

**MAKING ASSETS COUNT: MARCH OFFICE RATIONALISATION PROJECT -
HEREWARD HALL**

To: **General Purposes Committee**

Meeting Date: **7 October 2014**

From: **Chief Finance Officer**

Electoral division(s): **March North**

Forward Plan ref: **2014/040** *Key decision:* **Yes**

Purpose: **This report sets out the preferred option arising from the March Office Rationalisation Business Case regarding Hereward Hall, March.**

Recommendation: **General Purposes Committee is recommended to:**

- a) Declare Hereward Hall surplus to requirements and dispose of the property.**
- b) Authorise the Director of Finance to agree the detailed terms for the disposal of Hereward Hall, in consultation with the Chairman of the General Purposes Committee.**

<i>Officer contact:</i>	
Name:	David Bethell
Post:	MAC Programme Manager
Email:	david.bethell@cambridgeshire.gov.uk
Tel:	01223 715687

1. BACKGROUND

- 1.1 Cambridgeshire County Council (CCC) and Fenland District Council (FDC) are under increasing service and financial pressure brought about by an aging population, increasing user expectations and the challenging state of the public finances. As property and its use is a key financial and operational cost, it is imperative to rationalise the public sector property portfolio to:
 - Generate financial savings (capital and revenue).
 - Maximise the joint use of space.
 - Increase the flexible use of that space.
 - Explore greater synergy in service delivery for service users.
 - Co-locate and consolidate services into a fewer number of properties to help deliver savings that are essential to maintain front line services.
- 1.2 The leadership in both Councils accept the status quo is not an option. For the foreseeable future, resources will continue to reduce and both organisations are likely to seek further reductions in staff numbers and develop more flexible and modern ways of working – therefore requiring less accommodation.
- 1.3 Cambridgeshire County Council and Fenland District Council have a significant amount of under-utilised floor space in their main office accommodation in March, namely Hereward Hall and Fenland Hall respectively. Cambridgeshire County Council has previously identified Hereward Hall within its office rationalisation work for vacation and possible disposal/alternative uses. Fenland Hall is of a design that limits modern working practices and is inefficient to run, with the building/site better suited to alternative uses that support the economy and communities of March and environs.
- 1.4 Fenland District Council and Cambridgeshire County Council are jointly sponsoring this project under the auspices of the Making Assets Count (MAC) Programme. MAC is the public sector programme that brings public sector organisations together in a partnership that uses their combined property portfolio in a more efficient and effective manner.
- 1.5 Preparatory work in 2013 undertaken by the East of England Local Government Association on behalf of both Councils demonstrated a strong potential for significant revenue savings, service improvements and capital receipts through a robust rationalisation of existing buildings and intensive use of retained office accommodation in March and Fenland.
- 1.6 March is the second largest market town in Fenland with a population of approximately 22,000 (in 2012). The town comprises a fairly diverse range of public and voluntary sector property assets. The project focuses on four of these assets:
 - Fenland Hall (Fenland District Council).
 - Hereward Hall (Cambridgeshire County Council).
 - The Base (Fenland District Council Depot).
 - Cambridgeshire County Council Highways Depot.
- 1.7 A Full Business Case was therefore commissioned in 2014 to detail the rationalisation proposals, financially and non-financially evaluate the options

and recommend a preferred option. The Full Business Case examined the preferred solution for the office accommodation and then for the two depot sites. However, this report to General Purposes Committee is presenting a recommendation only in respect of the office accommodation component (Hereward Hall/Fenland Hall). **Appendix 1** summarises the options considered in the Business Case.

