern workstyle of the future office based workforce. These issues are reflected in the risks and recommendations appearing at the end of the report.

The report concludes with the recommendation to proceed with securing approval to the findings and recommendations of the Office Strategy and to commence delivery of the proposed new Hub and Spokes office model with effect from January 2009.



1. Introduction

1.1 Why have an Office Strategy?

A number of related initiatives and projects are currently underway which, taken together, will modernise the way in which the Council works. These include the implementation of the People Strategy, the ICT and Information Management Strategies, Agile IT, Customer First and the Council's approach to business process improvement and communication. The Office Accommodation Strategy is an integral part of this transformation. This wider 'modernisation programme' is the next stage in the implementation of the Council's Target Operating Model.

The proposed new ways of working and delivering services are, in turn, changing future office requirements and levels of demand. It is necessary to review the Council's existing office provision, identify future office requirements and develop an Office Strategy to ensure that the Council is equipped with the facilities required to be able to operate effectively and efficiently in the short to longer terms.



In 2006, the Council commissioned external property consultants, GVA Grimley, to undertake a high-level review and broad options appraisal in the form of the *Office and Storage Accommodation Business Case* (August, 2006). This study tested the case for the Council changing its current office accommodation provision and recommended the 'hub and spoke' model (with County Hall as the hub) as the preferred best value option to pursue. This was followed by a *Project Mandate: Office Accommodation Strategy* (December, 2007) which provides a detailed account of the corporate, service and financial drivers for the Office Strategy and establishes the scope and basis for its development.

This Strategy builds on the 2006 *Business Case* and the *Project Mandate* (2007). It defines future accommodation requirements in more detail, undertakes a whole life-cycle comparative financial and non-financial appraisal of the possible options including the status quo, and sets out the implementation and funding programmes for delivering the preferred option.

1.2 Office Strategy Objectives

The objectives are drawn from the *Project Mandate* (2007), further informed by best practice and case study findings, and consultation feedback obtained during the development of this Strategy.

- To provide clear baseline information about the Council's existing office portfolio including the performance of all occupied office assets.
- To identify the Council's future office requirements taking into account corporate plans and policies and future changes in work style and service delivery.
- To develop and appraise the range of options available and identify the preferred option in terms of best value requirements, optimal cashable savings, affordability, risks and expected benefits.
- To produce recommendations and a timetabled Implementation Plan for proceeding with the delivery of the preferred option.
- To deliver the following specific benefits:
 - Supports the Council's wider modernisation and change programme.
 - Rationalised and reduced office portfolio.
 - Efficient space utilisation – average 7 sq m per workstation.
 - Reduced storage space and standardised storage provision.
 - Modern, good quality, open plan working environment.
 - Consistency in quality and facilities across the portfolio.
 - Cash efficiencies and revenue savings: minimum 10% pa within 3 years rising to 20% pa by Year 10 when compared with the Status Quo.
 - Flexibility in building design and layout and within the portfolio.
 - Supportive of environmental sustainability and energy efficiency.
 - Promotes partnership working.
 - Reduced backlog maintenance.
 - Reduced property risk and liability.
 - Incorporates centralised facilities management services for all occupied offices.



1.3 Dis-benefits

The negative consequences of not delivering a successful Office Strategy would include:

- Failure to support the Council's *Vision* and key Change Programme projects.
- Failure to reduce operational revenue expenditure and secure cash able savings.
- Failure to address current use and space inefficiencies.
- Continuation of risks and liabilities associated with poor condition and statutory non-compliance in the existing office estate.
- Failure to equip the Council with the office facilities and working environment required to meet with future service delivery needs and expectations.
- Neglecting the opportunities to increase partnership working through the use of shared facilities.

1.4 Methodology

The *Project Mandate* (2007) sets out the methodology and project plan for delivering the Office Strategy. These are re-produced in Appendix 1. In summary, the Head of Property Services has been responsible for the development of the Strategy, produced at an operational level by the Asset Management Team. Project development and delivery has been structured around a Working Group comprising senior officers representatives from Property Services, Change Management, Shared Services, ICT and HR.

Additionally, a Scrutiny Panel has provided an important consultation and communication link with members. The Panel's Report, endorsing the developing Office Strategy and containing a summary of recommendations for progressing the Strategy, was considered and approved by Scrutiny Commission on 3rd September 2008. More details about the Panel's feedback is contained in section 3 and a copy of the Panel's Report is included in Appendix 2.

The Office Strategy has been developed over a period of 9 months commencing January 2008, adopting the stages outlined below.

Stage 1: Baseline Information

Review and production of audit and performance information about the Council's existing offices. Review and collection of comparable office metrics and benchmarking data, best practice and case study information.

Stage 2: Identification of future requirements

Identification of the Council's future office requirements in consultation with key stakeholder groups and taking into account future planned changes affecting the demand for office based activities.

Stage 3: Office model and blueprint

Development of the preferred model of office provision identifying the overall footprint of the future office estate in terms of type, size and location of offices.

Stage 4: Options appraisal

Financial and non-financial comparative appraisal of the possible options and the status quo, including 25 year life-cycle discounted cash flow analysis. Identification of preferred option including funding approach.

Stage 5: Final report

Development and production of final Strategy including recommendations and a timetabled Implementation Plan for proceeding with delivery of the preferred option

1.5 Layout of this document

The remaining sections of this document present the key findings of the above stages of Strategy development, concluding with the final recommendations and Implementation Plan. Essential supporting information is contained in the Appendices to this document. Additional detailed information and study findings have been compiled in a separate companion document, *Office Strategy – Supporting Information and Findings* (2008).



2. Existing Leicestershire County Council Offices

2.1 Current office portfolio

The offices covered by this review comprise all those properties that are primarily used for office administrative purposes. This encompasses County Hall and all county-wide properties that provide office and customer-facing facilities.

The total portfolio comprises 53 properties with a total Net Internal floor Area (NIA) of 39,694 sq m, providing accommodation for around 3,057 staff in Full Time Equivalent (FTE) terms. The actual staff headcount is higher on account of the mixed full and part-time working modes that make up the total FTE complement. The diagram (Fig 1) on the following page shows the breakdown of the existing office base in terms of its size, staff occupation and running costs for each of the six areas that make up the county:

- A: Charnwood & Soar Valley
- B: Melton & North East
- C: Harborough and South
- D: Blaby/Oadby/Wigston
- E: Hinckley & South West
- F: Coalville & North West

All properties have been assessed and scored in terms of their suitability, utilisation, condition and running costs. A summary of these results appears in this section. (Fig 2) The more detailed results for each property are supplied in Appendix 3.

The present estate has been formed over many years, largely in response to request rather than need and certainly not on any planned or business case tested basis. Consequently, the current portfolio comprises a widely spread collection of buildings offering extremely variable accommodation and facilities. Some properties are grossly cost and space inefficient and some are simply not fit for purpose.

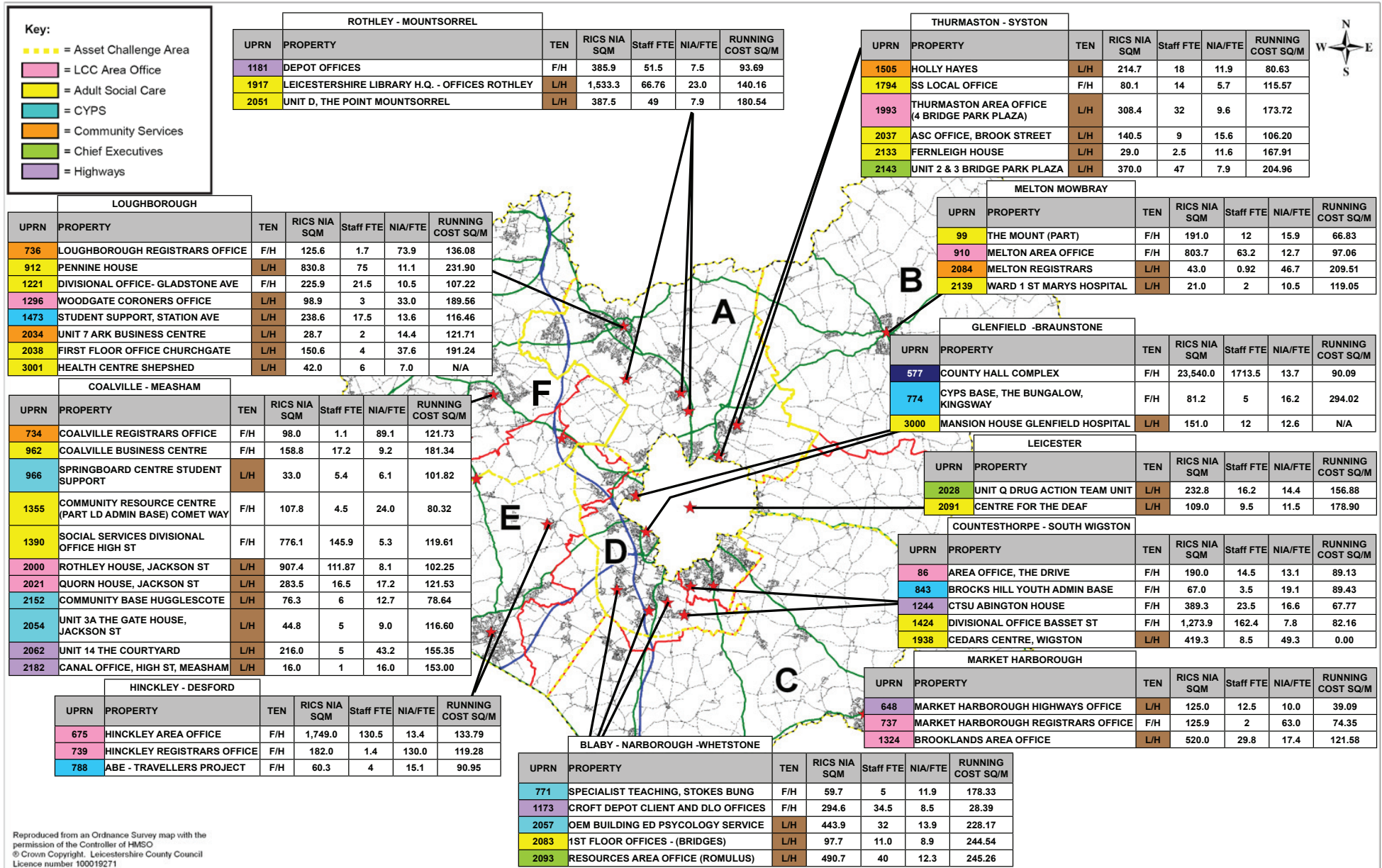
The salient features of the current portfolio are summarised below.

- 53 properties totalling 39,694 sq m. Range from 1 room (16 sq m) to County Hall (23,540 sq m)
- 32 leasehold, 21 freehold properties (including County Hall)
- 3,057 FTE staff distributed as follows:
 - County Hall 1,713
 - Charnwood & Soar Valley 393
 - Blaby/Oadby/Wigston 339
 - Coalville & North West 320
 - Hinckley & South West 170
 - Melton & North East 78
 - Harborough & South 44

- Approximately:
 - One third staff in office 100% of time
 - One third staff require access to an office 50% of time
 - One third staff work out of the office most of the time
- Total running costs £4.9 million per annum (2006-07). Range from £28 to £294 per sq m.
- Total maintenance backlog cost £6.38 million
- Performance profile based on utilisation, condition, running costs and suitability:
 - 16 offices RED (Poor)
 - 23 offices AMBER (Average)
 - 14 offices GREEN (Good)



Figure 1 Current Office Portfolio



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Office Review - as at 11/07/08 (NB: Running Cost per sq m includes Non Domestic Rates)

Version 5

Compiled by T.Caratella

Not to Scale



Property Services
 Resources Department
 County Hall, Glenfield,
 Leicester, LE3 8RE
 Tel:0116 232 3232

RESULTS OF SUITABILITY ASSESSMENTS			
UPRN	PROPERTY	DISTRICT	TOTAL SCORE
2084	REGISTRARS OFFICE	MELTON	32
577	COUNTY HALL COMPLEX	BLABY	30
2093	RESOURCES AREA OFFICE	LEICESTER	30
1938	CEDARS CENTRE	OADBY/WIGSTON	26
2143	UNIT 2 & 3	CHARNWOOD	26
3001	MENTAL HEALTH OFFICE	CHARNWOOD	26
99	THE MOUNT (PART)	MELTON	24
1181	MOUNTSORREL NORTHERN HIGHWAYS OFFICES BLOCK D ONLY	CHARNWOOD	24
1355	COMMUNITY RESOURCE CENTRE (PART LD ADMIN BASE)	NORTH WEST LEICESTERSHIRE	24
1424	DIVISIONAL OFFICE	OADBY/WIGSTON	24
1993	THURMASTON AREA OFFICE	CHARNWOOD	22
2057	OEM BUILDING ED PSYCHOLOGY SERVICE	BLABY	22
2062	UNIT 14 THE COURT YARD	N.W. LEICESTERSHIRE	22
912	PENNINE HOUSE	CHARNWOOD	20
1173	CROFT SOUTHERN HIGHWAYS OFFICES BLOCKS L AND T ONLY	BLABY	20
2051	UNIT D, THE POINT	CHARNWOOD	20
2000	ROTHLEY HOUSE	N.W. LEICESTERSHIRE	18
2021	QUORN HOUSE	N.W. LEICESTERSHIRE	18
2091	CENTRE FOR THE DEAF	LEICESTER	18
1390	SOCIAL SERVICES DIVISIONAL OFFICE	N.W. LEICESTERSHIRE	16
1917	LEICESTERSHIRE LIBRARY H.Q. - OFFICES	CHARNWOOD	16
648	MARKET HARBOROUGH HIGHWAYS OFFICE	HARBOROUGH	14
910	AREA OFFICE	MELTON	12
2034	UNIT 7 ARK BUSINESS CENTRE	CHARNWOOD	12
2083	1ST FLOOR OFFICES - (BRIDGES)	BLABY	12
2152	CYPS Y & C ADMIN BASE	NORTH WEST	12
1505	HOLLY HAYES	CHARNWOOD	10
2037	SOCIAL SERVICES OFFICE	CHARNWOOD	10
675	HINCKLEY AREA OFFICE	HINCKLEY	8
737	MARKET HARBOROUGH REGISTRARS OFFICE	HARBOROUGH	8
843	BROCKS HILL YOUTH ADMIN BASE	OADBY & WIGSTON	8
1324	BROOKLANDS AREA OFFICE	HARBOROUGH	8
86	FAMILY STEPS - OFFICES	BLABY	6
771	SPECIALIST TEACHING BLABY STOKES	BLABY	6

Figure 2 Suitability Assessment of Existing Offices

788	ABE - TRAVELLERS PROJECT	HINCKLEY & BOSWORTH	6
962	COALVILLE BUSINESS CENTRE	NORTH WEST	6
1221	DIVISIONAL OFFICE	CHARNWOOD	6
2054	UNIT 3A THE GATE HOUSE	NW LEICESTERSHIRE	6
2028	UNIT Q DRUG ACTION TEAM UNIT	LEICESTER	6
734	COALVILLE REGISTRARS OFFICE	NORTH WEST	4
736	LOUGHBOROUGH REGISTRARS OFFICE	CHARNWOOD	4
774	YOUTH AND COMMUNITY/ADULT EDUCATION OFFICE	BLABY	4
2133	FERNLEIGH HOUSE	CHARNWOOD	4
3000	MENTAL HEALTH OFFICE	BLABY	4
739	HINCKLEY REGISTRARS OFFICE	HINCKLEY	2
1473	LOUGHBOROUGH STUDENT SUPPORT	CHARNWOOD	2
2038	FIRST FLOOR OFFICE	CHARNWOOD	2
2182	CANAL OFFICE	NORTH WEST	2
966	OFFICES 3,4 & 5 -STUDENT SUPPORT BASE	NORTH WEST	0
1244	CTSU ABINGTON HOUSE	OADBY & WIGSTON	0
1296	LOUGHBOROUGH CORONERS OFFICE	CHARNWOOD	0
1794	SS LOCAL OFFICE	CHARNWOOD	0
2139	ASC OFFICE	MELTON	0

KEY	
TOTAL SCORE FOR EACH ASSET	
GOOD =	20 to 36
AVERAGE =	5 to 19
POOR =	MINUS 12 to 4



2.2 County Hall

County Hall is a significant property in the current portfolio representing 59% of the total floor area and accommodating 56% of the existing FTE office population. Its significance is likely to increase as the proposed 'hub' of the future Council's future office model. Information about the existing and future planning controls affecting the County Hall site has been sought as this is key in determining the future use possibilities and constraints affecting the campus.

A site plan is shown on the following page (Fig 3). The total site extends to 17.60 hectares but excludes the Leicestershire Fire and Rescue Headquarters offices in the middle of the site, the freehold of which is owned by the occupier. The whole site falls into seven broad use and occupation packages and the planning situation affecting each of these packages is summarised below.

County Hall Pen Lloyd and Rutland Buildings

Overall office use (Use Class B1a) with ancillary supplementary uses such as car parks, canteen and restaurant, shop/bank, social club, library. Internal alterations are permissible within the existing use but any alterations that result in a significant change in the existing balance of uses would amount to material development and would require planning permission.

Former ESPO building and site

Overall storage use (Use Class B8) with ancillary offices. Internal alterations varying the balance between storage and offices of, say, up to 10% increase in office space would be acceptable within the existing use consent. Any greater increase would require planning permission.



Rear Playing Field Green wedge land and, as such, subject to a presumption against built development. Currently used as a temporary overflow car park for County Hall.

Playing Field (east) Sale agreed by Leics County Council to University Hospitals Trust, subject to a Sport England requirement that Leics County Council provide alternative facilities either on-site or within the locality.

New Sports Field (west) Currently under consideration as the alternative playing field site following the proposed disposal of the Playing Field (east)



The General Planning Development Order (1995) allows for some additional permitted development of the existing County Hall facilities without requiring further planning permission. The former ESPO building could be extended to provide up to 1000 sq m storage subject to the height of the existing building not being exceeded, the external appearance not being altered and existing car parking facilities not being reduced. Minor developments up to 200 cubic metres and not exceeding 4 m height would be permitted on the remainder of the County Hall site. This would equate to around a further 40 car parking spaces or a small single-storey building.

Any new or additional development not covered by the General Planning Development Order provisions would require formal planning permission. This would inevitably need to be accompanied by a Transport Assessment, an updated Travel Plan, Ecological Assessments and Archaeological Assessments. The Highways Authority would assess the impact of increased staffing on the campus under the travel considerations.

