

**REPORT TO: POLICY & RESOURCES COMMITTEE - 8 DECEMBER 2008**

**REPORT ON: REVIEW OF OFFICE ACCOMMODATION**

**REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)**

**REPORT NO: 624-2008**

**1 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to set out a critical appraisal of the City Council's office accommodation requirements in the short, medium and long term, and agree proposals for the optimum solution.

**2 RECOMMENDATIONS**

It is recommended that the Committee agree to the implementation of Option 3 as set out in Section 7 of the report, subject to the necessary planning and other consent being granted.

**3 FINANCIAL IMPLICATIONS**

- 3.1 The capital cost of the proposed accommodation solution referred to in Option 3 is £3.065m as detailed in Appendix 1 and this equates to a £2m immediate capital saving on the original capital cost of implementing the St Saviours option, being £5.17m. In addition the St Saviour option had a further projected capital spend within the next 5 years that will no longer be required.
- 3.2 In terms of annual revenue costs these are also detailed in Appendix 1 and show that Option 3 has a saving of £152,000 per annum when compared against the approved St Saviours option.

**4 BACKGROUND**

- 4.1 The City Council is facing some immediate accommodation issues due to the relatively poor quality of some of its office accommodation, eg Balmerino Road Social Work Offices and Rockwell High School, and the termination of leases for offices, e.g. Gardyne Road IT Division. The medium term solution to many of these issues was the proposed office developments at Dundee House and St Saviours. Given the current worldwide credit crunch situation and the downturn in the general property market, it was felt appropriate to review if there were any more cost effective and/or operationally efficient options and that is the main focus of this paper.
- 4.2 In reviewing the office accommodation options available to the City Council, there were 3 main principles that were applied. Firstly, that the recommended option should represent the best value for money that the Council could achieve through this particular asset management review. Secondly, that where Departments had divisions and sections spread over a large number of sites, we should try and consolidate these into fewer properties. Lastly, wherever possible we should co-

locate Departments and partner bodies such as Education and Social Work and NHS and Social Work.

## **5 PROJECTED AVAILABLE OFFICE ACCOMMODATION**

The following are the range of possible options which may be considered in addressing the Council's office accommodation requirements:-

### **5.1 Dundee House**

Dundee House will be completed by January 2011, and will have a net floor area of 9043 square metres, with 1108 square metres of that being the ground floor One Stop Shop. Using the Office of Government Commerce (OGC) recommended space standard of 10 square metres per employee would mean that Dundee House could accommodate 794 staff plus 56 One Stop Shop and Facilities Management staff. Using the aforementioned space standards there will be space for up to 850 staff at Dundee House.

### **5.2 Claverhouse Office Social Work**

The Claverhouse Office was constructed in 2006 for a capacity of 200 staff. There are presently 180 Social Work staff located in that office.

### **5.3 Shore Terrace Housing Department**

The Housing Department offices at Shore Terrace are quite traditional and presently house approximately 90 Housing Departmental HQ staff.

### **5.4 East and West Area Housing Offices**

The 2 new Area Housing Offices were constructed in 2006 and 2007 with a capacity of 80 staff in each office. At present there are 60 staff in the East Area Office and 64 in the West Area Office. The spare capacity at each office should be viewed as an opportunity.

### **5.5 Camperdown House**

The accommodation at Camperdown House is presently unoccupied, and has capacity on the upper floor to accommodate up to 50 staff.

### **5.6 East Side City Square**

This accommodation currently houses the Economic Development Department and Personnel Department with a total staff number of approximately 120. This accommodation can house up to 170 staff and should be considered as part of the available accommodation.

### **5.7 Leisure & Communities Department Existing Premises**

The Department has approximately 70 staff located in a wide variety of diverse properties, many of which are in relatively poor accommodation. The staff are currently located in Tayside House, Downfield Pavilion, Caird Park, Olympia and Authurstone Library.

## 5.8 **School Spare Capacity**

The pilot of locating the Social Work Care and Assessment Team at Menzieshill High School is ongoing and is currently being evaluated. In the event of a successful evaluation it should be possible to use spare capacity in some of the Council's schools to relocate approximately 50 Social Work staff in the Care & Assessment Teams from Claverhouse Social Work office. These relocations would have the significant benefit of locating the teams within the communities that they serve and closer to the children.

## 5.9 **Grove Academy (Old School)**

The Grove Academy building will become available in January 2010 when the new PPP School is complete. The building is in very good condition and could be converted to office accommodation for the relatively low expenditure of £1.55m. The building could accommodate up to 340 staff and also provide a suite of training and meeting rooms.