2. BUSINESS CASE CONCLUSIONS

- 2.1 The Full Business Case (version 0.5.6) was completed 24 July 2014 and presented to the Chief Executives of the County and District Councils as Sponsors of the project. The recommendations from the Full Business Case are progressing through both Councils' decision-making processes. Further refinement of elements of the Full Business Case have taken place throughout August and early September, with the final version of the Full Business Case (version 1.0) being completed the end of September. This work has not altered the recommendation in the draft submitted to the sponsors in July.
- 2.2 The specific project objectives were developed through the steer given by the Project Sponsors, which reflect the critical needs of the two organisations, and the overall objectives for the MAC Programme objectives. The objectives for the rationalisation of the combined property estate in March are:
- Achieving savings for partners (reduced operational running costs)
 - Making best use of assets
 - Maximising receipts (capital/revenue)
 - Improving service delivery for partners and service users
 - Improving partner collaboration and joint working, promoting improved partner synergies and culture
 - Increase modern ways of working (such as hot desking, space management, mobile working, flexible hours, digital filing etc)
- 2.3 Each of the options identified in the Full Business Case was assessed against these objectives. The non-financial assessment for the two offices returned the highest weighted score for option 1 "Retain Hereward Hall, dispose of Fenland Hall". There was a significant gap between this option and option 2 "Retain Fenland Hall, dispose of Hereward Hall". Option 3 "Dispose of both Hereward Hall and Fenland Hall, relocate to new site" was in third place.
- 2.4 A financial appraisal was also undertaken. This examined capital expenditure and receipts and changes in ongoing revenue costs. The financial appraisal indicated that option 1 "Retain Hereward Hall, dispose of Fenland Hall" was the most favourable, with revenue cost savings significantly below baseline and capital receipts generated for both partners.
- 2.5 The Business Case concluded that the preferred solution for the partners' main office accommodation in March is as follows: **Offices Option 1:"Retain Hereward Hall, dispose of Fenland Hall"**. This means that:
- Cambridgeshire County Council vacates Hereward Hall and declares the property surplus to County Council requirements. The County Council relocates its staff to other under-utilised properties.
 - The County Council makes annual revenue savings and generates a capital receipt, which could be used to support front-line services.

- Fenland District Council relocates to Hereward Hall and has the opportunity to instigate modern and flexible working practices.
 - The Fenland Hall site is made available for redevelopment/reuse as appropriate, benefitting the local March economy.
- 2.6 Fenland District Council are planning to provide hotdesk facilities at March (in Hereward Hall), Chatteris and Wisbech for use by the District Council, County Council and other public sector partners. This will allow joint working and better services to the community to be delivered. Additionally, there is the potential for some District Council staff to relocate to Awdry House, Wisbech, further facilitating joint working between the Councils.
- 2.7 The Smarter Business Programme is undertaking investigations to determine the best location for Hereward Hall-based teams and identify co-location opportunities with partners (including Fenland District Council).
- 2.8 In respect of the two depot sites, the Full Business Case concluded that the preferred solution was: **Depot Option (a) “Retain the Base and dispose of the majority of the County’s Highways depot”¹**. It is intended that the office and depot projects be delivered in a parallel timeframe. It is expected that the operational decision regarding the County Council’s depot relocation will be made by November/December 2014, with planned completion of the depot relocation by Spring 2015 (weather dependant).
- 2.9 Hereward Hall has been identified as a property for disposal in the first round of property rationalisation through the Effective Property Asset Management project (EPAM), which is helping to deliver revenue savings through the County Council’s Accommodation Strategy². This Strategy states that the over-arching requirement will be to reduce the County Council’s office portfolio with multi-service bases in Cambridge, Wisbech, Huntingdon and Ely. All locations will be used in the most efficient way possible to reduce under occupancy and maximise joint working. The planned timescale identified by EPAM for vacation of Hereward Hall (early 2015) fits with the timescale for the MAC March Office Rationalisation project. The MAC project therefore supports the County Councils’ budget saving targets, with estimated revenue savings of £103,000 p.a. on disposal. Furthermore the County Council will receive a substantial capital receipt from the disposal.
- 2.10 This opportunity has been developed through the collaborative partnership working delivered by MAC, and provides significant revenue and capital benefits to the County Council and FDC individually; and a gain for the public sector as a whole. This proposal would start to accrue savings very quickly for both partners and would enable the introduction of modern working practices

¹ This would mean that:

- Fenland District Council’s depot The Base is retained and modern working practices instigated to facilitate joint working, particularly the co-location of ‘streetscene’ related teams from both authorities.
- A majority of the County Council’s Highways depot site is declared surplus to requirements and disposed/redeveloped.
- The County Council relocate to The Base, retaining the winter maintenance area of the existing site, to mitigate the expense of reproviding the salt dome.

² Available from Julia Turner (julia.turner@cambridgeshire.gov.uk)

for the District Council. Savings can be used by both partners to support front-line services and other priorities.