Fire and Rescue Workshop

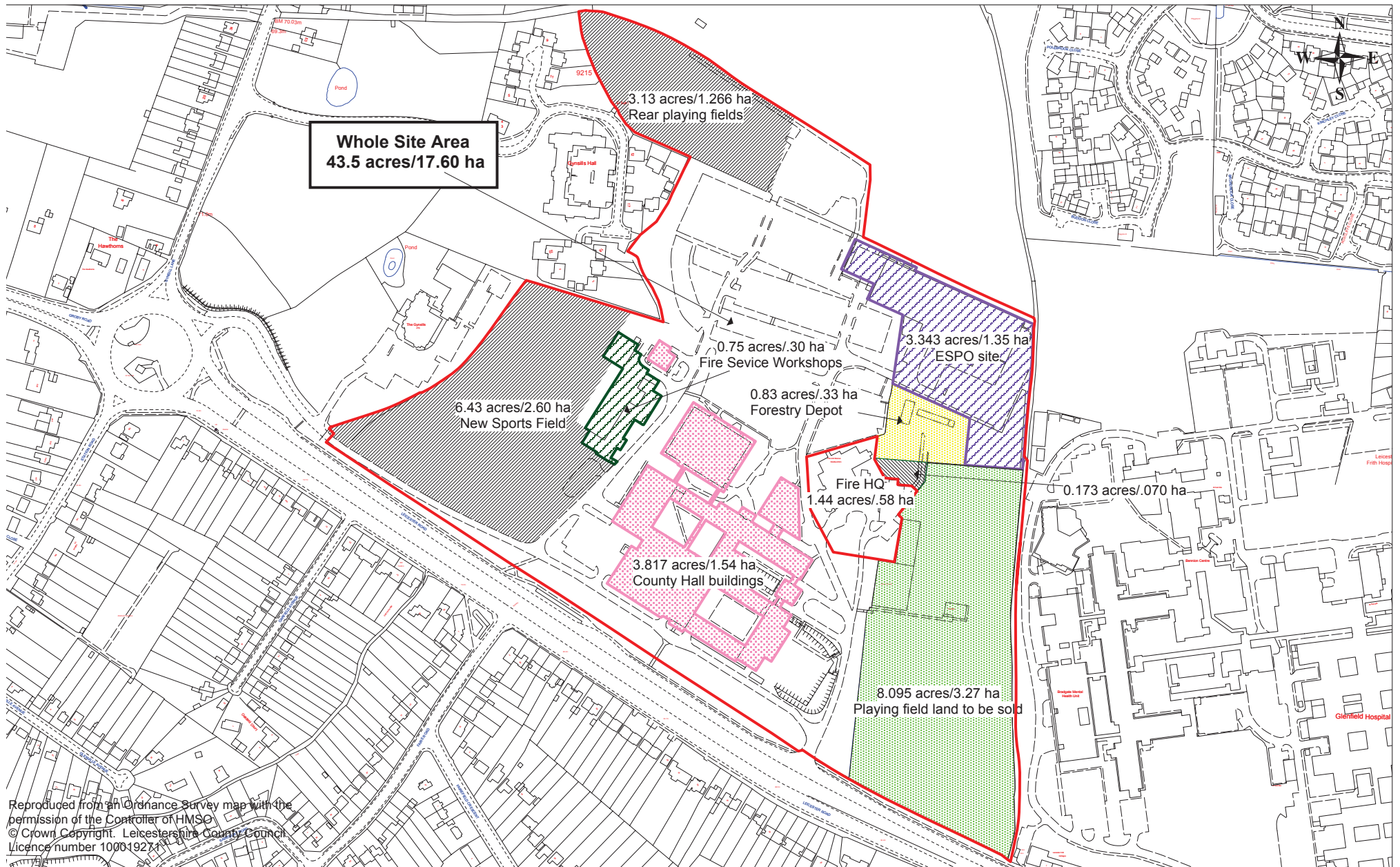
Currently leased by Leics County Council to Leicestershire Fire and Rescue Services for workshop use (Use Class B2)

Forestry Depot

Existing depot use



Figure 3 County Hall Campus - Glenfield Leicester



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3. Future Office Requirements

3.1 Consultation activities

A range of consultation activities was undertaken to help define future office requirements. These comprised:

- Research into best practice and case study examples
- Review of corporate and service based documents
- Consultation with targeted stakeholder groups
- Consultation with external partner organisations including Borough and District Councils, the Police and Primary Care Trusts.

The findings are summarised below, with more detailed accounts appearing in the companion document, *Office Strategy – Supporting Information and Findings* (2008).

3.2 Best practice and case study examples

Reference was made to a range of case study and best practice sources. The Office of Government Commerce produces a wide range of useful information. Reports produced by the National Audit Office were also highly relevant, most notably *Getting the Best from Public Sector Office Accommodation* (June, 2006) and *Getting the Best from Public Sector Office Accommodation: Case Studies* (June, 2006).

These investigations were followed up by site inspections and consultation meetings with Suffolk County Council, Hertfordshire County Council and Nottinghamshire County Council, all of whom have recent experience of successful office reconfiguration projects.

Reference was also made to office benchmarking information sources. These included the organisations ACTIUM; Chief Corporate Property Officers (COPROP); British Cost Information Service (BCIS). The cost and performance benchmarking information is particularly relevant to the subsequent development of LCC's future office model (section 4) and the options appraisal (section 5), as is explained in more detail in these later sections.

A good deal of practical and useful information is available from the best practice and case study investigations. The themes that are common to all successful office projects are as follows:



Nottinghamshire County Council Lawn View

• Corporate commitment and leadership

Member and senior executive support and leadership is invariably cited as the most critical factor in the successful delivery of an office replacement/reconfiguration project. This needs to be visible and evident at the highest levels and takes the form of project ownership and responsibility, governance and decision-making, PR and communication activities, and commitment to the universal application of new space utilisation/workstyle standards

• Integrated HR, ICT, information management, property and change management projects

All best practice examples emphasise that office projects are less about properties and more about changes to the way people work, the way services are delivered and the way authorities interact with their customers. An integrated approach combining and co-ordinating these key aspects of change and development is essential.

• Communication Strategy

Being successful in explaining and persuading the case for change depends upon 'winning hearts and minds' and overcoming resistance. This necessitates having a sound Communication Plan in place from project conception, through to delivery and even beyond project completion.

• Standardised accommodation

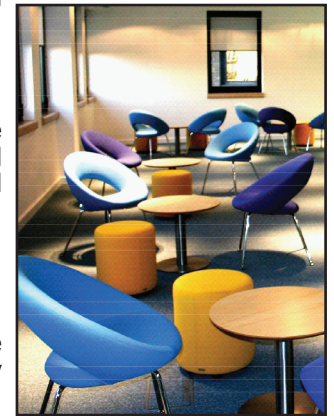
Modern, flexible working environments can only be achieved if a uniform approach is maintained in the way offices are equipped and used and space is allocated.

• Centralised support services

The future office portfolio can only be used and occupied effectively if managed centrally. All successful case-studies emphasise the importance of having centralised, fully comprehensive Facilities Management services covering the full range of occupational needs from access, security, care-taking and cleaning, waste management, reception services, room booking, management and maintenance of facilities and equipment, general repairs and maintenance, office moves, furniture provision, parking, internal and external landscaping.

• Storage Policy

A corporate policy and approach towards storage and information management must run alongside plans for the new office accommodation and future work-style practices.



• Incremental changes

Changes are likely to be far-reaching but need to be introduced incrementally to maximise the chances of success. As an example, best practice case studies recommend an over-provision of meeting rooms to enable employees to adjust to the reduction and rationalisation of workstation accommodation in the early stages of an office re-configuration.

• Obvious benefits and improvements

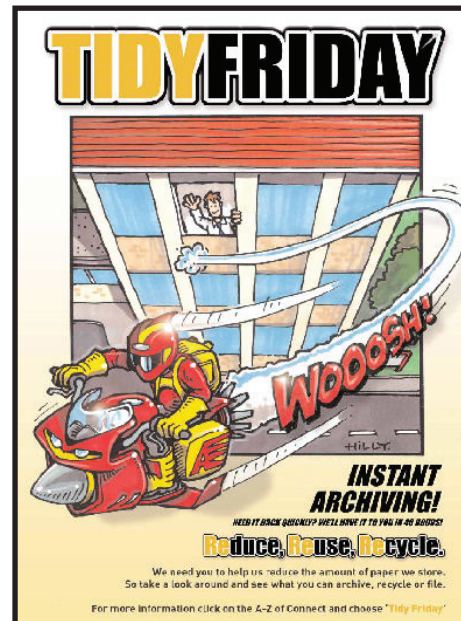
Office users and stakeholders need to be persuaded about the changes and upheaval involved in an office reconfiguration through a clear understanding about the benefits accruing. The most convincing and therefore most effective way to get this message across is to deliver some obvious benefits as soon as possible. New look canteen areas, break-out spaces and refreshment facilities are all quick-win examples. On-site pilot projects show-casing future office facilities provide further opportunities to demonstrate the real improvements being proposed.

• NOMAD 5 Point Plan

During the course of research undertaken by LCC's contemporaneous Workwell Programme, reference was made to findings arising from investigations carried out by NOMAD, a centre of excellence for mobile and flexible working in local government, owned by Cambridgeshire County Council. NOMAD estimated that any organisation that had not undertaken a thorough accommodation review for some time could generate space efficiencies of between 15% and 20% through adopting the following key actions:

- Move away from cellular offices towards a more open-plan approach
- Review and reduce the numbers of managers/supervisors who occupy their own offices.
- Move towards a standard set of furniture and equipment
- Review storage arrangements
- Tidy up – this alone is estimated to lead to a reduction in space of between 5% to 7% of total floor area.

These actions are all very evident in the three case-study Local Authorities consulted for the purpose of this Office Strategy. Hertfordshire County Council introduced a Tidy Friday scheme in the earliest stages of their extensive office rationalisation project and this helped pave the way towards the new paper-free storage culture that has played a significant part in this very successful transformation project.



3.3 Stakeholder consultation

Consultation took place through a series of meetings and structured workshops with the groups listed below. It is worth noting that the research undertaken with mobile and flexible workers for the Workwell project fed into this Office Strategy. The ASC and CYPS mobile workers were not included in the Workwell research which is why this group, rather than other Service Areas, has been selected for consultation for the Office Strategy.

- Corporate Management Team (CMT)
- Corporate Property Steering Group
- Office Scrutiny Panel
- Social Care Accommodation Group (ASC and CYPS)
- Key Change Project Leads for Customer First; Shared Services; Workwell; Facilities Management; Agile IT; Information Management Strategy; People Strategy
- Resources Department Management Team
- External Partners: Local District and Borough Councils; Leics Police Authority; Facilities Consortium representing all PCT's.

There was a good deal of commonality between the views obtained from all groups. It is also interesting to note that many of the key messages noted above from the best practice and case study examples are replicated in the stakeholders' feedback. The principal observations are summarised below. More detailed accounts can be found in the separate companion document, *Office Strategy – Supporting Information and Findings* (2008). The consultation messages are summarised below.

• Changes will continue

The factors and variables affecting LCC's office requirements will continue into the foreseeable future and this stresses the importance of creating a flexible office portfolio that is capable of adapting to meet changing needs and circumstances. Future possible changes include:

- An increasing range of office and customer facing services that are likely to be shared/delivered in partnership with other public or private agencies
- Continual changes in key service delivery areas such as adult and children's social care, community, and Children and Adults services will be particularly affected by the increased integration of ASCS and Mental Health Services and by the centralised call centre promoted through the Customer First Project.

• Clearer split between customer facing (locality based offices) and back office (County Hall) services

As far as possible, back-office functions should be removed from locality based offices and re-located to County Hall. This is key to enabling the proposed rationalisation and reduction of the existing office estate as well as providing more efficient support services. There will continue to be a need for customer facing facilities but these can be rationalised and focused in key service delivery locations, broadly based around the county market towns and the City.

- LCC presence must continue to be evident around the county

The Customer First project is leading on the development of the Council's future customer access strategy. The intention is to provide expanded public access to County Council web-based information and contact points through better use of other operational properties such as libraries and schools rather than dedicated, locality based public-facing offices.

- Shared office facilities

All the external partners consulted support the Council's aim (embodied in the Local Area Agreement) to increase partnership working and shared use of facilities and accommodation. Existing office co-locations are already in place with the Mental Health PCT and further integration of Health and ASC teams will be a contributing feature of ASC services into the foreseeable future. The most immediate new opportunities are with Hinckley & Bosworth Borough Council and Melton Mowbray Borough Council. In the longer-term, further opportunities exist with all other partners.

- Office Strategy to be developed, delivered and subsequently maintained through an integrated people, ICT information management and property approach

The Council's future working environment is an important tool in helping to cultivate the cultural, workstyle and service delivery changes that are required by the Change Programme. The underlying aspiration is to have a modern council. The Office Strategy is in support of this aspiration and is about creating a modern environment for modern people, but it must be developed and delivered in collaboration with the other related people, ICT, storage and service delivery projects that are all part of achieving the overall modernisation goal.

- Corporate leadership, support and commitment

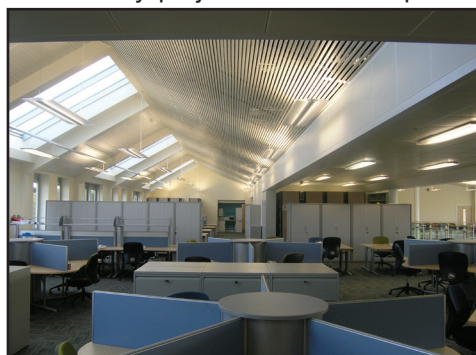
This is critical in order to secure the acceptance and support that will be required to the future office changes from across the organisation as well as from stakeholders, the public and customers

- User and stakeholder support

Winning hearts and minds is vital and is fundamental to helping address the key risks associated with securing staff support, preventing adverse public perceptions and avoiding bad press. A Communication Strategy is crucial and needs to be developed as soon as possible. Using the ongoing upgrading of the ESPO building for the relocation of Shared Services provides the ideal opportunity to develop a show-home to help 'sell' the message in favour of the future working environment.

- Benefits

Cash efficiencies are important but the preferred office option needs to be equally demonstrative of the non-financial benefits arising from the proposed changes. Benefits for office users, improvements to service delivery and increased partnership working are examples of the non-financial outcomes that are needed from the future office re-provision.



- Future modern working environment

There was general agreement that the Council's future offices should be modern, attractive, efficient, tidy, smart, flexible and of consistent quality but these changes would need to be backed by a supporting business case

- Mixed economy of workstyle practices and workstation facilities

Future needs would require a mixture of facilities to suit future workstyle practices, but a reasonable degree of caution should be applied about the extent of future home-working

- Environmental sustainability

This is an important criteria for the Council and should be reflected in the selected future office option. A Green Travel plan will be required to support the intensification of use at County Hall. An improved recycling initiative will also be considered.

- Dedicated resources and an Office Project Team

Dedicated, adequate and proper resources will be required to ensure the successful delivery of the Office Strategy. The Project Team should reflect the integrated HR, ICT, information management, property and service delivery approach advocated previously. The Project Team should also be high profile, supportive and easy to access by staff and other stakeholders.

- Establish Governance and Management arrangements for future project delivery

Early clarification of these arrangements will help promote the corporate leadership and organisational acceptance of the project as recommended above. It is important to establish an efficient and effective decision-making structure to avoid un-necessary delays and obstacles in the future implementation of the office project.



3.4 Office Review Scrutiny Panel

The Scrutiny Panel's findings, conclusion and recommendations are contained in the Panel's report considered and approved by Scrutiny Commission on 3 September 2008. The full report is contained in Appendix 2. In short, the Panel concluded that there is a clear case for reducing and rationalising the existing office accommodation portfolio coupled with a need to invest resources to improve and make better use of the remaining facilities. The report echoes many of the consultation observations noted above. It additionally observes that the future improved office base offers the benefit of reflecting the values of the Council: namely, customer focussed, working in partnership with others, value for money and an employer of choice.



4. Future Office Model

4.1 Future Model

As explained in section 1, the 2006 *Business Case* had established the hub and spoke model as being the preferred generic approach, the hub being based at County Hall. The Strategy has focused on the optimal development of the hub and spoke model. This has been driven by the Office Strategy objectives (para 1.2, section 1), information from best practice, case-studies and stakeholder consultation (section 3) and the opportunities, constraints and suitability of the existing office estate (section 2). During the course of development, further information about risks, finance and funding has been brought in to help refine proposals.

The remainder of this section has been organised to consider the 'design principles' underlying the proposed future model. This includes the approach adopted regarding future issues such as location, shared accommodation, service delivery, workstyle, the type and quality of accommodation and facilities, workspace allocation and environmental sustainability. The approach taken towards the existing offices is also explained.

Having clarified the general design principles, the section goes on to present the future office model and highlights the changes between the 'before and after footprint'.

The section ends with a slightly more detailed look at the future proposals for County Hall.

4.2 Design Principles

Geographic spread

The County Hall hub provides the principal location for all back-office functions. Reduced and rationalised office facilities are available in key spoke locations. These are broadly based around the main county market towns and the City, as determined by future service demand and customer-facing requirements.

Shared facilities and partnership working

The co-location of County Council office and service functions is to be promoted through the joint and/or shared use of facilities with partner organisations wherever feasible. Melton Mowbray Borough Council and Hinckley and Bosworth Borough Council are progressing with office re-provision projects within the next 3 years and both authorities have confirmed agreement in principle to providing shared (probably leased) offices with Leics County Council within their future development schemes. In the longer term, shared facilities may also be possible as part of Market Harborough District Council's plans to re-organise their own office portfolio.

Various neighbouring partners have expressed interest in the possibility of sharing office facilities at the County Hall site, subject to the availability of surplus accommodation.

Service delivery

The principal role of the county wide offices is to provide facilities for customer-facing services, such as children and adult social care services, and to provide an office base for locality based staff.

All other office functions are located at County Hall. Over time, some of these functions may be re-located elsewhere depending upon the future development of partnership working and/or the development of centres of excellence for various back-office services.

The current practice of providing Registrars Services is about to be reviewed. For the purpose of the Office Strategy, it has been assumed that the administrative registration of births, deaths and marriages will continue to be provided in customer-facing locality based offices. The future procurement of facilities for ceremony purposes will be defined by the proposed Registration Services Review.

Workstyle

The office portfolio provides the mix of fixed, shared and touch-down workstation facilities that matches future workstyle patterns. Future workstyle proposals are based upon a modernised ICT-enabled way of working. This requires having the right ICT equipment and facilities available for a workforce that is suitably skilled in the new ways of working. The Office Strategy has been developed in close consultation with lead officers from ICT and HR and reflects the intentions underlying the related Agile IT, Workwell and People Strategy projects. It is assumed that the following technological support will be in place to enable the new workstyle approach:

- A neutral desktop and roaming profiles - to allow standardisation of PC facilities through a common look and feel, but allowing a degree of personalisation to enhance the working experience
- Alternative technology solutions such as thin client, which might provide more flexible access to systems and minimise the need for on - site support.
- New technologies which facilitate access to information by authorised staff whilst ensuring that sensitive data is carefully protected
- Developing the use of wired and wireless networking to balance performance, flexibility and security.

The future location and workstyle requirements for Service Areas and, most particularly, for future mobile and flexible workers, were developed during the course of the Strategy's baseline investigations and consultation discussions. This feedback helped map out the estimated numbers of staff and workstation needs for the future County Hall and spoke locations. The results are summarised on the 'Future Office Model' diagram later in this section

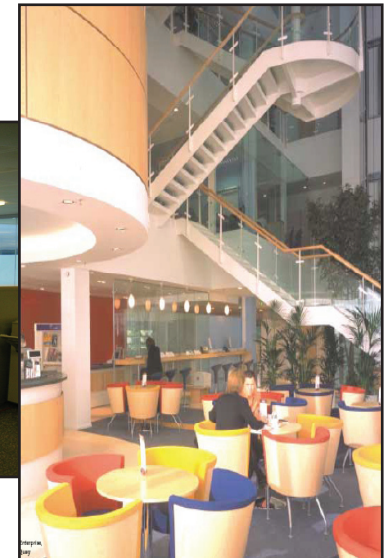
Translating workstyle into future workstation numbers is based upon the following staff to workstation ratios. At one extreme, permanently based office staff will require a 'fixed' workstation whereas largely peripatetic staff may only require 'touchdown' facilities. Mobile and flexible workers will be sharing workstations. The following ratios have been applied to calculate the number of fixed, shared and touchdown facilities that are required for all the hub and spoke locations.