## 5.10 **Downfield Primary School**

The Downfield Primary School building has become surplus to requirements with the completion of the new PPP Downfield Primary School. The old school building will require renovation works valued at £675,000 to convert it to office accommodation, and it will then be able to accommodate up to 90 staff.

## 5.11 **St Saviours Office Development**

The proposed office development at St Saviours is estimated to cost £5.17m and would house a projected 629 staff. This type of 1970's construction whilst being suitable for purpose would require further repair and refurbishment within 5 years of being redeveloped in 2009. This redevelopment was approved at the Policy & Resources Committee on 23 June 2008. However a number of traffic issues have been identified which would increase the projected cost.

## 5.12 **Possible New Office Accommodation**

The City Architectural Services Officer estimates that based on the new Area Housing Offices and the new Claverhouse Social Work Office that a new office could be built on a Council owned site. There is a site at Claverhouse that has a concrete slab and if an office is built on that site then there would be a saving of £800,000 over the option of building on a greenfield site. The new build options are as follows:

	<u>Slab</u>	<u>Greenfield</u>
For 200 employees	£3.0m	£3.8m
For 300 employees	£4.0m	£4.8m

No greenfield site has been identified for a new build.

## 5.13 **Dundee House Additional Floor**

A further option that could be considered is the extension of the Dundee House proposal, by adding an extra floor at an estimated cost of £3m, which would house an estimated 160 staff.

- 5.14 The total staff places available at the accommodation detailed in paragraph 5.1 to 5.10 is 2060, and the remaining 3 other options being 5.11 to 5.13 provide a range of additional places of 160 for an extra floor at Dundee House to 629 for the St Saviours options. It has been assessed that there are 1798 staff needing relocated and therefore the above available accommodation is more than sufficient to meet the projected demand. From the above analysis, 3 main options have been identified, being as follows:-

- OPTION 1 - DUNDEE HOUSE AND ST SAVIOURS
- OPTION 2 - DUNDEE HOUSE, EXTRA FLOOR AND OTHER EXISTING  
ACCOMMODATION
- OPTION 3 - DUNDEE HOUSE AND EXISTING ACCOMMODATION

## **6 OPTION APPRAISALS**

The following analysis of the available accommodation appraises the range of options identified in Section 5 above:-

- 6.1 In total there are an estimated 1798 staff that have to be relocated in a myriad of moves that are required to deal with the various accommodation issues that face the Council in the short to medium term.

### **OPTION 1 - DUNDEE HOUSE AND ST SAVIOURS**

- 6.2 The St Saviours option as agreed by the Policy & Resources Committee on 23 June 2008 is the most expensive option with a capital spend of £5.17m and probably offers staff the least satisfactory level of accommodation. When the St Saviours option appraisal was prepared, the new build option offered the best NPV figure, but was ruled out because it did not meet the short term accommodation issue such as the relocation of the IT Division. This type of short term issue can now be addressed by using spare capacity in existing City Council offices such as the Area Housing Offices and the offices of the East Side City Square. Not only is the St Saviours option the most expensive, but there is a higher opportunity cost in terms of potential future capital receipts to the Council if in due course additional sports pitches were developed releasing other ground for development.

### **OPTION 2 - DUNDEE HOUSE AND EXTRA FLOOR**

- 6.3 Potentially the lowest cost option that meets the numbers of staff requiring to be relocated is the addition of a further floor on Dundee House. The additional floor, plus the use of a small area of another floor could house the Education EDS, etc staff of circa 186. The EDS require a large number of different sized training rooms, and this will put an excessive strain on the corporate meetings suite planned to meet the need of the circa 800 staff proposed in Dundee House. The planning application has already been approved for Dundee House, and a decision to add an extra floor will incur delay through additional design and planning, and this will increase the cost of Dundee House. Finally and most importantly, this option on its own would not meet the office accommodation requirements of all the staff who require to be relocated and further existing offices will also need to be included. For the aforementioned reasons it is not recommended to proceed with this option.

### **OPTION 3 - DUNDEE HOUSE AND EXISTING ACCOMMODATION**

6.4 This option is the combination of Dundee House and the utilisation of existing offices and is summarised as follows:

- to increase the number of staff planned to be located at Dundee House from 765 to 810,
- to utilise the spare capacity in existing office accommodation such as the Area Housing Offices.
- to fully utilise the Social Work Claverhouse office
- to utilise some spare capacity within schools
- to fully utilise the offices on the East Side of the City Square Complex.
- to use Grove Academy to house the Education Development Service and Social Work.
- to relocate the IT Division to Downfield Primary School and
- to relocate Leisure & Communities Department staff to Camperdown House and Caird Park.

