

Executive – 8 April 2010

FOLLATON HOUSE, TOTNES

Report of the Strategic Director (Community)

Statutory Powers: Local Government Act 1972, Section 151 and Section 2 Local Government Act 2000

Financial Implications: Follaton House currently costs in the region of £550,000 per annum to run. The issues outlined in this report explore how these year on year revenue costs could be reduced by making more efficient use of the accommodation and leasing space which is surplus to the Council's requirements. To achieve such savings would require up-front capital investment to create suitable space for letting. It is anticipated that approval of future capital expenditure would be on an 'invest to save' basis.

Purpose

To advise Members of the existing revenue costs of the council's administrative building at Follaton House and to explain how these could be reduced by making better use of the accommodation and leasing parts of the building which would become surplus to our needs.

RECOMMENDATIONS

The Executive RESOLVES that:

- 1. the principle of making more efficient use of the accommodation at Follaton House, including investigating leasing space to a range of external organisations, is supported;**
- 2. delegated authority be given to the Council's Head of Property Services to develop detailed proposals to more effectively allocate space within Follaton House and to investigate leasing space surplus to requirements, in consultation with the appropriate Executive Member;**
- 3. the Head of Property Services report progress of the project to the Executive as part of the monitoring reports for the Capital Programme.**

Background

- 1. The report considered by Executive on 7 January 2010 relating to the capital programme stated that opportunities for generating revenue savings from the Council's property assets are being investigated by the Head of Property Services. It was noted that these projects might require initial capital investment in order to gain year on year savings in the future. These investigations included the possible refurbishment and letting of parts of Follaton House.**

An informal Member Working Group comprising Councillors Barnes, Bastone and Hawkins have been meeting to consider the issues.

The Building

2. The main office accommodation was built in 4 phases with the first phase opened in November 1990. The building was designed to office standards and requirements at that time, which now provide ineffective allocation of space for today's needs.
3. The Council is fortunate that the structure of the office building is a steel frame design, which can allow, relatively easily, internal partition and walls to be removed to create more space. Officers have visited examples of similar refurbishments of buildings and examples of good practice can be transferred to Follaton House.
4. The annual running cost of the building is approximately £550,000 comprising:

2009/10		£
Premises related expenses		357,800
Supplies and services		25,800
Contractor payments		45,800
Support services		125,400
Capital charges		36,400
Total expenditure		£591,200
Income (rent)		- 42,000
Conference income		
Net total		£549,200

Current Situation

5. During the late autumn informal discussions began with Devon County Council about the potential to accommodate Children and Young Persons Services at Follaton, currently located in four buildings in Totnes. Discussions proceeded with some pace until the late winter when a number of issues emerged including Local Government Review and potential future funding pressures. This resulted in the discussions being held in abeyance while the County Council reviewed its position.
6. In principle, the opportunity to lease office space to the County Council appeared beneficial to both parties and indeed potentially customers who may wish to access related services provided by the two authorities. However, a key challenge for this Council arising from the proposal was the amount of space the County Council were ideally looking for, which would have created significant pressure on the accommodation and car parking space available.

7. To release space for possible future occupation by DCC, officers had begun to review the opportunities to use the accommodation more effectively. Discussions were held with some services about possible modification of current accommodation (eg. open plan arrangements for the Development Management Service as part of the Systems Review currently taking place within the Service). In the case of the Building Control Service discussions included relocation from the site to space at Newton Abbot and Tavistock, which would also support the Building Control Partnership's wider business planning objectives. The Council is also aware that existing tenants such as the CAB may have to relocate to meet their increasing space requirements. The hiatus in discussions with the County Council forces the Council to consider an alternative approach to the future use of the spare accommodation if discussions do not recommence.
8. In view of the future financial situation, it is anticipated that the organisation will reduce in size. Indeed many offices are currently underutilised because of incremental changes in recent years. The difficulty is that the accommodation in its current form is not very flexible.
9. Incremental letting of office space to unrelated occupiers is much more difficult in terms of funding initial conversion costs, ongoing risk management, uncertainty of income generation compared to capital investment, negotiating a long lease and achieving a secure tenant. The County Council would have met all of these criteria. On the other hand there are existing examples of sub-letting within the campus such as CAB and CVS renting the Cottage and the Registrar leasing space close to reception.
10. In the circumstances it is suggested that officers explore the market for potential alternative occupiers if the opportunities to share accommodation with DCC do not proceed.

Key issues

11. Using the accommodation more efficiently at Follaton House effectively generates a number of opportunities and challenges, which will need to be addressed. Examples are:
 - Modification of the building to enable staff to be accommodated more efficiently will need to be funded;
 - To maximise the space available for leasing requires a significant change in current working practices, including the potential creation of generic work stations rather than dedicated offices, providing greater opportunities for remote/home working and much greater use of electronic records and document management systems. Again, this requires investment.
 - Key to the success of such a project will be staff and Member support for proposed changes, which will significantly affect working arrangements and lead to a major reduction in current space allocation.
 - In the short term all users of Follaton will suffer a degree of disruption as a phased programme of works to provide more flexible accommodation is rolled out.

- The absence of a pre-let of the 'spare' accommodation created on a long lease with a secure tenant will make the business plan more challenging to develop and successfully deliver.

Risk Assessment

11. The following are the key risk issues:

Strategic opportunities	Issues/Obstacles	Benefits
<ul style="list-style-type: none"> • To use the Council's assets more efficiently by generating income and reducing overheads. • Potential to improve customer access to linked services provided the Council can attract related service providers/businesses. 	<ul style="list-style-type: none"> • The economic situation makes it difficult to attract occupiers prepared to enter a long lease which would justify the up-front capital expenditure to create reasonable quality rentable space. • A large-scale user, such as DCC, would provide the Council with a more secure business case, but would also place significant pressure on the accommodation and car parking. • Modification of the building to create efficient accommodation requires expenditure on both the physical fabric, IT hardware and software, and furniture and fittings. Such expenditure is likely to be challenging compared to investment in other Council priorities. 	<ul style="list-style-type: none"> • Maximise the use of public assets. • More efficient use of the accommodation could drive other cultural change, such as enabling greater remote/home working and greater use of electronic records and document management systems.

Conclusion

12. When this report was first programmed for consideration by the Executive it was anticipated that sufficient progress would have been made regarding the informal discussions with the County Council to enable Members to make a decision on the way forward. As the discussions with DCC are in abeyance, a less conclusive report is submitted to update the Executive and draw attention to some of the key issues that will need to be addressed if the Council is going to significantly reduce its accommodation overheads. Officers will continue to work with the member working group as opportunities arise.

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