Workstation Occupation	Desk to person ratio
Fixed desks	1 to 1
Hot desking/team based	7 to 10
Touchdown	5 to 1
Home Working	Not applicable

Accommodation and facilities

The Council's future office facilities are designed around a modern, open plan office environment featuring standardised workstation, furniture and storage facilities.

Floor layouts need to be flexible with a minimum number of partitions and cellular offices. There will, however, be ample provision (far in excess of current provision) of meeting rooms for 1 : 1 as well as larger group sizes. There will be an allowance for some cellular offices and also for quiet working areas. Break-out areas will be a notably new feature of the future office space. These will be available for informal meeting/break-out /work purposes and will be positioned close to self-service refreshment facilities. Canteen facilities at County Hall will also be available for meeting/work purposes.



Future storage practices are to be consolidated into a centrally managed corporate storage policy, as will be defined in the approach for the Information Management Strategy. Physical storage in office areas will be restricted to essential personal and high-density storage. Space will be allocated using uniform allowances and clutter-free environments managed through the use of standardised storage furniture and practices. Off-site storage and electronic storage systems will play a significant role in the future.

Access to offices will be expanded to reflect future flexible and extended hours of working.

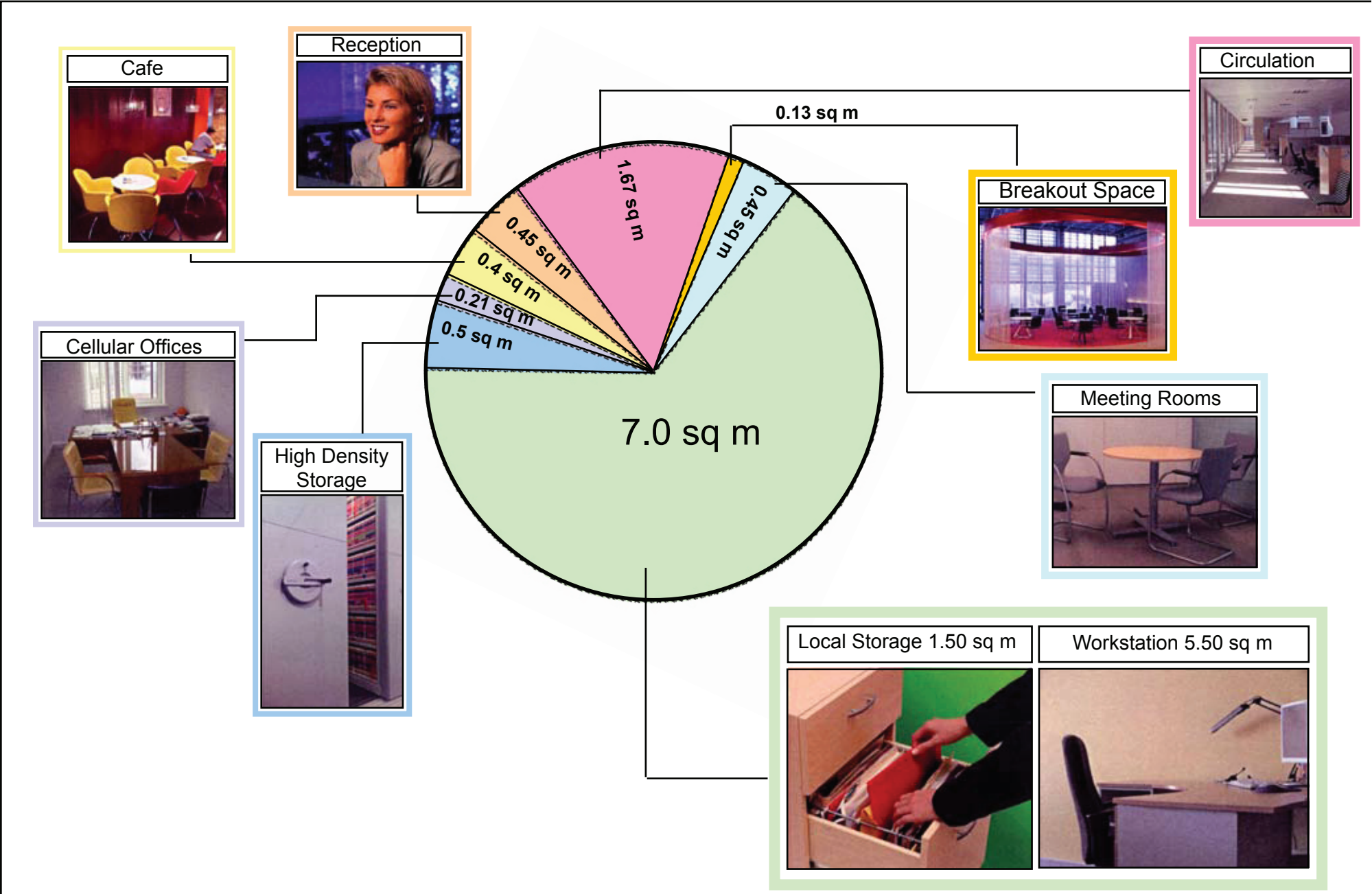
The office estate will be supported by a centralised and fully comprehensive facilities management system to take care of the full range of services supporting the smooth use and operation of buildings, equipment, fixtures and fittings and facilities. Meeting rooms, shared workstations and touchdown facilities will be bookable electronically through the Outlook system.

Workspace allocation

The allocation of space is based upon a standardised approach adopted from best practice, the office re-configuration experiences of case-study Local Authorities, and industry standards established by ACTIUM. Figure 4 on the following page explains how the total office floor area is calculated by reference to the space and facilities allowed per workstation. In brief, the workstation is the starting point for calculating the total area required for all other office facilities such as personal and high density storage; meeting rooms, cellular offices and break out areas; canteen; reception; and circulation space.



Figure 4 Workspace Allocation



Environmental sustainability and energy efficiency

The following current policies are relevant to the design, provision and occupation of the future office portfolio: the Environment Strategy and Policy; the Energy and Water Policy; the evolving Environmental Management Policy. The Carbon management Group is instrumental in ensuring the delivery of these policies and objectives. There are two main strands at work in the design and future operation of the office estate:

- Energy efficiency of the fabric – this includes improvements to roof and wall insulation; replacement of in-efficient windows; energy efficient lighting
- Systems efficiency and control – this includes improvements to heating, lighting and ventilation control systems through better use of time clocks, thermostats and zoning

Existing offices

In planning the future office estate it is necessary to take account of the constraints as well as the latent possibilities that exist within the current office portfolio.

Apart from the agreed retention of County Hall, plans about the future office provision are not bound by the current ownership or occupation of any other assets. However, it is necessary to take account of legal or other constraints such as contractual lease requirements and lease expiry dates.

The performance and suitability of an existing asset has a bearing on decisions about its future retention or possible disposal. As far as possible, only those properties with a 'green' (good) suitability rating are retained. Exceptions to this general rule would apply only where there are practical reasons preventing disposal; for example, a former caretaker's bungalow located within a school site yet currently fulfilling a useful office function. The worst performers and/or high risk/liability properties are number one targets for disposal. Examples include properties that are in poor physical condition, difficult or costly to modernise, wrongly located, have poor access, subject to onerous planning or other statutory requirements or demonstrate inherently high occupancy costs.

The general aim is to cultivate a flexible office portfolio. Flexibility applies in many respects such as the design and use of a building as well as its location, tenure and funding arrangements. Leases, for example, would be generally preferred to freehold properties when considering new or replacement facilities.

The current portfolio is made up of a large proportion of leasehold properties. This greatly limits the potential for raising capital receipts through disposals, particularly as the largest freehold asset, County Hall, is to be retained. Accordingly, attention has to be focused upon maximising the opportunities for releasing revenue savings, rather than capital receipts. This favours retention of those properties that provide greater opportunities for cash efficiencies as, for example, through increased space utilisation or revenue generation.

4.3 Before and After Footprint

Key footprint changes

The diagram (Fig 5) on the following page portrays the changes proposed between the future office footprint model and the existing office provision. The proposed reduction and rationalisation of the existing office portfolio is possible through the changes in workstyle and workstation facilities explained above, the re-location of all non-locality office staff and services to County Hall, the targeted removal of poor and under-performing properties, and the standardisation of accommodation and facilities across the office estate. The principal 'footprint' changes feature:

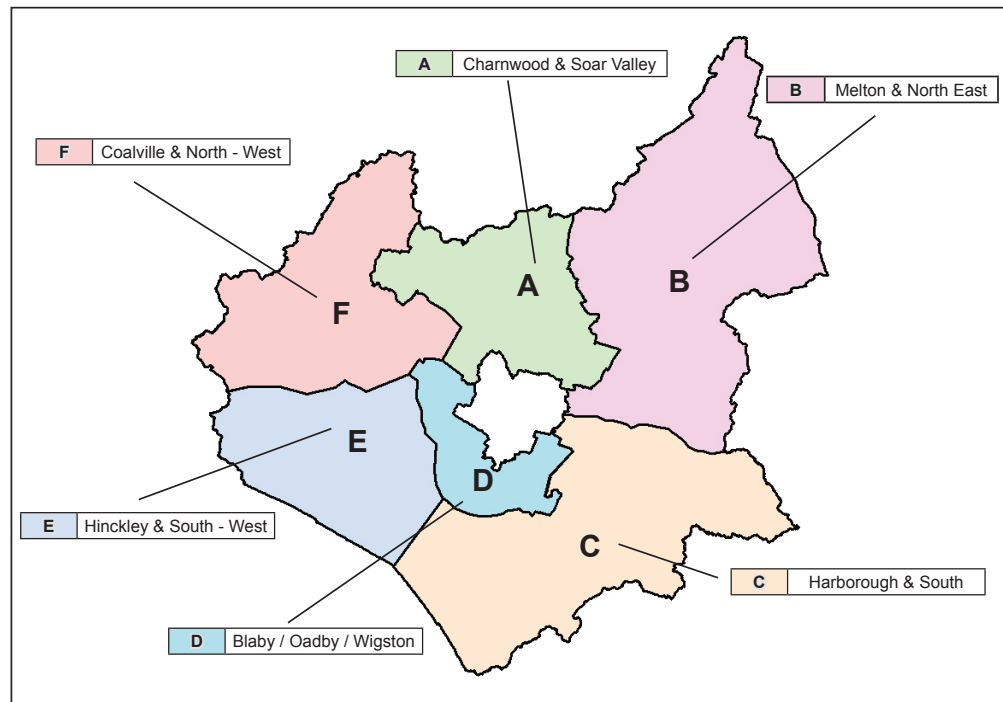
- Reducing from 53 to 22 properties
- 20% reduction in total office space from 39,694 sq m to 31,891 sq m
- Maintaining leasehold ownership at 60% of portfolio
- Establishing a hub and spoke office model:
 - Hub: County Hall
 - Spokes:
 - Sub-County offices in Charnwood & South, Blaby/Oadby/Wigston and Coalville & NW areas
 - Local offices in Hinckley & SW, Melton & NE and Harborough & SW areas
- Re-locating 430 county-wide FTE staff back to County Hall
- Providing a total of 1,454 fixed, 755 shared, and 125 touch-down workstations
- Doubling the meeting room provision at County Hall



Figure 5 Future Office Model

Existing 53 Offices

Existing	Property Interests No.	RICS NIA SQM	Staff (FTE)
A	17	5,191	393
B	4	1,059	78
C	3	771	44
D	13	4,129	339
	County Hall	23,540	1,713
E	4	2,286	170
F	11	2,718	319.5
	Overall Total	39,694	3057



Proposed 22 Offices

No	Property Interests	RICS NIA SQM	Estimated Staff (FTE)	Current Suitability Score	
A	5	Mountsorrel Depot	385.9		
		Pennine House - Loughborough	830.8		
		The Point - Mountsorrel	387.5		
		Bridge Park Plaza - Thurmaston	308.4 + 370.0		
		Shepshed Health Centre	42		
	TOTAL (A)	2,325	325		
B	1	New Shared Facility in Melton	397		
		TOTAL (B)	397	76	
C	1	New Shared Facility in Mkt Harborough	267		
		TOTAL (C)	267	37	
D	9	Cedar Centre - Wigston	419.3		
		Centre for the Deaf - Leicester	109		
		Romulus Court - Braunstone Leicester	490.7		
		Abington House - Wigston	389.3		
		Bassett Street - Wigston	1,273.9		
		The Drive - Countesthorpe	190		
		66 The Kingsway - Braunstone	81		
		Mansion House - Glenfield	151		
		SUB TOTAL	3,104.2	248	
		County Hall - Glenfield	SUB TOTAL	23,540	2,143
	TOTAL (D)	26,644	2,391		
E	2	Croft Depot	294.6		
		New Shared Facility - in Hinckley	924		
	TOTAL (E)	1,219	154		
F	4	High Street Coalville	776.1		
		Touchdown Office in Snibston Museum	86.3		
		Community Base Hugglescote	76.3		
		New Office - Coalville	100		
	TOTAL (F)	1039	157		
	Overall Total	31,891	3,140		

4.4 County Hall

As seen already (para 2.2, section 2) County Hall is a significant property in the current portfolio and, as the future hub, its significance stands to increase.

The total office population increases from 1,713 FTE to 2,143 FTE on account of the re-location of 430 staff from county wide offices back to County Hall. However, even though the future headcount is higher, the total office floor area required is actually less than the total amount of office space presently occupied. This is possible because of the more efficient and effective use of space, the future changes in workstyle and technology that enable the mixed economy of workstation provision, and the reduction of physical storage space within the office accommodation.

The future upgrade of County Hall includes the conversion of currently un-used space in the former ESPO building to provide new offices and to improve valid storage - related space which has been displaced through the conversion of accommodation in the Pen Lloyd and Rutland buildings to offices. Additional space has also been created within the Pen Lloyd and Rutland buildings through the overall re-design and modernisation of office space and the reduction of circulation and storage space. This increases the capacity of the existing County Hall complex. Surplus office space of around 966 sq m could be let to generate additional revenue. Future surplus storage space of around 3624 sq m in the former ESPO building could either be brought into use for the County Council's own storage requirements (subject to the findings of the ongoing Information Management Strategy) or let to generate further additional revenue.

The future model allows for the continuation of other existing uses at County Hall. This includes civic space comprising the Cabinet room, Council Chamber, first floor public reception/lounge area and slightly reduced members' offices. Prayer Room facilities, Unison office, Sports and Social Club, Reprographics and Modern Records are to continue as currently provided although, in the longer term, some of these facilities may be either reviewed or re-provided. Basement areas in Pen Lloyd and Rutland buildings will be used for existing plant room or storage purposes and not for meeting purposes.

In keeping with the approach adopted for Registration Services (para 4.2 above), it is assumed that the space currently occupied for ceremony purposes will be released and made available for other purposes, but office space continues to be provided to support continuing on-site registration functions.

The canteen, restaurant and supporting kitchen/preparation facilities remain as do the bank, shop and main ground floor reception area. The future model allows for the refurbishment of all these areas, except the shop and bank. In practice, ideas for re-modelling this existing accommodation to provide new-look rather than simply upgraded facilities may be brought forward for further feasibility appraisal as part of the subsequent delivery plans. This may include current discussions about the refurbishment of the under-croft area below the committee suite corridor.

All office accommodation at County Hall will be re-designed and upgraded to provide the modernised working environment outlined in para 4.2 above. The early creation of new office space in the former ESPO building is intended to provide the show-case example that was strongly recommended by stakeholders during the

consultation for the development of this Strategy, as reported in section 2.

The remaining buildings and land packages on the County Hall site, the Fire and Rescue Workshop, the Forestry Depot and the 3 playing fields will remain unaffected (reference para 2.2, section 2) at least for the immediate future. In the longer term it may be possible to review the merits of Leics County Council acquiring the Leicestershire Fire and Rescue Headquarters office building, should the current owner opt to vacate and sell this property.

It is assumed that there will be no change to the existing parking provision at County Hall in the future model. Whilst it would be preferable to increase current car parking numbers as an acknowledgement of the increased future headcount at County Hall, this is not possible due to the planning constraints explained previously (para 2.2, section 2). Instead, it will be necessary to work further on the present Green Travel Plan to produce an approach that will be able to support the increased future office population at County Hall.



5. Appraisal

5.1 Options

This stage of the Report presents both the financial and non-financial appraisals of the proposed future 'hub and spokes' model compared with the existing 'status quo' office portfolio.

Option 1: Status Quo

This option assumes that the County Council's office estate would continue to be used as existing. No major physical, workstyle or geographic changes are proposed but it is assumed that repair and maintenance is undertaken at a level to keep the assets in a reasonable condition. There would be minimal surplus and acquisition activity.

There are substantial numbers of staff moves around the existing estate every year. These are reflected in the 'churn' costs in the discounted cash flow appraisal model and are based on an analysis of a sample of LCC's county-wide office staff moves and costs.

Option 2: Hub and Spokes

As explained and set out in section 4, the proposed future option represents the optimal development of the Hub and Spokes model taking into account future requirements and changes, best-practice findings and the existing office assets. Section 4 (para 4.2) explains the approach for deciding which assets should be retained and which should be targeted for disposal.

County Hall is the future hub and will accommodate an additional 430 FTE staff, re-located from their existing county-wide offices and increasing the total office population at County Hall to 2,143 FTE. The Council's democratic functions will continue to be located at County Hall.

The remaining office and customer-facing service are accommodated in 6 'spoke' locations broadly based around the County market towns.

The future model will be completed over a 3 years' period commencing in 2009. The programme for upgrading, disposing and leasing properties is phased so that capital receipts are accrued as soon as possible, in order to help off-set capital investment requirements, and refurbishment work is completed in advance of the intended staff re-locations. Appendix 4 contains the schedules for proposed staff moves and for property acquisitions, disposals and lease terminations.

Capital costs for the proposed upgrade and fitting-out of the future facilities (as described in paras 4.2 and 4.4, section 4) are based on benchmarking and comparable cost information from a wide source of industry and LCC construction project information. This includes the RICS' Building Cost Information Services (BCIS), ACTIUM and recent comparable office refurbishment projects including the ongoing office conversion of space in the former ESPO building. Total capital costs include allowances for professional fees (15%) and contingencies (5%), in keeping with accepted standard practice.

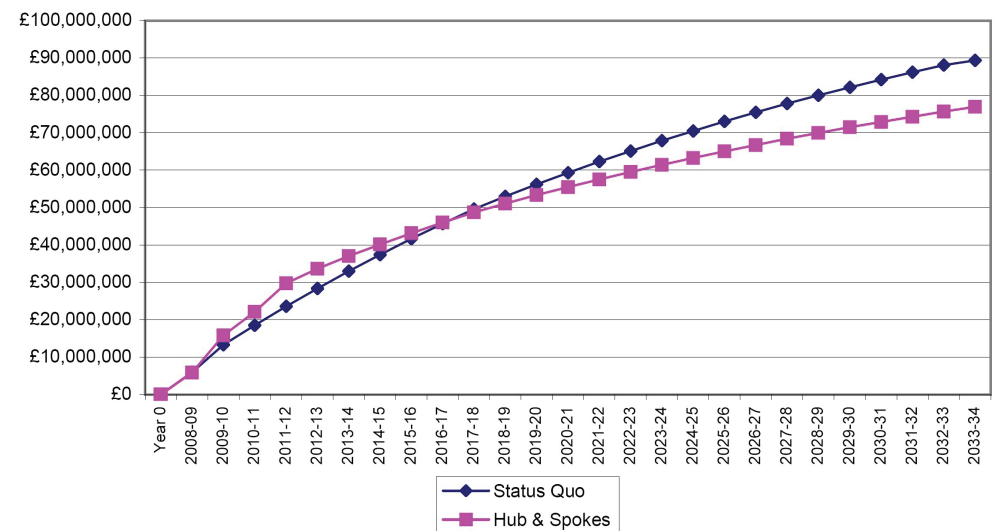
5.2 Financial appraisal: costs and savings

The financial analysis is based on a 25 year life cycle cashflow model, in keeping with HM Treasury Green Book Guidance. It enables a comparative analysis of the two options over the projected life-cycle period and produces a total current Net Present Cost (NPC) as well as the revenue and capital cashflow patterns for each option. A summary print out of the discounted cash flow is contained in Appendix 5.