This option would mean that some Departments would move in earlier to their alternative accommodation than they would have with the St Saviours option, eg IT Department. The financial savings of this option compared to the St Saviours option are considerable, with an initial capital saving of circa £2m (£5.17m-£3.065m). Further, the potential for a future capital receipt at St Saviours is higher and of a greater magnitude than the Grove Academy and Downfield Primary School sites. In addition the overall running costs for this option will be £152,000 per annum lower than the St Saviours option.

## **7 OPTIMUM ACCOMMODATION PROPOSAL**

Option 3 has been identified as the optimum preferred option and is further detailed in Appendix 2.

The proposal and the benefits it brings are detailed below:

- 7.1 Dundee House will house the Education, Social Work, Planning & Transportation, Finance General and Revenues and various other staff currently located in Tayside House, and will also house 40 Personnel Department staff and 62 Housing HQ staff from Shore Terrace. In total it is estimated that Dundee House will house 810 staff in a building which can accommodate 850. All of these moves would take place when the construction of Dundee House is complete, ie January 2011.
- 7.2 There will be 24 of the Housing HQ staff at Shore Terrace who will move into the Area Housing Offices as soon as is practical. This will leave 62 Housing HQ staff at Shore Terrace, where they will remain until Dundee House is complete in 2011

- 7.3 The Social Work Claverhouse office could see 50 Care & Assessment staff transfer to schools, however, the move can only take place when the accommodation in schools has been identified. In addition, 14 staff in the Mental Health Offices Team will relocate to Claverhouse.
- 7.4 The East Side City Square will see the 40 Personnel Department staff move into Dundee House, and the 110 Architectural Services staff will combine with the property staff of the Economic Development Department. In addition there will be a number of Economic Development staff who will transfer to Dundee House. All the transfers referred to would not take place until 2011 on the completion of Dundee House.
- 7.5 The Grove Academy building is in very good condition and can accommodate a wide variety of Education Department support services, totalling 186 staff. Previously these staff were in a wide variety of buildings, however, the majority were previously consolidated on a temporary basis into Rockwell. The Grove Academy also has the capacity to accommodate a variety of Social Work and NHS teams totalling 151 staff. These staff are currently in a variety of locations throughout the City, including the Balmerino Road offices. A significant benefit of this proposal is the joint working that will be achieved with the co-location of Education, Social Work and the NHS.
- 7.6 The old Downfield Primary School has the capacity to accommodate up to 90 staff with a degree of renovation and refurbishment. The Policy & Resources Committee on 24 November 2008 approved Report 591-2008 whereby the IT Division staff of 77 would be relocated in Downfield Primary School from Gardyne Road.
- 7.7 The Leisure & Communities Environmental Team and Parks Operation Team are currently located in sub-standard accommodation. It will now be possible to consolidate the 2 teams of 31 staff in total into one building, being Camperdown House. The Leisure & Communities Sports Development staff are currently split between 2 sites and it will now be possible with the purchase of additional accommodation to bring these teams together at Caird Park. Before the Camperdown House proposal is confirmed, the City Architectural Services Officer and Director of Leisure & Communities will need to examine whether this option would be beneficial to the long term future of Camperdown House.

## **8 POLICY IMPLICATIONS**

- 8.1 The report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty Equality Impact Assessment and Risk Assessment. There are no major issues but Green Travel plans will need to be developed for each specific site.
- 8.2 The proposed use of underutilised and vacant properties makes optimum use of the Council's capital assets, and achieves best value for money.

## **9 CONCLUSIONS**

Based on the principles set out in paragraph 4.2 of best value, consolidation of divisions within Departments and collocation of Departments and partners, the proposal set out in Option 3 and Section 7 of this report is the preferred option. In terms of co-operation and collaboration within and between Departments, Option 3 is by far the best option. In best value and financial terms, Option 3 above requires lower capital and revenue expenditure than projected for the St Saviours and any other options.

**10 CONSULTATIONS**

- 10.1 The Chief Executive, Depute Chief Executive (Support Services) and Head of Finance have been consulted in the preparation of this report.

**11 BACKGROUND PAPERS**

None.