- 2.11 Fenland District Council is estimated to receive significant revenue benefits on exiting Fenland Hall (in the order of halving their current running costs), and a substantial capital receipt. Whilst an initial valuation has been obtained for the Business Case, a further valuation was sought in line with both Councils' good practice.
- 2.12 Fenland District Council have given early indications that they would wish to purchase the freehold of Hereward Hall (terms to be agreed) should its Cabinet and Full Council formally endorse the recommended option set out in 2.5 (above).
- 2.13 Therefore, in accordance with the agreed MAC policy for disposals between partners, the County Council would sell Hereward Hall for best consideration reflecting its existing use as offices with vacant possession. The County Council would include overage provisions to protect its position if in future an alternative value were to be realised.
- 2.14 The County Council would formally declare the property surplus to requirements. Hereward Hall would be sold to FDC in accordance with the principles of Making Assets Count – based on independent valuations jointly commissioned by the County Council and FDC. For the purposes of the Business Case an initial independent valuation was undertaken for Hereward Hall in May 2014 for its existing and alternative use. A further valuation was completed in September 2014 to inform discussions on the final figure, in accordance with the MAC best practice protocol, and the County Council's disposal policy.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 Developing the local economy for the benefit of all

Fenland District Council is able to redevelop the Fenland Hall site to improve the local economy in March and environs. Redevelopment options could include, for example, housing (market and affordable), business centre units, smaller office accommodation etc.

3.2 Helping people live healthy and independent lives

Capital receipts and revenue savings can reduce the financial impact of budget pressures on front-line services, including helping people live healthy and independent lives.

3.3 Supporting and protecting vulnerable people

Capital receipts and revenue savings can reduce the financial impact of budget pressures on front-line services, including supporting and protecting vulnerable people.

The project offers co-location and joint working benefits for teams that support and protect vulnerable people – either with other County Council service or with partner organisations. In particular, co-location and joint working between the

County Council's Older People Team and Fenland District Council has been highlighted as a possibility (subject to detailed assessment).

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

The project delivers a capital receipt and revenue savings to the County Council.

The impact on human resources is that teams will relocate from Hereward Hall to other locations. LGSS People, Transformation and Transactions service will be involved in the consultation process, communication and consultation is being undertaken by the Smarter Business Programme.

The report above sets out details of significant implications regarding the property asset implications in particular paragraphs 2.7, 2.11 and 2.12.

4.2 Statutory, Risk and Legal Implications

There are no significant implications within this category.

4.3 Equality and Diversity Implications

There are no significant implications within this category.

4.4 Engagement and Consultation Implications

Communication with teams located in or who regularly use Hereward Hall is being undertaken by the Smarter Business Programme with input from MAC. Heads of Service of these have been informed of the project and involved in workshop sessions. Regular briefings and team consultations will take place as the project progresses and will involve LGSS People, Transformation and Transactions service.

4.5 Localism and Local Member Involvement

Local County Council Members for March have been, and will continue to be, informed of the project and project progress through regular email briefings. District Council Members have been informed by senior FDC officers and have participated in walk-around of Hereward Hall. The project is being discussed at Overview and Scrutiny, all-Member meeting and Cabinet scheduled for 23 October 2014, followed by Full Council.

County Council Members have been updated of current progress through a MAC presentation as part of the Member Seminar programme 12 September 2014.

Members will continue to be kept informed on the project through the MAC Newsletter, webpage and further seminars (if requested).

4.6 Public Health Implications

There are no significant implications within this category.

Source Documents	Location
MAC Programme. Rationalisation of Property Assets: Fenland Hall/Hereward Hall/The Base/Highways Depot March – Full Business Case	Room 320, Shire Hall, Cambridge

Summary of Options Considered in the Business CaseOffice accommodation options

	Offices Option 0 (baseline)	Offices Option 1	Offices Option 2	Offices Option 3
Option Description	Continue with the current public sector property portfolio	Retain Hereward Hall, dispose of Fenland Hall	Retain Fenland Hall, dispose of Hereward Hall	Dispose of both Hereward Hall and Fenland Hall, relocate to new site

Depot options

	Depot Option 0 (baseline)	Depot Option (a)	Depot Option (b)	Depot Option (c)	Depot Option (d)
Option Description	Continue with the current public sector property portfolio	Retain the Base and dispose of the majority of the County's Highways depot. ³	Retain the County's Highways depot and dispose of the Base	Dispose of both the Base and the County's Highways depot and re-provide on a single new site.	Dispose of both the Base and the County's Highways depot and do not re-provide.

³ The relocation of the existing salt dome is potentially very expensive and so depot option a) assumes a severing of part of the vacated County Council site to retain the salt dome and associated winter maintenance space, access routes etc and disposal of the remainder of the highways depot site.