Cumulative Discounted Cash Flow and NPC's

The following graph presents the cumulative discounted cashflows for both options on a year by year basis.

Figure 6: Cumulative Discounted Cashflows



The final cumulative NPC's at the end of the 25 year life cycle are £89.37m for Status Quo and £76.94m for the future Hub and Spokes model.

The Hub and Spokes model represents the least expensive option when taking into account all revenue and capital implications for both options over the projected 25 years. During the first 9 years of the lifecycle, the Hub and Spokes model is marginally more expensive than the Status Quo with a slight peak over years 2 to 6 when the capital costs of the upgrade programme make their mark. Year 9 (2016-17) is the turning point when the cumulative NPC for both options are virtually equal at around £45.8m. From this year onwards the Hub and Spokes model recovers from the initial set-back incurred through the earlier expense of upgrading the office estate and the revenue savings of the reduced and rationalised portfolio overtake. The graph displays the increasingly lower NPC of the future estate when compared with the Status Quo ending with a difference of £12.43m by year 25



Capital Costs

Both options carry capital costs.

The capital cost implications of continuing with the existing estate (Status Quo) relate to the need to address inherent repairs and maintenance shortcomings. The current estate has a total maintenance backlog cost of £6.38m (section 2). It has been assumed in the cash flow model that the backlog maintenance will be cleared over a 10 year period and will be paid off as an annualised revenue expense. At the same time, the upgrading of buildings looks for opportunities to tackle building maintenance issues. In addition, a further £1.825m needs to be spent at County Hall for electrical work and window replacement.

The need to address repairs and maintenance issues for any retained properties also applies to Option 2: Hub and Spokes model. In addition, this model also incurs significant capital investment costs in order to provide the upgraded and re-fitted office accommodation that is proposed for the future.

It should be noted that the discounted cash flow analysis model accounts for these capital investment costs as full capital costs in the years that they occur. The discounting factor has been increased from the more usual 3.5% pa to 4.8% pa to reflect that this investment is outside of the capital programme and prudential borrowing is likely to be required to fund the project. These repayment choices are considered in the following section 6: Funding and Affordability.

Returning to the option appraisal, the following two tables portray the gross capital costs investment profiles for both the Status Quo and the Hub and Spokes model.

Figure 7: Capital Investment Profile for Status Quo Model

	Gross £	Receipts £	Net £
2009-10	1,825,000		1,825,000

Figure 8: Capital Investment Profile for Hub & Spoke Model

	Gross £	Receipts £	Net £
2008-09	66,000		66,000
2009-10	7,012,000	1,773,000	5,239,000
2010-11	4,207,000	2,070,000	2,137,000
2011-12	4,112,000		4,112,000
2012-13	68,000		68,000
Total	15,465,000	3,843,000	11,622,000

NB All capital costs are included except capital costs in 'Year 0' (i.e. before commencement of project) of £550,000 on ESPO roof.

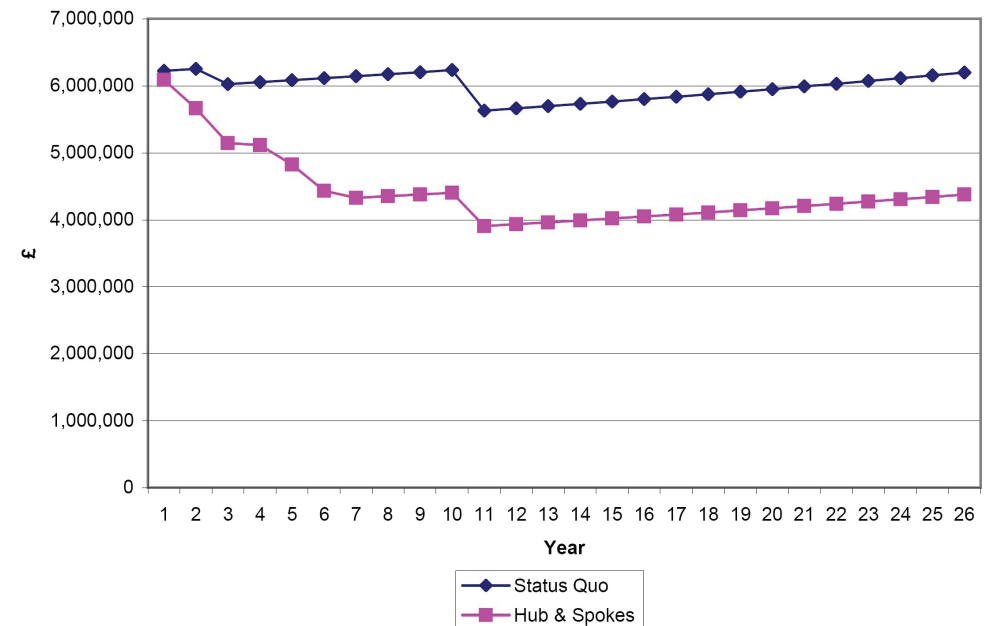
The capital cost profile for the Hub and Spokes model is considerably higher than for the Status Quo. Capital costs occur during the first 4 years period when accommodation is being upgraded. The total capital investment cost of £15.46m is slightly offset by the re-investment of capital receipts to produce a net capital investment requirement of £11.62m.

It is worth commenting that even though the capital cost profile is so much higher for the Hub and Spokes model than for the Status Quo, the 'invest to save' approach embodied within the Hub and Spokes model proves to be the most cost efficient option as seen above in NPC terms and, as seen below, in revenue terms.

Revenue Costs/Savings

The following graph and table illustrate the total yearly revenue costs for both Options over the 25 year life cycle. Figure 9 presents the yearly revenue cost curves for the two Options. This shows that the Hub and Spokes option is a cheaper office model to occupy and operate than the Status Quo.

Figure 9: Revenue Costs (not discounted) (excluding capital financing costs)



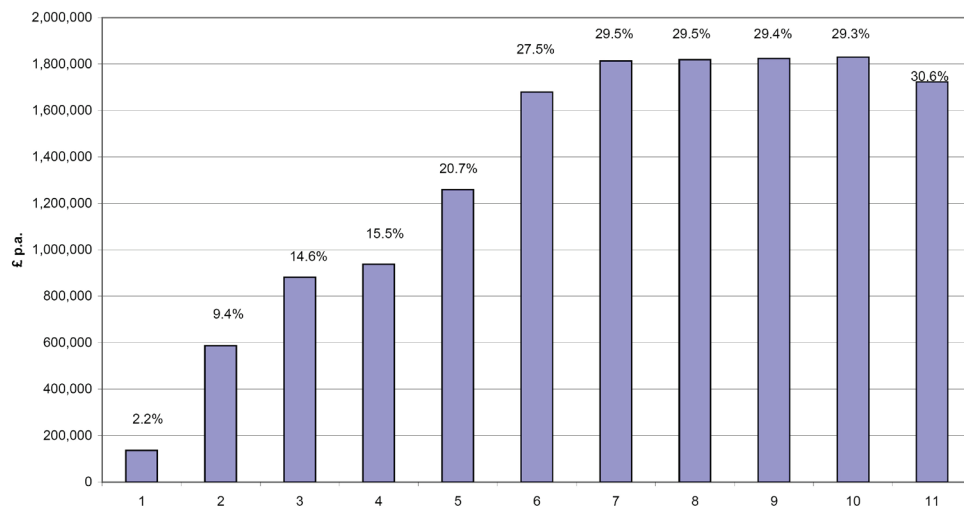
From Year 1 the Hub and Spokes model is running at slightly lower revenue costs of £6.15m compared to Status Quo of £6.22m. This initial difference is due to the reduction of churn costs in the future model which are, in part, replaced by transition costs in the following 3 years as staff are moved around to their new accommodation.

Revenue costs for the Hub and Spokes model continue to decrease quite steeply through to year 7 as the revenue saving effect of the reduced office floor area becomes increasingly apparent. The year 7 annual revenue costs are £4.32m pa for the Hub and Spokes model and £6.14m pa for the Status Quo.

Revenue costs drop for both options in Year 11 (£5.63m pa for the Status Quo and £3.90m pa for the Hub and Spokes model) marking the cessation of the annualised repayment of the maintenance backlog costs. From Year 11 onwards the new office model settles into its regular cash flow for the remainder of the life cycle and is consistently less expensive than the Status Quo by about £1.75m pa.

Figure 10 highlights the yearly savings produced by the future Hub and Spokes model when compared with the Status Quo. The vertical bars present the actual value of the annual savings and the percentage figure above each bar describes these savings as the annual percentage reduction in the Status Quo revenue costs.

Figure 10: Revenue Savings excluding capital financing (not discounted): Hub & Spoke compared with Status Quo



The Office Strategy Objectives (para 1.2, section 1) set a target for the future office solution to produce 20% cash efficiencies/revenue savings when compared with the Status Quo with an interim target of 10% cash efficiencies/revenue savings by the end of year 3.

These targets are well exceeded by the Hub and Spokes model. The cash flow model shows that the Hub and Spokes model produces cash efficiencies/revenue savings

in every year from Year 1 throughout the 25 year projected life cycle. At year 3, the annual percentage saving is 14.6%, equating to around £890,000 pa. The revenue savings differential rises every year to broaden the gap to 28.6% by year 6. The annual percentage savings for the Hub and Spokes model continues around 29%pa for the remainder of the life cycle. The Hub and Spokes model offers a more cash efficient office model than the Status Quo and produces cashable savings of well over £1m pa every year as from year 5 rising to £1.7m pa from year 12 onwards.

Sensitivity Analysis

Typically, the most influential variables to affect an accommodation strategy are increases in building costs (whether these arise from rising costs or from un-anticipated delays in building programmes), delays in property disposals and the production of capital receipts, and increases in the amount of space to be provided.

A realistic and reasonable approach has been taken with regards all these factors when planning the future Hub and Spokes model. Proposed build costs are practical rather than aggressive and estimates include contingency costs. Allowance has been made for the current market slowdown when planning future property disposals. Floor area calculations have been guided by the most recent case-study findings as well as in-house experience of recent office re-fits within the County Council office portfolio.

Nevertheless, it is important to understand the potential implications on the current cash flow analysis for the future Hub and Spokes model in the event of any substantial variance in these areas. The sensitivity analysis applies only to the future model as, by definition, the Status Quo option is free of future changes.

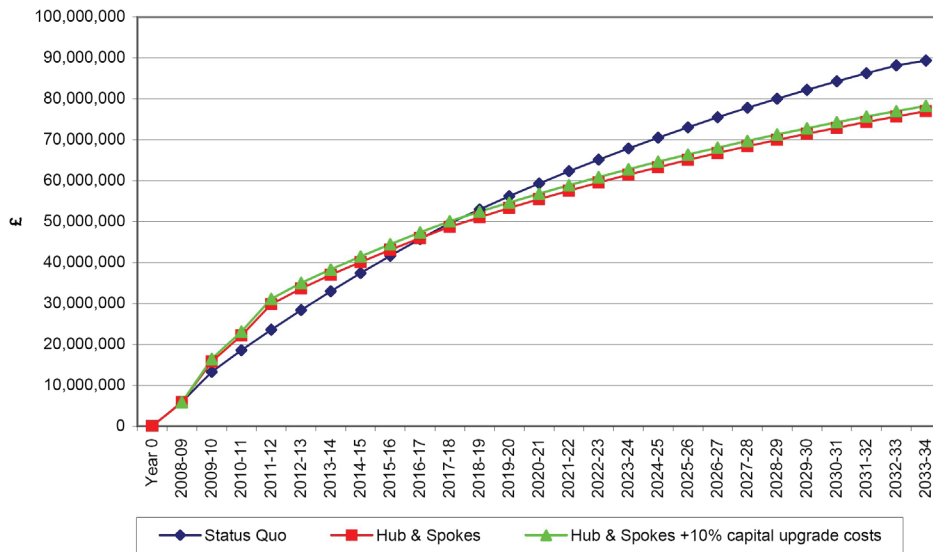
The sensitivity analysis results for each of these variables is considered in turn below.

- Build cost increase

The cash flow model was re-run to test the impact on the NPC from increasing build costs for the Hub and Spokes model by 10%. As seen in Figure 11, the result creates no change in the curve or trend of the NPC and the slight increases in the NPC are so slight as to make hardly any difference to outcomes.



Figure 11: Sensitivity - Capital Upgrade costs increase by 10% - cumulative discounted cashflows



- Delays in sales of surplus properties

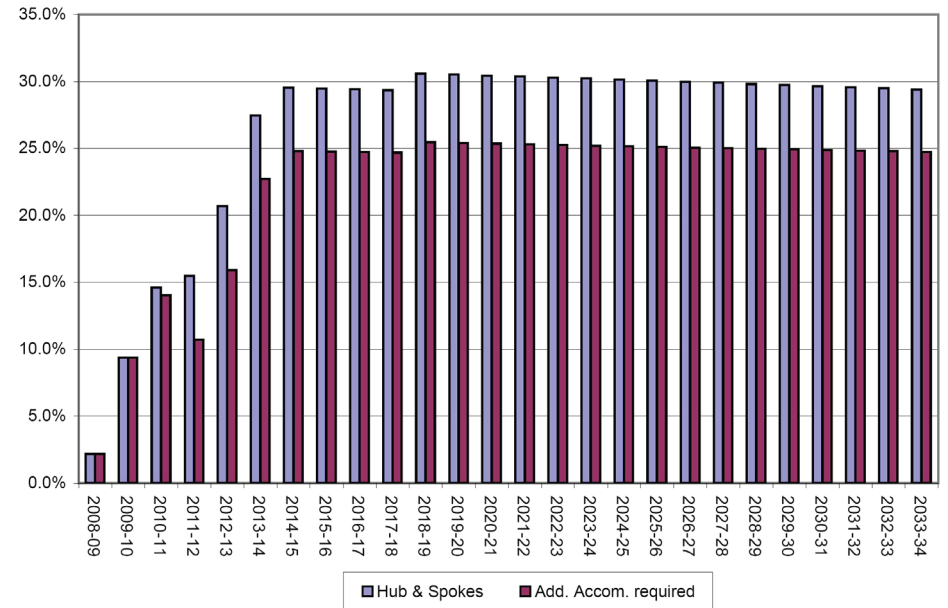
This sensitivity was tested by delaying the capital receipts projected from sales into the financial year following that initially anticipated. The results showed a neutral effect on the long term revenue savings. The only noticeable effect would be a slight reduction in the comparative revenue savings during Years 2 to 4. It may be concluded that the risk of sales being delayed by this period is not material.

- Floor area increase

Failure to achieve the future office footprints proposed are most likely to occur through the non-realisation of future workstyle changes or through the non-acceptance/non-compliance with standardised, uniform floor area allowances.

The possibility of exceeding the proposed total floor area has been tested by re-running the Option 2: Hub and Spokes model using the illustrative example of reducing the amount of staff to be re-located to County Hall by 130 FTE and renting an additional new office facility to accommodate these staff as from Year 3. Figure 12 shows the effects in terms of the consequential impact on the projected yearly revenue savings.

Figure 12: Sensitivity - Additional Accommodation required (savings compared with Status Quo)



As may be expected, there is an immediate negative impact on the revenue savings in Year 4 as a result of taking on additional floor space. This continues throughout the projected life cycle on account of the running cost burden associated with the additional accommodation. This variable is the most significant of the three considered. Failing to meet with space utilisation criteria inevitably reduces the revenue savings that otherwise would be achievable. In this example, the revenue savings are reduced by around 5% pa from year 4 onwards which amounts to a significant amount of money over the remaining 21 years of the project life cycle.



Key Assumptions

The financial model creating the cashflow is based upon a number of assumptions. The full list is contained in Appendix 6. The key assumptions, mainly in relation to the future model, are highlighted below.

Headcount

- Existing and future headcount numbers are based on existing data and further validated/projected in consultation with Office Strategy stakeholder groups. It is assumed that there is no significant difference between present and future total FTE headcount numbers.

Space allocation

Future office floor areas are based on the following assumptions about workstyle, ICT and HR support, workstation allowances and storage

- Modern, flexible working will apply across all office functions and staff
- Staff will be adequately ICT enabled and trained, supported by appropriate and accessible ICT systems and technology
- The future model allows for a mixed economy of fixed, hot-desking and touchdown facilities to match projected workstyles
- Workstation and space will be provided in accordance with the standardised measures that will apply uniformly across all office users
- The new office model will be supported by a centralised, corporate storage and Information Management Strategy that provides off-site and electronic storage systems. Storage within office space will be provided within the floor area allowances supporting workstation calculations.
- The new office model also includes for the provision of LCC office storage space in the former ESPO building. This additional space compensates for the removal of valid storage space within retained assets through the proposed conversion to office accommodation.

Co-location

- County Council office requirements in Hinckley, Melton Mowbray and Market Harborough will be met through co-location in new, shared facilities with District Councils within the first 3 years of the future model's life-cycle.
- There will be no change to the current agreement of 'free' occupation of co-location properties as prevails between LCC and the Leicester Partnership NHS Trust (Mental Health).

Registrars Services

- Properties used for ceremony purposes will be sold and capital receipts re-invested into the future cash-flow model. Office based registration functions will be retained and re-provided within the locality based facilities of the future office footprint.

County Hall

- A new Travel Plan will be produced to support the increased office population at County Hall

Timescales

- The office strategy Implementation Plan will commence in January 2009
- Sales of vacated, surplus properties and terminations of surplus leases start in quarter 4 2009 and are completed by quarter 4 2012

Capital Costs

- The future upgrading, re-modelling and re-fitting works for all retained and new office accommodation will be completed within a 3 year programme commencing January 2009
- Capital upgrade costs comprise upgrading the physical working environment as described for the future office model (section 4) including furniture, fixtures and fittings. An additional cost is included where taking new or shared office accommodation to cover for ICT connectivity
- The capital upgrade costs for County Hall are spread over the 3 years programme between 2009 – 20012. Capital upgrade costs for other facilities occur in keeping with the planned timing for acquisitions and/or occupation
- Costs relating to ICT enhancements of existing systems and provision of future, new systems are borne by the relevant Agile IT projects and not by the Office Strategy.
- The basic technological support for the necessary ICT workstyle facilities listed in para 4.2 will be deliverable within the time-scales proposed for the Office Strategy. They do not involve any major additional investment. However, the opportunity is being taken to review the feasibility of more extensive ICT enhancements through the Agile IT project, which will be subject to a wider business case analysis separate to the Office Strategy.
- Capital investment costs are included in the DCF analysis as full capital costs in the years that they occur. The discounting factor has been increased from the more usual 3.5% pa to 4.8% pa to reflect the likely funding approach for the project.
-

Capital receipts and values

- Capital receipts from sales of surplus properties are timed to take place as soon as possible over the first 4 years and are re-invested into the cashflow for the future office model.
- Disposal values apply as follows:
 - Freehold assets – based on Market Values (MV) as at 01/04/2008
 - Leasehold assets – assumed at nil value due to minimal opportunities for profit rents
- The values of all LCC existing assets are as at 01/04/2008
- Residual values are based on land values as at 01/04/2008
- The disposal of freehold properties will be prioritised to secure the capital receipts as early as possible.