**DAVID K DORWARD**  
**DEPUTE CHIEF EXECUTIVE (FINANCE)**

**28 NOVEMBER 2008**

**ESTIMATED CAPITAL COST**

	<b><u>£</u></b>
Wellgate Offices	25,000.00
City Square Offices	215,000.00
Grove Academy	1,550,000.00
Downfield Primary	675,000.00
Caird Park	50,000.00
Camperdown House	50,000.00
Furniture	250,000.00
School Offices for Care & Assessment Teams	<u>250,000.00</u>
	<b><u>£3,065,000.00</u></b>

**ESTIMATED REVENUE COSTS**

	<b><u>£</u></b>
<b><u>St Saviours Budgeted</u></b>	
Running Costs	568,000.00
Finance Charges	<u>164,000.00</u>
	<b><u>732,000.00</u></b>

**Proposed Option 3**

Estimated Running Costs	530,000.00
Finance Charges	70,000.00
Additional Rental Income	<u>(-20,000.00)</u>
	<b><u>580,000.00</u></b>

ADDITIONAL REVENUE SAVINGS	<b><u>£152,000.00</u></b>
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**PROPOSED OCCUPANTS****APPENDIX 2****DUNDEE HOUSE**

EDUCATION HQ		79
FINANCE GENERAL		100
FINANCE REVENUES		194
PLANNING & TRANSPORTATION, TAYSIDE HOUSE		154
SOCIAL WORK HQ	65	
SOCIAL WORK ACCESS/IST CONTACT	19	
SOCIAL WORK WELFARE RIGHTS	<u>20</u>	104
PERSONNEL		40
ONE STOP SHOP STAFF		46
HOUSING HQ		62
IT STAFF		8
EXTERNAL AUDITORS		6
FACILITIES MANAGEMENT STAFF		10
TAYSIDE PROCUREMENT		7
		<b>810</b>

**AREA HOUSING OFFICES**

EAST AREA OFFICE		60
WEST AREA OFFICE		64
TRANSFERRED HOUSING HQ STAFF		24
		<b>148</b>

**CLAVERHOUSE**

CURRENT SOCIAL WORK STAFF		180
MENTAL HEALTH OFFICER TEAM/ADULT P		14
<u>LESS CARE &amp; ASSESSMENT STAFF TFD TO SCHOOLS</u>		-50
		<b>144</b>

**UNDERUTILISED SCHOOLS**

SOCIAL WORK CARE & ASSESSMENT STAFF FROM CLAVERHOUSE		<b>50</b>
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**EAST SIDE CITY SQUARE**

ECONOMIC DEVELOPMENT STAFF		60
ARCHITECTURAL SERVICES		110
		<b>170</b>

**GROVE ACADEMY**

EDUCATION	EDUCATIONAL DEVELOPMENT SERVICES	52	
EDUCATION	MULTIPLE SENSORY/BILINGUAL PUPIL SUPPORT	29	
EDUCATION	ICT TEAM	16	
EDUCATION	EDUCATION PSYCHOLOGY SERVICE	22	
EDUCATION	INTEGRATED COMMUNITY SCHOOL	5	
EDUCATION	HOME SCHOOL SUPPORT	37	
EDUCATION	DRYBURGH RESOURCES SERVICES	<u>25</u>	186
SOCIAL WORK	LEARNING DISABILITY CARE MANAGERS	13	
SOCIAL WORK	NHS LEARNING DISABILITY TEAM	46	
SOCIAL WORK	DCL MANAGERS & STAFF	5	
SOCIAL WORK	SOCIAL CARE TEAM	7	
SOCIAL WORK	SUPPORTED LIVING	4	
SOCIAL WORK	CHILDRENS SERVICES TEAM	8	
SOCIAL WORK	SUPPORTED EMPLOYMENT TEAM	5	
SOCIAL WORK	INTENSIVE CARE HOME RAPID RESPONSE TEAM	15	
SOCIAL WORK	ADULT CARE & NHS COMM HEALTH STAFF	25	
SOCIAL WORK	OP REVIEW TEAM	8	
SOCIAL WORK	STAFF DEVELOPMENT TEAM	<u>15</u>	151
			<b>337</b>

**DOWNFIELD PRIMARY SCHOOL**

IT DIVISION		<b>77</b>
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**CAMPERDOWN HOUSE**

L & C ENVIRONMENTAL TEAM		15
L & C PARKS OPERATION		16
		<b>31</b>

**CAIRD PARK**

EXISTING LEISURE & COMMUNITIES STAFF		15
SPORTS DEVELOPMENT STAFF		16
		<b>31</b>

**TOTAL 1798**