Revenue Costs and income

- Running costs for retained assets in both Options are based on existing running costs
- Running costs for new properties are based on ACTIUM benchmarks
- Energy costs are subjected to an additional annual increase of 2% pa (over and above the annual inflation figure allowed for other running costs) to reflect the recently projected high inflationary trends for future energy costs

- Future energy costs have been reduced by an appropriate amount to reflect the reduction in energy costs anticipated as a result of environmental enhancements to the energy systems and insulation at County Hall
- Rent on new and/or renewed rents are based on MV's as at 01/04/2008
- Backlog maintenance costs are annualised as revenue costs and repaid in full by end of year 10 of the cash flow. For the future option, the total cost diminishes where existing assets are vacated and/released.
- Churn costs are based on an analysis of the volume and costs of a sample of staff moves across the Council's office estate.
- Future potential Disturbance costs are not included
- The future model makes an allowance of £200,000 per annum for project management costs for the first 3 years of the delivery programme commencing 2009
- Surplus office and storage space (applicable at County Hall) is let to produce revenue income at current market rents as at 01/04/2008
- Any future costs arising from additional technical ICT and FM support services to support possibly extended working hours and access to office buildings are not included in the Office Strategy cash flow model

Transition costs

- Based on FTE staff moves, these costs cover the clearing of a building and the physical removal of all furniture, storage and ICT equipment as well as ICT disconnection and re-connection.

5.3 Non financial appraisal: outcomes and benefits

The non-financial appraisal considers the comparative merits of the two options to deliver the non-financial benefits required from LCC's future office solution, as embedded in the Office Strategy Objectives (para 1.2, section 1).

The results are summarised in the following table.

Office Strategy Objectives	Status Quo	Hub and Spokes Model
Supportive of LCC's Target Operating Model, wider modernisation and Change Programme <ul style="list-style-type: none"> • Modern council, modern ways of working • Improved and modernised service delivery <ul style="list-style-type: none"> • Strong customer focus • Effective use of resources 	-1	3
Rationalised and reduced office portfolio <ul style="list-style-type: none"> • Reduced total floor area <ul style="list-style-type: none"> • Fewer buildings • Efficient space utilisation • Reduced storage space 	-1	3

Modern working environment <ul style="list-style-type: none"> • Good quality office accommodation <ul style="list-style-type: none"> • Open plan offices • Consistency across all offices 	-1	3
Flexibility <ul style="list-style-type: none"> • In building design, layout and use • Within the portfolio eg legal tenures <ul style="list-style-type: none"> • Attractive to the market 	1	3
Supportive of environmental sustainability and energy efficiency	-1	1
Reduced property risk and liability <ul style="list-style-type: none"> • Minimal backlog maintenance • Statutory compliance • Uniform operational costs 	1	3
Promotes partnership working <ul style="list-style-type: none"> • Co-location with partners 	-1	3
Centralised Facilities Management support	1	3
TOTAL SCORES	-2	22

Scoring Grades:

- 3 = Good compliance with criteria listed for objective
1 = Acceptable compliance with criteria listed for objective
-1 = Poor compliance with criteria listed for objective

The Hub and Spokes model produces the highest and near maximum score in terms of delivering the required non-financial benefits whilst the Status Quo option scores very poorly against these requirements. This is largely to be expected since the Hub and Spokes model has been designed to meet with the Council's future office needs and to address the shortcomings inherent in the existing estate.

It is highly likely that other qualitative benefits may flow from the proposed future office model. These may include reductions in the total time and costs of staff travelling; improved staff satisfaction and morale; increased productivity; reduced sickness levels; increased staff recruitment and staff retention levels. It has not been possible to include these potential benefits into an appraisal at this stage, but a wider pre- and post-evaluation should be considered if the Strategy proceeds to delivery.



5.4 Conclusions

The appraisal reveals that the future Hub and Spokes model is significantly more attractive than the Status Quo in both financial and non-financial terms.

The Hub and Spokes model is financially more beneficial than continuing with the existing estate from Year 1. This is not always the case with office re-configuration projects when 'pay-back' or even 'break-even' points more typically occur some years into the project life-cycle. There are three main reasons why the future Hub and Spokes model proposed here is producing both the revenue and cumulative NPC savings so quickly.

Firstly, the total office footprint is reduced relatively swiftly in the first 3 years of the project (from 53 to 22 properties and a 20% overall reduction in total office space). There is a focus on removing the most cost-inefficient properties and creating an estate with a much reduced running cost profile (reduced costs of over £1m pa every year as from year 4 rising to £1.5m pa from year 11 onwards).

Secondly, the new estate is achieved through upgrading existing assets and renting modern properties, where new facilities are required. The total capital investment is comparatively much lower than the alternative route followed by other large-scale office projects of investing in the development of new buildings.

Thirdly, the total project is completed over the first 3 years and the staff moves and property upgrades are achieved without having to rent additional, often expensive, short-term over-flow accommodation.

However, the financial success of the new Hub and Spokes model is predicated on the rationalisation of floor space through the more efficient use and occupation of office space. This point is reinforced through the Sensitivity Analysis findings. Future space utilisation is, in turn, dependent upon three key factors: the ICT, the HR and the Information Management development to enable the new modern workstyle of the future office based workforce. These assumptions are under-pinning the cash flow analysis and must form a part of the future Office Delivery Plan, as is considered in more detail in the final two sections of this Report.

The Hub and Spokes model clearly scores dramatically better than the Status Quo when assessing the delivery of non-financial benefits. This is because the future model is specifically designed to meet with future office requirements and, as far as possible, remove the shortcomings of the current office portfolio.



6. Funding and Affordability

The capital costs are the most significant expenditure item for the delivery of the Hub and Spokes model, at a total cost of £20.7m. This consists of the upgrade of office accommodation (£15.1m after removing £300,000 for lease exit and termination costs which would be funded through the revenue budget) and clearing of the repairs and maintenance backlog (£5.6m after reducing the total backlog bill of £6.38m through the targeted disposal of poor properties). Capital upgrade works can be co-ordinated to provide a more efficient and less disruptive approach.

Capital expenditure will be funded from the earmarked capital receipts (£3.8M) relating to the sale of freehold properties with the balance funded from Prudential Borrowing. The capital cash flows are not in the current capital programme and are shown in the table below:

Table 1 - Capital programme implications

Category	2009-10	2010-11	2011-12	2012-13
Capital expenditure	(9,578,336)	(5,490,444)	(5,618,432)	(24,655)
Capital receipts	1,772,500	2,070,000	-	-
Total	(7,805,836)	(3,420,444)	(5,618,432)	(24,655)

The capital expenditure will impact the revenue budget through the resulting financing costs of Prudential Borrowing. This is shown in the table below alongside the other cash flows that are outside of the current budget:

Table 2 - Revenue budget implications

Category	Budget	2009-10	2010-11	2011-12	2012-13	2013-14
One off project costs	N/A	(268,255)	(389,296)	(200,000)	(49,955)	-
Financing cost - P. Borrowing	N/A	(193,762)	(761,254)	(1,084,554)	(1,401,344)	(1,346,868)
	Total Costs	(462,017)	(1,150,550)	(1,284,554)	(1,451,298)	(1,346,868)
Running costs	Corp Resources - Property	199,514	658,328	683,977	785,499	910,273
Management cost	Corp Resources - Property	6,870	16,884	3,690	7,739	14,217
Income	Corp Resources - Property	-	-	-	-	284,600
Churn costs	All Departments	575,000	575,000	575,000	575,000	575,000
	Total Savings	781,384	1,250,212	1,262,667	1,368,238	1,784,090
Grand Total		319,367	99,662	(21,888)	(83,060)	437,222

Note the table excludes the impact of inflation. Income/savings is shown as a positive number.

The average annual net saving over the life of the project is £900K. The annual rate never stabilises due to expected above inflation rises in energy costs and reducing funding costs (MRP and interest).

The majority of savings are linked to the vacation of existing properties, the budget for which is held by individual departments. The project assumes that the planned centralisation of property budget goes ahead and the Property service is responsible for the delivery of savings.

Churn costs have been derived from the office moves taking place over the last three years. These costs are not held in a specific budget, so to secure these savings departmental budgets will need top slicing based upon the actual expenditure incurred. The actual allocation is still to be determined.

Under the current assumptions the one-off project costs are funded from savings. This will need to transpire as no alternative source of budget currently exists. It will be prudent to carry forward the overall savings in 2009/10 and 2010/11 to cover the years that are showing a small deficit and to provide a contingency for unforeseen costs.

It should be noted that once the capital expenditure has been committed the Prudential Borrowing financing costs are fixed. Savings will need to be generated over the life of the loan to ensure the costs do not fall on another area of the authority. Similarly rising capital expenditure, either from reduced receipts or higher costs, could be difficult to accommodate as this will result in higher financing costs to be met by the revenue budget. Further work to increase the certainty of the capital expenditure will be undertaken before capital is committed to give assurance on this final point. The main savings and their dependencies are listed in the table below. A clear understanding of the budget position and close benefits realisation management will be required to ensure that the opportunity presented is not missed.

Table 3 Main savings and their dependencies

	£	Basis	Dependencies
Churn Costs	(580,000)	Future number of moves reduced to 25% of current level Future moves are primarily simple relocations not requiring changes to fixtures & fittings.	Departments to agree reduction in their non-property budgets
Property Operation	(490,000)	Costs to maintain and run buildings not required once they are vacated, e.g. cleaning, repairs, water & sewerage, caretaking.	Reduction in the number of locations achieved. No increase in the running costs for existing buildings.
Energy Costs	(290,000)	Gas and electricity costs of running buildings not required once they are vacated.	Reduction in the number of locations achieved. No increase in the energy consumption at existing buildings.
Annual rental income	(200,000)	Surplus office and storage space at County Hall is let to produce revenue income	Open market rents achievable for the accommodation offered. Supporting facilities exist to allow rental, e.g. car parking
Property costs (rent, rates,...)	(170,000)	Occupancy costs not required once buildings are vacated.	Reduction in the number of locations achieved. Suitable new spoke locations found at the right price.

Table 4 The main non-recurring costs and their dependencies

	£	Basis	Dependencies
Capital upgrade	(15,160,000)	Benchmarking from external sources and comparable LCC projects. Including industry standard professional fees (15%) and contingency (5%). Covers furniture, fixtures and fittings. ICT cost to enable project expected to be minimal.	Future staff numbers expected to remain similar to current levels. Workstyle changes and standardised floor area allowances implemented.
Maintenance Backlog	(5,550,000)	Work identified as overdue, primarily at County Hall.	Expenditure to be assessed alongside upgrade work.
Disposal income	3,840,000	Freehold assets sold at their current market value.	Utilise County Hall "swing space" to vacate existing premises. Buyers for property found at right price
Project Management	(600,000)	Costs for the first 3 years of the delivery programme commencing 2009.	
Transition & lease exit costs	(310,000)	Costs to clear buildings and relocation of all furniture, storage and ICT equipment. Cost to terminate leases.	

7. Risk

7.1 Risk Register

The following Risk Register outlines the key risks identified to date for proceeding with the delivery of the proposed Hub and Spokes future office model. The Register should be regularly reviewed, updated and acted upon from this point onwards.

A Risk Management Strategy, based upon the Risk Register, should be developed and implemented with the commencement of the future Office Delivery Plan. Risk management needs to be incorporated in any future project management arrangements.

Date	Risk	Owner	How to mitigate this risk	Likelihood / Impact
Jan 08	Insufficient sign-up, support and leadership from senior executive and members	<ul style="list-style-type: none"> SS SS EC 	<ul style="list-style-type: none"> Immediate inclusion of CMT and members into timetabled governance, consultation and decision-making points of ongoing Strategy Appointment of Chief Exec, Lead and portfolio members onto future Office Delivery Programme Board Communication Plan incorporating early release of information bulletin demonstrating support and leadership from senior exec and members to Strategy development and future implementation of office changes 	M/H
Jul 08	Prevailing territorial approach to use and occupation of office space is not addressed and overcome – this will undermine key objectives of space efficiencies and working/productivity improvements	<ul style="list-style-type: none"> SS EC 	<ul style="list-style-type: none"> Secure senior executive support, leadership and ownership to objectives and delivery of Office Strategy Engage HR support in addressing cultural and behavioural changes required Include early actions in proposed Implementation Plan to deliberately dismantle territorial practices 	M/H
Jan 08	Inaccurate and/or incomplete baseline information and data eg headcount; breakdown of headcount into current workstyle categories	<ul style="list-style-type: none"> JL 	<ul style="list-style-type: none"> Work with best information that is currently available, supported and refined by direct consultation with relevant areas/personnel (Done) 	L/H
Jan 08	Differing timetables for other related decisions and policies that will affect future office use and requirements eg HR; ICT; workstyle; FM; Information Management	<ul style="list-style-type: none"> EC 	<ul style="list-style-type: none"> Consult relevant project leads to develop agreed assumptions and recommendations that can be used for development of Office Strategy (Done) 	M/H
Jan 08	Unrealistic expectations about office strategy outcomes and benefits	<ul style="list-style-type: none"> SS EC 	<ul style="list-style-type: none"> Regular reporting of project progress, findings and outcomes to CMT and members Communication Plan 	H/H
Jan 08	High levels of speculation and anxiety about future office proposals	<ul style="list-style-type: none"> EC 	<ul style="list-style-type: none"> Development and delivery of continually updated Communication Plan 	H/H
Jan 08	Planning constraints on County Hall site that may restrict future occupation capacity eg limited car-parking	<ul style="list-style-type: none"> JL JL 	<ul style="list-style-type: none"> Clarify site development and occupational capacity of County Hall site with LPA (Done) Investigate and bring forward policy regarding alternative parking facilities including development of Travel Plan; park and ride facility 	H/H

Date	Risk	Owner	How to mitigate this risk	Likelihood / Impact
July 08	Service disruption during transition period of staff and office moves	<ul style="list-style-type: none"> EC 	<ul style="list-style-type: none"> Strategy recommends that Business Continuity plans are developed with Service Areas at beginning of Implementation phase with the aim of co-ordinating staff and office moves with the continuous delivery of services 	H/H
July 08	County Hall staff movements and re-locations prohibited by the need to address essential building maintenance issues	<ul style="list-style-type: none"> EC with DC DC 	<ul style="list-style-type: none"> Strategy to include consideration of dealing with essential building maintenance issues (Done) To include in detailed Programme of Work as part of preparations for Delivery Plan 	M/H
August 08	Continuing net increase in FTE office headcount over and above predictions supplied about future requirements for the purposes of the Office Strategy	<ul style="list-style-type: none"> EC 	<ul style="list-style-type: none"> Strategy to recommend that future headcount information is reviewed and re-validated in between Strategy completion and commencement of proposed delivery of Office Strategy 	M/H
Sept 08	Additional ICT costs and complications through the wider sharing of services and facilities with partner organisations (eg other District Councils)	<ul style="list-style-type: none"> EC 	<ul style="list-style-type: none"> Maintain continuing close consultation and involvement of ICT in development and subsequent delivery of Office Strategy 	M/H
Sept 08	Restricted scope for demonstrating positive aspects of new workstations and working environment in new 'show-home' office space in former ESPO on account of limitations imposed through physical structure for installing flexible networking	<ul style="list-style-type: none"> EC 	<ul style="list-style-type: none"> Explain clearly within Communication Plan and Strategy to be developed in preparation for Delivery Plan 	H/H
Sept 08	Insufficient resources and funding to enable ICT enhancements and new systems required to support future workstyle and new ways of working	<ul style="list-style-type: none"> EC 	<ul style="list-style-type: none"> Strategy to clearly state ICT funding assumptions underpinning Office Strategy and to include appropriate recommendations about securing clarity and agreement about sources of funding for future ICT enhancements and new systems. (Done) 	H/H
Sept 08	Need to review likely staff numbers at each future office at commencement of Implementation Plan to confirm required network bandwidth and review demands of corporate network	<ul style="list-style-type: none"> EC 	<ul style="list-style-type: none"> To include appropriate Recommendation in Implementation Plan (Done) 	M/H
Sept 08	Storage solution (via Information Management Strategy) neither prepared or delivered in time to support the workspace and workstyle assumptions underlying the proposed new office model	<ul style="list-style-type: none"> EC 	<ul style="list-style-type: none"> To include appropriate Recommendation in Implementation Plan (Done) 	H/H

Key Likelihood/Impact:	Key Owner
H = High M = Medium L = Low	SS = Steve Siddons DC = Dave Cragg EC = Lis Carter JH = Julian Haywood JL = John Liddell MS = Matt Scott



8. Recommendations and Implementation Plan

8.1 Recommendations

The appraisal undertaken in the development of this Office Strategy concludes that the proposed Hub and Spokes model is significantly more attractive than the Status Quo in both financial and non-financial terms (section 5, para 5.4). Proposals for funding the new model are set out in section 6. Section 7 identifies the risks that are associated with delivering the proposed office reconfiguration but also suggests the actions that would manage and mitigate these risks. The overall recommendation is, therefore, that the Council proceeds with the delivery of Option 2: Hub and Spokes model. The full list of recommendations relating to this proposal is as follows:

	Immediate term
1	The Council to confirm formal approval of the Office Strategy with a commitment to commence the programme of delivery for the proposed Hub and Spokes office model as from January 2009.
2	To clarify and set up the Office Delivery Project governance and reporting framework.
3	To appoint the Office Delivery Project Team and to proceed with the management and implementation of the Office Delivery Project in line with LCC project management practice.
4	To appoint a Communications Team and proceed with the development and implementation of a Communication Strategy and Plan, which will include staff and stakeholder consultation proposals.
5	To complete the creation of the centralised Property and Facilities Management Services to take on all operational management responsibilities of the Council's offices.
6	To proceed with the adoption of the NOMAD 5 Point (Office Storage) Plan as part of immediate actions to rationalise and reduce storage in offices.
7	To appoint a Travel Plan team to proceed with the development and implementation of a Travel Plan for office staff travel arrangements for County Hall and county wide offices.
8	The Office Delivery Project Team to be responsible for reviewing, preparing and confirming agreement to a detailed Office Delivery Programme. This to include:
	a Review and refine the calculations and assumptions contained in the Strategy in relation to headcount and team working – eg numbers, location, and total workstyle/workstation requirements.
	b Clarify and confirm assumptions regarding Registrars properties following completion of Review of Registrars Services.
	c Clarify and confirm proposals regarding shared office facilities with partners. Set up sub-project management arrangements for the delivery of these facilities as appropriate.
	d Clarify ICT, HR, Information Management and physical details regarding flexible working proposals including the proposed timing and implementation plans.
	e Confirm the detailed capital upgrade programme, including specifications, costs and timing. This to include a detailed feasibility appraisal of undertaking a more extensive upgrade/replacement of canteen/restaurant/ main reception, shop and bank accommodation, the findings of which will be taken into account in the final capital upgrade programme.
	f Develop show-case offices.
	g Review and re-design the Repairs and Maintenance budget to support the proposed future office model.

	h	Appoint a Facilities Management team and proceed with the development and implementation of the FM Strategy and Plan to support the Office Delivery programme and to manage LCC's future office facilities.
	i	Develop and communicate the over-arching Change Management Plan which is to integrate the related ICT, Information Management, HR, FM and accommodation plans to support the Office Delivery programme.
	k	Review, confirm and proceed with the phased staff re-location plans (Appendix 4).
	l	Review, confirm and proceed with the Property Disposals and Acquisitions Programme (Appendix 4).
9		Service Areas to develop and implement Business Continuity Plans to cover the projected 3 year period of the Office Delivery Programme.
10		To develop and implement a Risk Management Strategy (incorporated as part of the standard project management arrangements for the Office Delivery project).
11		To develop and proceed with the benefits realisation and post-evaluation measures to appraise the delivery of the Office Delivery project benefits and outcomes (incorporated as part of the standard project management arrangements for the Office Delivery project).
		Longer Term
12		To review the longer-term office solution for the Charnwood area, including the possibility of combining LCC services and office requirements into a single site, multi-public services facility shared with other public and voluntary services partners.
13		To review the potential and feasibility of further development of the County Hall site. To include the:
	a	Feasibility of retaining/re-locating/re-providing the Sports and Social Club, Forestry Services Depot and Reprographics Services
	b	Possibility of accommodating additional future partners
	c	Potential for other on-site development
	d	Feasibility of future possible acquisition of Leics Fire and Rescue HQ offices

8.2 Implementation Plan

The proposed commencement date for the Office Delivery Project is January 2009, as set out in the above recommendations. All the recommendations described above as *Immediate term* require action within the first 3 months of the Project. The *Longer term* recommendations may follow at appropriate stages within the first 3 years of the delivery programme.

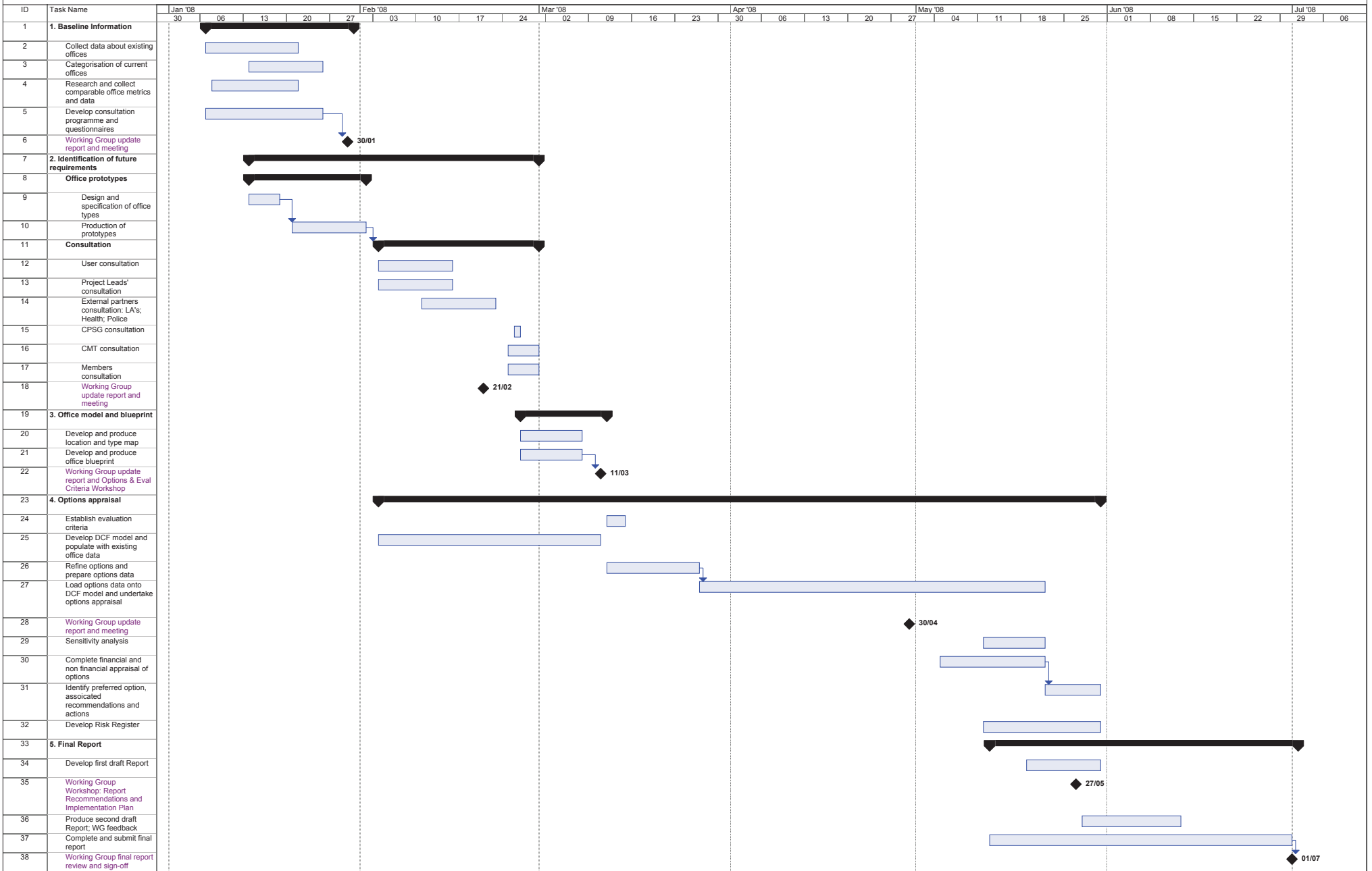
The timetables and implementation plans for the staff movements, property upgrades, and property vacations, disposals, lease terminations, acquisitions and new leases necessary for the delivery of the Hub and Spokes model are contained in Appendix 4. These schedules have been developed in keeping with the objectives, requirements and stated assumptions of the Strategy and underpin the capital and revenue cash flow streams appearing in the options appraisal cash flow model.



Project Mandate (2007) : Methodology Project Plan



OFFICE ACCOMMODATION STRATEGY



Project: MSPProj11
Date: Tue 16/09/08

Task Progress Summary External Tasks Deadline Split Milestone Project Summary External Milestone

Scrunity Panel Report : Extracted Recommendations



SECTION 1

SUMMARY OF KEY FINDINGS

(THE FUTURE SHAPE OF OFFICE ACCOMMODATION PROVISION AND MEMBER COMMENTS ON MOVING THIS FORWARD).

Key Findings

The Panel having reviewed the existing office accommodation has found:-

- A large number of offices which are 'not fit for purpose' including some which were not DDA compliant;
- Buildings which are inefficient in their use of energy, water and other resources
- Wide variations in utilisation of office space, ranging from 5.7m²/FTE to 38m²/FTE;
- New ways of working resulting in the need for change;
- Some 1600 employees (out of 3060) spending 50% of their time out of the office;
- Some 7.5 million business miles were travelled to and from appointments.

The Panel has concluded that there is a clear case for reducing and rationalising the existing office accommodation portfolio coupled with a need to invest resources to improve and make better use of the remaining facilities.

Property Suitability, Utilisation. Condition & Running Costs.



UPRN	PROPERTY	ADDRESS 1	ADDRESS 2	DISTRICT	RICS NIA	Staff FTE	UTILISATION (NIA/FTE)	CONDITION (Costs/sq m GIA)	SUITABILITY SCORE	RUNNING COSTS PER SQM/NIA (linked)
86	OFFICES	THE DRIVE	COUNTESTHORPE	BLABY	190.0	14.5	13.1	£36.73	6	£10,613.55
99	THE MOUNT (PART)	LEICESTER ROAD	MELTON MOWBRAY	MELTON	191.0	12	15.9	£265.80	24	£12,763.69
577	COUNTY HALL COMPLEX	LEICESTER ROAD	GLENFIELD	BLABY	23,540.0	1713.5	13.7	£145.14	30	£1,745,488.89
648	MARKET HARBOROUGH HIGHWAYS OFFICE	ADAM & EVE STREET	MARKET HARBOROUGH	HARBOROUGH	125.0	12.5	10.0	£0.00	14	£4,886.52
675	HINCKLEY AREA OFFICE	27 UPPER BOND STREET	HINCKLEY	HINCKLEY	1,749.0	130.5	13.4	£189.78	8	£211,128.51
734	COALVILLE REGISTRARS OFFICE	41 RAVENSTONE ROAD	COALVILLE	NORTH WEST	98.0	1.7	57.6	£102.52	4	£9,504.31
736	LOUGHBOROUGH REGISTRARS OFFICE	202 ASHBY ROAD	LOUGHBOROUGH	CHARNWOOD	125.6	1.7	73.9	£90.45	4	£13,367.94
737	MARKET HARBOROUGH REGISTRARS OFFICE	42 COVENTRY ROAD	MARKET HARBOROUGH	HARBOROUGH	125.9	2	63.0	£107.40	8	£7,304.22
739	HINCKLEY REGISTRARS OFFICE	25 MOUNT ROAD	HINCKLEY	HINCKLEY	182.0	1.4	130.0	£215.26	2	£18,114.85
771	SPECIALIST TEACHING BLABY STOKES	STOKES PRIMARY SCHOOL	QUEENS ROAD	BLABY	59.7	5	11.9		6	£8,524.84
774	YOUTH AND COMMUNITY/ADULT EDUCATION OFFICE	66 KINGSWAY	BRAUNSTONE	BLABY	81.2	5	16.2	£330.88	4	£21,658.39
788	ABE - TRAVELLERS PROJECT	LEICESTER ROAD	DESFORD	HINCKLEY & BOSWORTH	60.3	4	15.1	£64.21	6	£3,275.82
843	BROCKS HILL YOUTH ADMIN BASE	BROCKS HILL P.S.	OADBY	OADBY & WIGSTON	67.0	3.5	19.1		8	£3,827.00
910	AREA OFFICE	LEICESTER ROAD	MELTON MOWBRAY	MELTON	803.7	63.2	12.7	£70.57	12	£63,282.57
912	PENNINE HOUSE	2 LEMYNGTON STREET	LOUGHBOROUGH	CHARNWOOD	830.8	47.5	17.5	£138.37	20	£173,178.76
962	COALVILLE BUSINESS CENTRE	GOLIATH ROAD / VULCAN WAY	COALVILLE	NORTH WEST	158.8	17.2	9.2	£67.18	6	£24,709.91
966	OFFICES 3,4 & 5 -STUDENT SUPPORT BASE	SPRINGBOARD CENTRE	COALVILLE	NORTH WEST	33.0	5.4	6.1		0	£3,360.00
1173	CROFT SOUTHERN HIGHWAYS OFFICES BLOCKS L AND T ONLY	ARBOR ROAD	CROFT	BLABY	294.6	34.5	8.5	£57.00	20	£0.00
1181	MOUNTSORREL NORTHERN HIGHWAYS OFFICES BLOCK D ONLY	HAWCLIFFE ROAD	MOUNTSORREL	CHARNWOOD	385.9	51.5	7.5	£27.80	24	£0.00
1221	DIVISIONAL OFFICE	2 GLADSTONE AVE	LOUGHBOROUGH	CHARNWOOD	225.9	21.5	10.5	£55.81	6	£19,566.14
1244	CTSU ABINGTON HOUSE	STATION ROAD	WIGSTON	OADBY & WIGSTON	389.3	23.5	16.6	£68.44	0	£30,559.95
1296	LOUGHBOROUGH CORONERS OFFICE	34 WOODGATE	LOUGHBOROUGH	CHARNWOOD	98.9	3	33.0	£51.11	0	£15,760.13
1324	BROOKLANDS AREA OFFICE	NORTHAMPTON ROAD	MARKET HARBOROUGH	HARBOROUGH	520.0	29.8	17.4	£182.03	8	£50,772.64
1355	COMMUNITY RESOURCE CENTRE (PART LD ADMIN BASE)	COMET WAY	COALVILLE	NWL	107.8	4.5	24.0	£16.87	24	£4,415.22
1390	SOCIAL SERVICES DIVISIONAL OFFICE	3 HIGH STREET	COALVILLE	NWL	776.1	145.9	5.3	£61.98	16	£64,470.98
1424	DIVISIONAL OFFICE	BASSETT STREET	SOUTH WIGSTON	OADBY/WIGSTON	1,273.9	162.4	7.8	£13.43	24	£58,336.29
1473	LOUGHBOROUGH STUDENT SUPPORT	STATION AVENUE	LOUGHBOROUGH	CHARNWOOD	238.6	17.5	13.6	£149.80	2	£23,023.82
1505	HOLLY HAYES	216 BIRSTALL ROAD	BIRSTALL	CHARNWOOD	214.7	18	11.9	£83.40	10	£11,898.91
1794	SS LOCAL OFFICE	GARDEN STREET	THURMASTON	CHARNWOOD	80.1	14	5.7	£35.34	0	£7,048.48

UPRN	PROPERTY	ADDRESS 1	ADDRESS 2	DISTRICT	RICS NIA	Staff FTE	UTILISATION (NIA/FTE)	CONDITION (Costs/sq m GIA)	SUITABILITY SCORE (linked)	RUNNING COSTS PER SQM/NIA (linked)
1917	LEICESTERSHIRE LIBRARY H.Q. - OFFICES	929/931 LOUGHBOROUGH ROAD	ROTHLEY	CHARNWOOD	1,533.3	66.76	23.0	£19.64	16	£173,342.28
1938	CEDARS CENTRE	CEDAR AVENUE	WIGSTON	OADBY/WIGSTON	419.3	8.5	49.3	N/A	26	£0.00
1993	THURMASTON AREA OFFICE	P1 SUITE 4, BRIDGE BUSINESS PARK	THURMASTON	CHARNWOOD	308.4	32	9.6	£20.56	22	£46,582.21
2000	ROTHLEY HOUSE	JACKSON STREET	COALVILLE	NORTH WEST LEICESTERSHIRE	907.4	111.87	8.1	£2.87	18	£77,842.02
2021	QUORN HOUSE	JACKSON STREET	COALVILLE	N.W. LEICESTERSHIRE	283.5	16.5	17.2	£8.10	18	£28,933.49
2028	UNIT Q DRUG ACTION TEAM UNIT	UNIT Q TROON WAY BUSINESS CENTRE	LEICESTER	LEICESTER	232.8	16.2	14.4	£11.07	6	£30,676.75
2034	UNIT 7 ARK BUSINESS CENTRE	GORDON ROAD	LOUGHBOROUGH	CHARNWOOD	28.7	2	14.4	N/A	12	£3,493.00
2037	SOCIAL SERVICES OFFICE	4-6 BROOK STREET	SYSTON	CHARNWOOD	140.5	9	15.6	£146.57	10	£11,500.00
2038	FIRST FLOOR OFFICE	44B CHURCH GATE	LOUGHBOROUGH	CHARNWOOD	150.6	4	37.7	£13.54	2	£24,643.69
2051	UNIT D, THE POINT	GRANITE WAY	MOUNTSORREL	CHARNWOOD	387.5	49	7.9	£9.28	20	£55,778.90
2054	UNIT 3A THE GATE HOUSE	JACKSON STREET	COALVILLE	NW LEICESTERSHIRE	44.8	5	9.0	£46.04	6	£3,903.00
2057	OEM BUILDING ED PSYCHOLOGY SERVICE	WHITEACRES	WHETSTONE	BLABY	443.9	32	13.9	N/A	22	£86,344.09
2062	UNIT 14 THE COURT YARD	STENSON ROAD	COALVILLE	NW LEICESTERSHIRE	216.0	5	43.2	£10.99	22	£28,576.59
2083	1ST FLOOR OFFICES - (BRIDGES)	1ST FLOOR 16 LEICESTER ROAD	BLABY	BLABY	97.7	11	8.9	£47.94	12	£20,773.95
2084	ASC OFFICE	REGISTRARS OFFICES	MELTON MOWBRAY	MELTON	43.0	0.9	47.8	£0.00	32	£9,009.00
2091	CENTRE FOR THE DEAF	135 WELFORD ROAD	LEICESTER	LEICESTER	109.0	9.5	11.5	N/A	18	£19,500.00
2093	RESOURCES AREA OFFICE	1 ROMULUS COURT	LEICESTER	LEICESTER	490.7	40	12.3	£10.31	30	£94,368.50
2133	FERNLEIGH HOUSE	PART GROUND FLOOR FERNLEIGH HOUSE MELTON ROAD	SYSTON	CHARNWOOD	29.0	2.5	11.6	£0.00	4	£4,869.50
2139	ASC OFFICE	ST MARYS HOSPITAL	MELTON MOWBRAY	MELTON	21.0	2	10.5	£0.00	0	£2,500.00
2143	UNIT 2 & 3	BRIDGE PARK PLAZA	THURMASTON	CHARNWOOD	370.0	47	7.9	£0.00	26	£60,035.51
2152	Y & C ADMIN BASE	GRANGE RD	HUGGLESCOTE	NORTH WEST	76.3	6	12.7	£0.00	12	£6,000.00
2182	CANAL OFFICE	HIGH ST	MEASHAM	NORTH WEST	16.0	1	16.0	£0.00	2	£2,448.00
3000	MENTAL HEALTH OFFICE	MANSION HOUSE	GLENFIELD	BLABY	150.2	12	12.5	N/A	4	£0.00
3001	MENTAL HEALTH OFFICE	SHEPshed HEALTH CENTRE	SHEPshed	CHARNWOOD	42.0	6	7.0	N/A	26	£0.00

KEY	
TOTAL SCORE FOR EACH ASSET	
GOOD =	20 to 36
AVERAGE =	5 to 19
POOR =	MINUS 12 to 4

Schedule for Staff Moves, Property Acquisitions, Disposals and Land Terminations.



STAFF MOVEMENTS AND FOOTPRINT CHANGES – COUNTY WIDE

Also identifies actions to individual property interests eg lease terminations, new leases, refurbishment, actions needed to improve suitability of retained properties

AREA: BROAD CHARACTERISTICS OF FUTURE FOOTPRINT	YEAR 0 - 5	YEAR 5 ONWARDS	CASH FLOW IMPLICATIONS
A: Charnwood and Soar Valley			
<p>No of property interests Reduce from 17 to 5:</p> <ul style="list-style-type: none"> • Depot • Pennine House • The Point • Bridge Park Plaza (2 units) • Shephed Health Centre <p>Total NIA (2,278 sq m required) 2,325 sq m actual</p> <p>Total FTE 325</p> <p>Workstation nos 117 Fixed 91 Mobile 15 Touchdown</p> <p>Achieved thro: Re-locating 126 FTE to County Hall Upgrade and rationalisation of space through improved space utilisation and workspace provision</p>	<p>Q2 2008 Terminate Fernleigh House, relocate staff to Quorn House, Coalville</p>	<p>Explore redevelopment of library incorporating other LCC uses including Coroner/Registrar/ASC Day Centre and offices to potentially further reduce NIA to match requirements more closely</p>	Revenue saving
	<p>Q4 2008 Terminate Ark, relocate staff to County Hall</p>		Revenue saving Transition cost Capital upgrade cost
	<p>Q4 2009 Terminate Churchgate, relocate staff to County Hall</p>		Revenue saving Transition cost Capital upgrade cost
	<p>Q4 2009 Terminate Coroners Office. Coroners service to transfer to either Leicester Coroners Service (in partnership with Leics City Co) or to Loughborough Magistrates Court. Relocate support staff to Loughborough Library, shared partner facilities or to County Hall</p>		Revenue saving Transition cost Capital upgrade cost
	<p>Q4 2009 Sell Registrars Office, relocate staff to Loughborough Library, Pennine House or to shared partner facilities</p>		Capital receipt & revenue saving Transition cost No New revenue costs
	<p>Q4 2010 Terminate Brook St, relocate staff to County Hall</p>		Revenue saving Transition cost Capital upgrade cost
	<p>Q4 2010 Terminate Holly Hayes, relocate staff to County Hall</p>		Revenue saving Transition cost Capital upgrade cost
	<p>Q4 2009 Sell Gladstone Avenue, relocate staff to Pennine House</p>		Capital receipt & revenue saving Transition costs Capital upgrade cost
	<p>Q4 2009 Sell Garden St, relocate staff to County Hall</p>		Capital receipt & revenue saving Transition cost Capital upgrade cost
	<p>Q1 2010 Terminate Station Avenue, relocate staff to County hall</p>		Revenue saving Transition costs Capital upgrade cost
<p>Q4 2012 (subject to leasebreak) Terminate Rothley Xroads Library HQ. Relocate office staff to County Hall. Relocate library storage services to refurbished ESPO</p>	Revenue saving Transition cost Capital upgrade cost Capital cost refurb space at ESPO for library storage		

B: Melton and N E			
<p>No of property interests Reduce from 4 to 1 new shared facility</p> <ul style="list-style-type: none"> New shared facility <p>Total NIA 397 sq m</p> <p>Total FTE 76</p> <p>Workstation nos 19 Fixed 17 Mobile 6 Touchdown</p> <p>Achieved thro: Re-locating 2 FTE to Loughborough Rationalisation of space through improved space utilisation and workspace provision New lease of shared offices with MBC</p>	<p>Q2 2008 Terminate Ward 1 St Marys Hospital, relocate staff to Albert Street Loughborough</p>		<p>Revenue savings Zero transition costs Zero new revenue costs</p>
	<p>Q4 2010 Vacate part The Mount, relocate staff to new shared facility</p>		<p>Notional capital receipt New revenue costs Transition cost</p>
	<p>Q4 2010 Terminate Ambulance Station occupation from Area Office.</p> <p>Q4 2010 Sell Area Office, relocate staff to new shared facility</p> <p>Q2 2008 – Registrars within District Offices terminate and now part of Area Office (included in above)</p>		<p>Zero revenue or capital implications</p> <p>Capital receipt New revenue costs Transition cost</p> <p>N/A</p>
C: Harborough and South			
<p>No of property interests Reduce from 3 to 1 new shared facility</p> <ul style="list-style-type: none"> New shared facility <p>Total NIA 267 sq m</p> <p>Total FTE 37</p> <p>Workstation nos 11 Fixed 11 Mobile 5 Touchdown</p> <p>Achieved thro: Rationalisation of space through improved space utilisation and workspace provision New lease of shared offices with MHDC and others</p>	<p>Q2 2008 Vacate Highways office and relocate highway Inspectors staff to Touchdown at Market Harborough Area Office</p>		<p>Revenue saving</p>
	<p>Q1 2009 Vacate 1st floor Registrars office and relocate staff to Romans Way Day Centre</p>		<p>Transition costs Capital upgrade cost</p>
	<p>Q4 2009 Sell Registrars Office, relocate staff to temporary shared space at MHDC office</p>		<p>Capital receipt New revenue costs Transition cost</p>
	<p>Q2 2012 Terminate Area Office, relocate staff to new shared facility</p>		<p>Revenue saving New revenue costs Transition cost</p>



D: Blaby, Oadby and Wigston			
<p>No of property interests Reduce from 14 to 9</p> <ul style="list-style-type: none"> • Cedar Centre • Centre for the Deaf • Romulus Court • Abington House • Bassett Street • The Drive • Bungalow, 66 The Kingsway • Mansion House, Glenfield • County Hall <p>Total NIA 3,104 sq m (excl County Hall)</p> <p>Total FTE 248 (excl County Hall)</p> <p>Workstation Nos 75 Fixed 43 Mobile 23 Touchdown</p> <p>Achieved thro: Re-locating 122 FTE to County Hall Re-locating 16 FTE to Bridge Park Plaza Rationalisation of space through Improved space utilisation and workspace provision</p>	<p>Q4 2008 Terminate Unit Q Humberstone Lane, relocate staff to Bridge Park Plaza</p>		<p>Revenue saving Transition cost Capital upgrade costs</p>
	<p>Q4 2009 Vacate Stokes PS Bungalow, relocate staff to County Hall</p>		<p>Notional Capital Receipt Transition costs Capital upgrade cost</p>
	<p>Q4 2009 Terminate OEM Building, relocate staff to County Hall</p>		<p>Revenue saving Transition costs Capital upgrade cost</p>
	<p>Q4 2009 Vacate Brocks Hill PS Bungalow, relocate staff to County Hall</p>		<p>Notional Capital Receipt Transition costs Capital upgrade cost</p>
	<p>Q4 2009 The Kingsway, Braunstone – accept inherent physical limitations as a converted bungalow, address routine repairs and maintenance issues, seek to improve energy performance if possible</p>		<p>Capital upgrade cost</p>
	<p>Q4 2009 The Drive, Countesthorpe – accept inherent physical limitations as a converted school, address routine repairs and maintenance issues, seek to improve ICT shortcomings</p>		<p>Capital upgrade cost</p>
	<p>Q4 2009 Abington House, Wigston – accept inherent physical limitations as a converted Victorian house and stable block, address routine repairs and maintenance issues, seek to improve environmental quality</p>		<p>Capital upgrade cost</p>
	<p>Q4 2009 Centre for the Deaf, Leicester – encourage landlord to improve environmental qualities and energy performance and seek to reduce excessive service charge</p>		
	<p>Q2 2010 Terminate 1st floor The Bridges, Blaby, relocate staff to County Hall</p>		<p>Revenue saving Transition costs Capital upgrade cost</p>
	<p>Mansion House – if Glenfield Hospital unable to provide DDA compliant offices to terminate current rent free occupation and relocate staff and any potential co-located staff to County hall</p>		



<ul style="list-style-type: none"> County Hall <p>Total NIA 23,540 sq m (including potential surplus office space)</p> <p>Total FTE 2,143</p> <p>Workstation Nos 1,145 Fixed 523 Mobile 51 Touchdown</p> <p>Achieved thro: Re-locating 429 FTE back-office staff from locality offices to County Hall</p> <p>Reduction and rationalisation of space through improved space utilisation and workspace provision</p> <p>Conversion of released space at County Hall and ESPO to additional offices</p> <p>See separate <i>Use and Footprint Changes – County Hall</i> table for details</p>			
E: Hinckley & South West			
<p>No of property interests Reduce from 4 to 2 including new shared facility</p> <ul style="list-style-type: none"> Croft Dept New shared facility <p>Total NIA 924 sq m</p> <p>Total FTE 154</p> <p>Workstation nos 42 Fixed 35 Mobile 17 Touchdown</p> <p>Achieved thro: Re-locating 16 FTE to County Hall Rationalisation of space through improved space utilisation and workspace provision New lease of shared offices with H&BDC</p>	<p>Q4 2009 Sell Travellers Project Bungalow, relocate staff to County Hall</p>		<p>Capital receipt Transition costs Capital upgrade cost</p>
	<p>Q4 2010 Sell Area Office, relocate staff to new shared facility</p>		<p>Capital receipt Transition costs New revenue costs</p>
	<p>Q4 2010 Sell Registrars Office, relocate staff to new shared facility</p>		<p>Capital receipt Transition costs New revenue costs</p>



F: Coalville & NW			
<p>No of property interests Reduce from 11 to 4</p> <ul style="list-style-type: none"> • High Street • Snibston Touchdown centre • Community Base Hugglescote • New leasehold <p>Total NIA 1038 sq m</p> <p>Total FTE 157</p> <p>Workstation nos 45 Fixed 35 Mobile 13 Touchdown</p> <p>Achieved thro: Re-locating 165 FTE to County Hall Upgrade and rationalisation of space through improved space utilisation and workspace provision Conversion of un-used Library garage New leasehold office</p>	Q4 2009 Extension of Snibston Touchdown Centre		Capital upgrade cost
	Q4 2009 Upgrade of High Street		Capital upgrade cost
	Q4 2009 Upgrade of Community Base, Hugglescote - if landlord cannot resolve physical and environmental improvements and DDA compliance to terminate lease, relocate staff to alternate property		
	Q4 2009 New leasehold office, Coalville		New revenue cost Capital upgrade cost
	Q4 2009 Sell Registrars Office, relocate staff to refurbished Library accommodation		Capital receipt Transition costs Capital refurb cost
	Q4 2009 Terminate Coalville Business Centre, relocate staff to County Hall		Revenue saving Transition costs Capital upgrade cost
	Q2 2010 Terminate Springboard Centre, relocate staff to County Hall		Revenue saving Transition costs Capital upgrade cost
	Q4 2009 Vacate Community Resource Centre admin base, relocate staff to County Hall		Notional capital receipt Transition costs Capital upgrade cost
	Q4 2010 Terminate Gate House, relocate staff to County Hall		Revenue saving Transition costs Capital upgrade cost
	Q4 2009 Terminate Unit 14 The Courtyard, relocate staff to County Hall		Notional revenue saving Transition cost Capital upgrade cost
	Q4 2009 Terminate Canal office, relocate staff to County Hall or Snibston		Notional revenue saving Transition cost Capital upgrade cost
	Q4 2010 Terminate Rothley House, relocate staff to County Hall		Revenue saving Transition costs Capital upgrade cost
Q4 2010 Terminate Quorn House, relocate staff to County Hall		Revenue saving Transition costs Capital upgrade cost	

1. USE AND FOOTPRINT CHANGES – COUNTY HALL

COUNTY HALL: BROAD CHARACTERISTICS OF EXISTING AND FUTURE FOOTPRINT					CASHFLOW IMPLICATIONS
EXISTING		FUTURE: YEAR 0 - 5	TIMETABLE	LONGER TERM	
Floor areas and uses					
<i>Rutland Building</i>					
Offices	6,223	Remove cellular offices, replace with open plan, re-fitting with standardised fixtures and fittings Apply NOMAD principles with immediate effect		Joint office and service delivery centres with other partners (District Councils) could be required on County Hall campus. Accommodation would be available via space released through improved space utilisation	
<i>Pen Lloyd Building</i>					
Offices	7,535	Remove cellular offices, replace with open plan, re-fitting with standardised fixtures and fittings Apply NOMAD principles with immediate effect			
ICT Block	610	Minimal variations but re-fit to standardised fixtures and fittings			
Unison offices	58	Retain			
Prayer Room	37	Retain			
Registrars	107	Terminate ceremony usage (assumed to be outcome of future Registrars Review). Re-locate administrative registration service to Customer Reception Area. Transfer de minimus marriage ceremony requirement to shared committee areas. Refurbish released space as standard office space.			
Reception					

Libraries	190	Release members library for touchdown office space. Terminate current lending library use and use former library as centralised technical Information Centre for County Hall staff		Review future need and accommodation requirements of library/Information Centre as part of larger scale review of space at front of County Hall, including canteen, restaurant, shop, bank, sports and social club, customer reception, under-croft and library	
Access Corridor Space	1,543	Remove unnecessary corridor partitions and refit released space as offices			
Civic Space	676	Reduce total accommodation, refit released and retained space as offices.			
Council Chamber	338	Retain but make more effective use and include in centralised room booking		Consider re-design and expansion of use	
Members First Floor Reception area	303	Retain			
Cabinet Room	43	Retain			
Meeting/Training Rooms	609	Training space to be rationalised through Training Review. Re-fit released space as offices.			
Training (modern apprenticeships)	66	Total overall floor area for meeting and break-out purposes to be increased (see below) as part of re-furb programme for standardising office space. Existing basement meeting rooms to be returned to storage.			
Modern Records	228	Retain	Subject to future Information Management Strategy	Information Management Strategy likely to release current office and storage space used for hard copy storage and archiving. Would result in additional potential office space	



Reprographics	265	Retain in short term. Recommend review of Reprographic Services to identify best value solution for future service delivery.		Possibility of releasing vacated Reprographic Services space for additional potential office space, subject to future proposed Review of Reprographic Services.	
Canteen and restaurant	624	Upgrade existing areas and facilities. Provide self-serve refreshment facilities in office areas. Expand use of canteen for meeting purposes. Make wider and more effective use of restaurant facilities.		Review future need and accommodation requirements of canteen and restaurant facilities as part of larger scale review of space at front of County Hall, including canteen, restaurant, sports and social club, shop, bank, customer reception, under-croft and library	
Kitchens, prep rooms & stores	247				
Shop	83	Retain in short term.		Review future need and accommodation requirements of shop and bank as part of larger scale review of space at front of County Hall, including canteen, restaurant, sports and social club, shop, bank, customer reception, under-croft and library	
Bank	30				
Sports and Social Club	223	Retain		Review future need and accommodation requirements of canteen and restaurant facilities as part of larger scale review of space at front of County Hall, including canteen, restaurant, sports and social club, customer reception, croft and library	
Storage – within office areas	966	Storage reprovided as part of office upgrade. Existing storage areas released as potential additional office space			
Storage – with basement areas	968	Retain, discontinue use for meeting purposes and use for storage only			
ESPO Building					
Office	482	Re-fit and extend to provide 1881 sq m offices			
Storage	5058	Retain and release to provide 3658 sq m storage			
Eastern Sports Ground					

Sports ground			Q3 2008 Sell to UHL		Zero capital receipt – already claimed in Capital Programme
Sports pavilion		Re-provide sports pavilion elsewhere on County Hall campus, probably on redeveloped Western Sport Ground (see below)			Zero cash flow implications – not part of Office Strategy
Western Sports Ground					
Sports ground			Q4 2008 redevelop as relocated Sports Facilities		Zero cash flow implications – not part of Office Strategy
Forestry and DLO Depot		Retain as existing		Recommend future Review of Forestry and Depot site to identify best value solution for future service delivery. Possibility of releasing vacated space for future office/storage development and use	Not part of Office Strategy
Western Annexe					
Ground floor		Retain as existing 0 – 2 years. Review alternative use and development Year 3		Possibility of creating additional potential office space	
First floor storage	163				
Fire & Rescue HQ (not currently LCC owned)		Review possible acquisition upon vacation by current owner		Possibility of creating additional potential office space	



Green Wedge overflow car park	Retain part as continued overflow parking. Remainder to be developed as multi-surface playfield area			Zero cash flow implications – not part of Office Strategy
Car Parking areas	Retain as existing			

2. COUNTY HALL: SUMMARY OF PHYSICAL FOOTPRINT FOR EXISTING AND FUTURE (0 – 5 YEARS)

EXISTING	FUTURE 0-5 YEARS			
Total NIA offices 14,426sq m situated in: <ul style="list-style-type: none"> • Pen Lloyd • Rutland 	Total NIA offices actually required 12,031 1,719 workstations at 7sqm per workstation (includes immediate personal storage) = 12,031 sq m situated in: <ul style="list-style-type: none"> • Pen Lloyd • Rutland • ESPO 			
Total NIA meeting rooms 674 sq m	Total NIA meeting rooms, break out space and cellular offices 1,358 sq m 1,719 workstations at 0.79 sq m per workstation =1,358sqm comprising meeting rooms, breakout space and cellular offices.			
Total NIA high density storage: Not possible to calculate but likely to be significant floor area	Total NIA high density storage 859 sq m 1719 workstations X 0.5sqm = 859 sq m in County Hall building			
Total NIA circulation space Not possible to calculate but likely to be significant floor area	Total NIA circulation space 2870 sq m 1719 workstations x 1.67 sq m = 2870 sq m			
Total FTE 1,713.5	Total FTE 2,143			
Workstation numbers: 1,987	Workstation numbers: 1719			
1,987 Fixed	1,145 Fixed Based on 1 FTE :1 workstation			
0 Mobile/hot-desking	523 Mobile/hot-desking Based on 7 FTE: 10 workstations			
0 Touchdown	51 Touchdown			
	Based on 5 FTE: 1 workstations			

Space utilisation:	Space utilisation:			
11.8 sq m per workstation including immediate personal storage	7 sq m/ workstation including immediate personal storage			
Average 1.15 workstations per FTE	Average 0.80 workstations per FTE			
Main Reception Area 301 sq m	Main Reception Area retain at 301 sq m			
Libraries 190 sq m	Information Centre 190 sq m			
Civic space 676 sq m	Civic space 500sqm			
Cabinet Room 43 sq m	Cabinet Room 43sqm			
Council Chamber 338 sq m	Council Chamber 338sqm			
Members First Floor reception area 303 sq m	Members First Floor reception area 303 sq m			
Prayer room 37 sq m	Prayer room 37 sq m			
Unison office 58 sq m	Unison office 58 sq m			
Canteen Restaurant kitchens prep etc 871sqm	Canteen/restaurant, kitchens retain at 871 sq m			
Shop 83 sq m	Shop retain at 83 sq m			
Bank 30 sq m	Bank retain at 30 sq m			
Sports and Social Club 223sqm	Sports and Social Club retain at 223sqm			
Reprographics 265 sq m	Reprographics retain at 265sqm			
Modern Records 228 sq m	Modern Records retain at 228sqm			



Registrars 107 sq m	Registrars 0 sq m/Potential additional surplus offices Existing registrars converted to offices, administrative registration function transferred to Main Reception Area			
Storage – within basement areas 968 sq m	Retain basement storage 968 sq m			
Storage – within office areas 966 sq m	Potential additional/surplus offices 966 sq m			
ESPO storage 5058 sq m	Potential additional/surplus storage 3658 sq m			

3. CAPITAL UPGRADE COST FOR COUNTY HALL (Excludes Storage and ICT costs)

	Floor area	Capital upgrade cost per sq m	£
i) SPACE REQUIRED FOR LCC			
Total office area for 1719 workstations , comprising workstations, local storage, high density storage, meeting rooms, cellular offices, break out space, circulation space: 1719 @ 9.95 (this excludes reception and canteen areas as these areas are identified separately below)	17,118	@ £475 per sq m	8,131,050
Main Reception Area	301	@ £475 per sq m	142,975
Information Centre	190	@ £0 per sq m	0
Civic Space	500	@ £475 per sq m	237,500
Cabinet Room	43	@ £0 per sq m	0
Council Chamber	338	@ £0 per sq m	0
Members First Floor Reception Area	303	@ £0 per sq m	0
Canteen/restaurant, kitchens	871	@ £500 per sq m	435,500
Shop	83	@ £0 per sq m	0
Bank	30	@ £0 per sq m	0
Prayer room	37	@ £0 per sq m	0
Unison office	58	@ £0 per sq m	0
Sports and Social Club	223	@ £0 per sq m	0

Reprographics	265	@ £0 per sq m	0
Modern Records	228	@ £0 per sq m	0
Basement storage	968	@ £0 per sq m	0
TOTAL SPACE REQUIRED BY LCC AT COUNTY HALL	21,556		
TOTAL CAPITAL UPGRADE COSTS FOR SPACE REQUIRED BY LCC			8,947,025
ii) POTENTIAL SURPLUS ACCOMMODATION			
Total existing floor area at County Hall	23,540		
Less total space required by LCC	<u>21,556</u>		
Surplus potential office space (eg through released storage areas, Registrars, members' offices and more efficient space utilisation)	1,984	@ £475 per sq m	942,400
Surplus ESPO storage space	5,085	@ £0 per sq m	0
TOTAL CAPITAL UPGRADE COSTS FOR POTENTIAL SURPLUS SPACE AT COUNTY HALL			942,400
iii) POTENTIAL SURPLUS ACCOMMODATION: RENTAL VALUE/INCOME			
Office space – (excludes fixtures and fittings)	1,984	@ £150 per sq m	£297,600 pax
Total available storage space in Espo	5,464	sqm	£218,560 pax
Less additional space reclaimed for extended office provision.	379	sqm	
Total	5,085	@ £40	£203,400 pax
Storage space	3,245	@ £40 per sq m	£129,800 pax

Space required for document storage for LCC	1,840	@ £40 per sq m	£73,600 pax
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Additional assumptions for capital upgrade costs

- 3 year programme to complete refurbishment of County Hall
- Total capital upgrade costs to be spread equally over 3 year programme
- To include additional 15% for professional fees
- To include additional 5% for contingency

4. CAPITAL REPAIRS AND MAINTENANCE IMPROVEMENT COSTS AT COUNTY HALL (INHERENT 'MILLSTONE COSTS') UNDERTAKEN IN ADDITION TO ABOVE CAPITAL UPGRADE

ITEM	COST	
Replacement heating system for Pen Lloyd Building	Net Increase £0	£3m (Est) Not proceeding (DMC) Condition Survey includes £382K which will be used for repairs to current system – Return on replacement cost not viable.
Replacement electrical System for Pen Lloyd	Net Increase £1.5m	£3m (Est) Additional cost reduced as current condition survey included £1.5m backlog
Completion of replacement window system	Net Increase £323,900	£1m (Est) Additional cost reduced to as current condition survey included £676,100 backlog
	Total Increase on Capital £1.825m	



SUMMARY OF PHASED VACATION, TERMINATION, ACQUISITION/LEASING FOR COUNTY WIDE OFFICES

Also identifies affected FTE numbers

Property	2008		2009		2010		2011		2012	
	Quarter	FTE	Quarter	FTE	Quarter	FTE	Quarter	FTE	Quarter	FTE
A: Charnwood and Soar Valley										
Sell Garden Street, Syston			Q4	14						
Sell Lough Registrars Office			Q4	1.7						
Sell Divisional Office, Gladstone			Q4	21.5						
Terminate Lough Coroners office			Q4	3						
Terminate 1 st floor, Churchgate			Q4	4						
Terminate Ark	Q4	2								
Terminate Fernleigh	Q2	2.5								
Terminate Brook St, Syston					Q2	9				
Terminate Holly Hayes					Q2	18				
Terminate Rothley Cross Roads									Q4	67
Terminate Station Avenue, Loughboro Student Support					Q1	18				
B: Melton & NE										
Terminate Ward 1 St Mary's	Q2	2								
Sell Area Office					Q4	63.2				
Vacate The Mount					Q4	12				
Terminate Registrars	Q2	1								
Lease new shared facility					Q4	76				
C: Harborough & South										
Vacate Highways Office	Q2	12.5								
Vacate 1 st floor Registrars office			Q1	1						
Sell Registrar's office			Q4	1						
Terminate Area office									Q2	37
New temporary lease in MHDC office			Q4	1						
Lease new shared facility									Q2	37
D: Blaby, Oadby & Wigston										
Terminate Unit Q, DAT, Leicester	Q4	16.2								
Vacate Brocks Hill			Q4	3.5						
Vacate Stokes Bungalow			Q4	5						
Terminate OEM			Q4	32						
Terminate Bridges, Blaby					Q2	11				
E: Hinckley & South West										
Sell Travellers Project Bungalow			Q4	4						
Sell Area Office					Q4	131				
Sell Registrars					Q4	1.4				
Lease new shared facility					Q4	154				
F: Coalville & NW										
Sell Registrars office			Q4	1						
Terminate Business Centre			Q4	17.2						
Terminate Springboard Centre					Q2	5.4				
Vacate Community Resource admin base			Q4	4.5						
Terminate Gate House					Q4	5				
Terminate Rothley House					Q4	112				
Terminate Quorn House					Q4	16.5				
Terminate Unit 14 Courtyard			Q4	5						
Terminate Canal Office Measham			Q4	1						
Lease new facility			Q4	10 (estimated)						

Appendix 5 Discounted Cash Flow (DCF) Options Appraisal



SUMMARY PROJECTIONS OF OPTIONS 1 AND 2

Year 0	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27		
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026		
Option 1 - Status Quo	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
Property/ Capital Costs																					
Difference in residual values of Options 1 and 2																					
Capital Cost (New Build/ Refurb)																					
ESPO	(550,000)																				
C.Hall 'millstone'		(1,825,000)																			
	(550,000)		(1,825,000)																		
Running Costs																					
Rent paid	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	
Rates	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	
Other Occupancy Costs (Service Charges)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	
Energy Costs	(1,383,634)	(1,411,307)	(1,404,533)	(1,432,624)	(1,461,276)	(1,490,502)	(1,520,312)	(1,550,718)	(1,581,732)	(1,613,367)	(1,645,634)	(1,678,542)	(1,712,116)	(1,746,360)	(1,781,287)	(1,816,913)	(1,853,251)	(1,890,316)	(1,928,123)	(1,966,670)	
Property Operation	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	
Maintenance Backlog/ Dilaps	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	(637,757)	
Management Costs (10% of rent)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	
Churn Costs (400 pa @ £1,500)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	
Annual rental value of unused ESPO storage space			218,560	218,560	218,560	218,560	218,560	218,560	218,560	218,560	218,560	218,560	218,560	218,560	218,560	218,560	218,560	218,560	218,560	218,560	
	(6,224,917)	(6,252,590)	(6,027,256)	(6,055,346)	(6,083,999)	(6,113,224)	(6,143,034)	(6,173,441)	(6,204,455)	(6,236,090)	(6,268,000)	(6,299,317)	(6,330,983)	(6,362,926)	(6,395,178)	(6,427,759)	(6,460,599)	(6,493,728)	(6,527,177)	(6,560,976)	
CASHFLOW	-	(6,224,917)	(8,077,590)	(6,027,256)	(6,055,346)	(6,083,999)	(6,113,224)	(6,143,034)	(6,173,441)	(6,204,455)	(6,236,090)	(6,268,000)	(6,299,317)	(6,330,983)	(6,362,926)	(6,395,178)	(6,427,759)	(6,460,599)	(6,493,728)	(6,527,177)	
Discount Factor @ - 4.8% (PWLB)	1.0000	0.9542	0.9105	0.8688	0.8290	0.7910	0.7548	0.7202	0.6872	0.6558	0.6257	0.5971	0.5697	0.5436	0.5187	0.4950	0.4723	0.4507	0.4300	0.4103	
NPC	-	(5,939,806)	(7,354,603)	(5,236,436)	(5,019,886)	(4,812,633)	(4,614,266)	(4,424,396)	(4,242,648)	(4,068,666)	(3,902,210)	(3,743,167)	(3,591,485)	(3,447,117)	(3,309,105)	(3,176,503)	(3,048,464)	(2,924,842)	(2,805,700)	(2,691,000)	(2,580,792)
Cumulative NPC	-	(5,939,806)	(13,294,409)	(18,530,844)	(23,550,730)	(28,363,363)	(32,977,629)	(37,402,025)	(41,644,673)	(45,713,340)	(49,615,450)	(53,371,317)	(56,999,956)	(60,519,481)	(63,940,026)	(67,271,723)	(70,524,610)	(73,708,739)	(76,834,250)	(80,001,042)	(83,208,074)
Net Present Cost @ 4.8%	(89,372,325)																				

Energy Costs excess inflator 100% yr1, then 2%pa 2%

Year 0	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	
Option 2 - Hub & Spokes																				
Property/ Capital Costs																				
Disposal		1,772,500	2,070,000																	
Capital Cost: New Build/ Refurb (including fees & contingency)	(54,000)	(6,955,770)	(4,018,104)	(4,111,770)	(18,043)															
ESPO	(550,000)																			
Lease exit costs (contingency)	(5,000)	(15,000)	(44,000)		(15,000)															
Transition Costs	(6,588)	(41,666)	(145,296)		(34,955)															
	(550,000)	(65,588)	(5,239,936)	(2,137,400)	(4,111,770)	(67,998)														
Running Costs																				
i) Retained properties																				
Rent paid	(641,909)	(586,900)	(462,529)	(424,859)	(355,660)	(273,662)	(273,662)	(273,662)	(273,662)	(273,662)	(273,662)	(273,662)	(273,662)	(273,662)	(273,662)	(273,662)	(273,662)	(273,662)	(273,662)	(273,662)
Rent paid	(803,945)	(778,338)	(704,505)	(663,660)	(637,179)	(609,643)	(609,643)	(609,643)	(609,643)	(609,643)	(609,643)	(609,643)	(609,643)	(609,643)	(609,643)	(609,643)	(609,643)	(609,643)	(609,643)	(609,643)
Other Occupancy Costs (Service Charges)	(54,200)	(40,680)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)
Energy Costs	(1,380,598)	(1,381,233)	(1,280,291)	(1,223,172)	(1,162,426)	(1,102,869)	(1,049,244)	(992,566)	(936,024)	(876,624)	(814,264)	(749,944)	(683,664)	(615,324)	(545,924)	(475,464)	(403,984)	(331,464)	(258,884)	(186,244)
Property Operation	(2,005,816)	(1,962,608)	(1,768,392)	(1,576,118)	(1,343,151)	(1,076,772)	(816,772)	(566,772)	(324,772)	(84,772)	(158,772)	(158,772)	(158,772)	(158,772)	(158,772)	(158,772)	(158,772)	(158,772)	(158,772)	(158,772)
Maintenance Backlog/ Dilaps	(632,757)	(588,321)	(462,253)	(354,785)	(262,719)	(192,719)	(132,719)	(72,719)	(12,719)	(32,719)	(32,719)	(32,719)	(32,719)	(32,719)	(32,719)	(32,719)	(32,719)	(32,719)	(32,719)	(32,719)
Management Costs (10% of rent)	(64,191)	(58,690)	(46,253)	(35,486)	(26,271)	(19,271)	(13,271)	(7,271)	(1,271)	(3,271)	(3,271)	(3,271)	(3,271)	(3,271)	(3,271)	(3,271)	(3,271)	(3,271)	(3,271)	(3,271)
ii) New properties																				
Rent	-	-	(24,231)	(193,844)	(222,547)	(239,768)	(239,768)	(239,768)	(239,768)	(239,768)	(239,768)	(239,768)	(239,768)	(239,768)	(239,768)	(239,768)	(239,768)	(239,768)	(239,768)	(239,768)
All other property costs (including rates)	-	-	(22,963)	(183,701)	(210,902)	(227,222)	(227,222)	(227,222)	(227,222)	(227,222)	(227,222)	(227,222)	(227,222)	(227,222)	(227,222)	(227,222)	(227,222)	(227,222)	(227,222)	(227,222)
Management Costs (10% of rent)	-	-	(2,423)	(19,384)	(22,255)	(23,977)	(23,977)	(23,977)	(23,977)	(23,977)	(23,977)	(23,977)	(23,977)	(23,977)	(23,977)	(23,977)	(23,977)	(23,977)	(23,977)	(23,977)
Churn Costs (100 @ £250)	(500,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Project Management Costs (provisional)		(200,000)	(200,000)	(200,000)																
Annual rental value of released:																				
Office space						297,600	297,600	297,600	297,600	297,600	297,600	297,600	297,600	297,600	297,600	297,600	297,600	297,600	297,600	297,600
ESPO storage space (excluding space required for displaced LCC storage)							129,800	129,800	129,800	129,800	129,800	129,800	129,800	129,800	129,800	129,800	129,800	129,800	129,800	129,800
ESPO LCC storage space - revenue costs						(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)
	(6,088,417)	(5,665,666)	(5,146,168)	(5,117,267)	(4,825,282)	(4,434,613)	(4,329,370)	(4,354,419)	(4,379,968)	(4,406,029)	(4,390,935)	(4,395,048)	(4,362,704)	(4,399,912)	(4,019,685)	(4,049,033)	(4,078,969)	(4,109,503)	(4,140,647)	(4,140,647)
CASHFLOW	-	(6,154,005)	(10,905,602)	(7,283,567)	(9,229,037)	(4,893,280)	(4,434,613)	(4,329,370)	(4,354,419)	(4,379,968)	(4,406,029)	(4,390,935)	(4,395,048)	(4,362,704)	(4,399,912)	(4,019,685)	(4,049,033)	(4,078,969)	(4,109,503)	(4,140,647)
Discount Factor @ - 4.8% (PWLB)	1.0000	0.9542	0.9105	0.8688	0.8290	0.7910	0.7548	0.7202	0.6872	0.6558	0.6257	0.5971	0.5697	0.5436	0.5187	0.4950	0.4723	0.4507	0.4300	0.4103
NPC	-	(5,872,142)	(9,929,493)	(6,327,910)	(7,650,878)	(8,707,737)	(9,487,249)	(10,002,540)	(10,372,231)											

2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
2027	2028	2029	2030	2031	2032	2033
20	21	22	23	24	25	26
						1,988,350
-	-	-	-	-	-	1,988,350
(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)	(655,601)
(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)	(806,137)
(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)	(65,632)
(1,966,685)	(2,006,019)	(2,046,139)	(2,087,062)	(2,128,803)	(2,171,379)	(2,214,807)
(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)	(2,010,594)
(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)	(65,560)
(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)
218,560	218,560	218,560	218,560	218,560	218,560	218,560
(5,951,651)	(5,990,984)	(6,031,105)	(6,072,027)	(6,113,769)	(6,156,345)	(6,199,772)
(5,951,651)	(5,990,984)	(6,031,105)	(6,072,027)	(6,113,769)	(6,156,345)	(6,211,422)
0.3915	0.3736	0.3565	0.3402	0.3246	0.3097	0.2955
(2,330,300)	(2,238,264)	(2,150,050)	(2,065,495)	(1,984,441)	(1,906,737)	(1,832,240)
(77,782,721)	(80,020,984)	(82,171,035)	(84,236,530)	(86,220,971)	(88,127,709)	(89,372,325)

2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
(273,662)	(273,662)	(273,662)	(273,662)	(273,662)	(273,662)	(273,662)
(609,643)	(609,643)	(609,643)	(609,643)	(609,643)	(609,643)	(609,643)
(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)	(21,259)
(1,620,147)	(1,852,549)	(1,685,500)	(1,719,312)	(1,753,699)	(1,788,773)	(1,824,548)
(1,518,772)	(1,518,772)	(1,518,772)	(1,518,772)	(1,518,772)	(1,518,772)	(1,518,772)
(27,366)	(27,366)	(27,366)	(27,366)	(27,366)	(27,366)	(27,366)
(239,768)	(239,768)	(239,768)	(239,768)	(239,768)	(239,768)	(239,768)
(227,222)	(227,222)	(227,222)	(227,222)	(227,222)	(227,222)	(227,222)
(23,977)	(23,977)	(23,977)	(23,977)	(23,977)	(23,977)	(23,977)
(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
297,600	297,600	297,600	297,600	297,600	297,600	297,600
129,800	129,800	129,800	129,800	129,800	129,800	129,800
(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)
(4,172,415)	(4,204,818)	(4,237,869)	(4,271,581)	(4,305,967)	(4,341,041)	(4,376,817)
(4,172,415)	(4,204,818)	(4,237,869)	(4,271,581)	(4,305,967)	(4,341,041)	(4,376,817)
0.3915	0.3736	0.3565	0.3402	0.3246	0.3097	0.2955
(1,633,661)	(1,570,942)	(1,510,773)	(1,453,045)	(1,397,655)	(1,344,503)	(1,293,496)
(68,378,135)	(69,949,077)	(71,459,850)	(72,912,895)	(74,310,550)	(75,655,054)	(76,948,549)

(5,951,651)	(5,990,984)	(6,031,105)	(6,072,027)	(6,113,769)	(6,156,345)	(6,199,772)
0.3915	0.3736	0.3565	0.3402	0.3246	0.3097	0.2955
(2,330,300)	(2,238,264)	(2,150,050)	(2,065,495)	(1,984,441)	(1,906,737)	(1,832,240)
(4,172,415)	(4,204,818)	(4,237,869)	(4,271,581)	(4,305,967)	(4,341,041)	(4,376,817)
0.3915	0.3736	0.3565	0.3402	0.3246	0.3097	0.2955
(1,633,661)	(1,570,942)	(1,510,773)	(1,453,045)	(1,397,655)	(1,344,503)	(1,293,496)
696,639	667,321	639,277	612,450	586,786	562,234	538,744



Appendix 6 Discounted Cash Flow (DCF) Options Appraisal Assumptions



6.DCF Options Appraisal Assumptions

6.1 Office Review Modelling 2008 – Notes and Assumptions

Option 1 – Status Quo

Residual Values:

The net projected residual value of both Options is shown in the final year of the model: Option 1 £21,896m, Option 2 £19,908m, producing a net figure of £1.988m.

Capital Costs:

ESPO – both options include a figure of £0.55m regarding works already in progress regarding the roof of the old ESPO building (Eastern Annex)

County Hall ‘millstone’ costs – these are in addition to capital upgrade costs and backlog maintenance:

- £1.5m replacement of electrical system for Pen Lloyd building
- £0.325m completion of replacement window system

(See “Use and Footprint Changes – County Hall” for more details)

The £1.825m is shown as a separate item in Option 1 and is incorporated in the “capital cost:new build/refurb” line in Option 2, with the expenditure falling in 2009-10.

Running Costs:

Running costs for the current office estate were identified using 2007-08 actuals. Energy costs are projected to increase by 100% in 2008-09 and subsequently by an average of 2% p.a. over general inflation, given recent trends and forecasts.

Maintenance Backlog/ Dilapidation

The current backlog is assumed to be met over a 10-year period. Condition survey costs have been estimated for each property.

Management costs

These were estimated on the basis of 10% of rent.

Churn Costs

Expenditure on churn in recent years was averaged at around 400 cases at £1,500 each.

Rental of unused ESPO storage space

See “Use and Footprint Changes – County Hall” – 5,464 m² of storage space in the

old ESPO building is estimated to be surplus under the Status Quo option and rental income based on £40 per m² is included in that Option from 2010-11 onwards. (This space may be leased for a reduced charge, or no charge, to a partner organisation but the projections for both Options assume a lease at a market rate.)

Option 2 – Hub & Spokes

Disposal

Disposals of surplus freehold properties have been assumed to be made in the financial year in which the properties are vacated. Disposals are based on the market value of the properties.

Capital Costs:

Capital upgrade costs have been included for properties that will be retained.

Works at County Hall comprise the largest element (£11.7m), based on £475 per m² for the majority of accommodation (with £500 per m² for the canteen /restaurant and kitchen areas). This includes total also includes the £1.825m ‘millstone costs’ referred to above in Option 1.

Works at other retained properties have been based initially on £300 per m², with the figures being adjusted where necessary to reflect the particular requirements at each building. Allowance has also been made for additional expenditure on properties to reduce future running costs.

A number of new leasehold offices (mainly shared facilities) are envisaged; ICT upgrade costs have been estimated for these.

Contingencies have been included for professional fees (15%) and additional costs (5%).

Lease exit costs

Exit costs have been estimated for leasehold properties which are planned to be vacated as part of the review.

Transition costs

These have been estimated on the basis of the number of FTE staff at each property to be vacated, applying an average general cost of £300 plus a further £62 regarding ICT requirements.

Running Costs – retained properties

The running costs for retained properties have been projected on the basis of the current office estate, with the costs for properties being removed from the mid-point of the quarter in which they are projected to be vacated.



Running costs – new properties

The estimated rental costs of new shared facilities and other new offices have been estimated on the basis of £172 per m²

All other property costs (including rates) on the new offices has been estimated at £163 per m²

Project Management Costs

Provisional figures of £200,000 p.a. have been included for the three years 2009-10 to 2011-12 for additional management costs that are likely to be incurred during those years, when the majority of accommodation changes are due to take place.

Annual rental value

(Released space may be leased for a reduced charge, or no charge, to a partner organisation but the projections for both Options assume a lease at market rates.)

See “Use and Footprint Changes – County Hall”.

Office space – estimated as 1,984 m² at £150 per m²

ESPO storage space – estimated at 3,245 m² at £40 per m²; assumed that the first year's rent will be offset by works to divide the total available storage space (5,085m²) to provide LCC document storage(1,840 m²) and other storage space.

Revenue costs of £13,000 p.a. have been included regarding the estimated costs of operating the additional LCC document storage in the former ESPO building.





