

Item No. 5	Classification: Open	Date: May 2 2007	Meeting Name: Executive
Report title:		Office Accommodation Programme – Updated Strategy, Property Acquisition and Business Case	
Ward(s) or groups affected:		All	
From:		Interim Strategic Director of Customer & Corporate Services and Finance Director	

SUMMARY OF REPORT

1. There are strong imperatives to improve office accommodation within the council, including the poor state of offices occupied by some staff and the need to provide modern, fit-for-purpose accommodation to support the development of integrated services, for example, children's services.
2. The council's officers and property agents have undertaken a search of available property in the borough. A suitable property has been found for an administrative building that meets the search criteria (for example, near a transport hub to provide the necessary public transport options for staff and visitors).
3. A business case has been developed. Additional costs of the new administrative centre will require an ambitious programme to drive out efficiencies that would not otherwise be achievable without the co-location of significant numbers of staff. The consolidation of staff in a single location will enable the disposal of a number of old office buildings no longer required and the generation of capital receipts, some of which will be required to fund the fit out of the new building.
4. The new building will facilitate modern ways of working which in turn will support the council to make the necessary efficiencies.
5. The officers recommend that the building is acquired. Staff would start to occupy the building in early 2009.

RECOMMENDATIONS

6. The executive agrees:
 - 6.1. that the strategy for the council's office accommodation approved on 30 January 2007 be adjusted, by foregoing a short term solution in order to concentrate resources on the medium term, with new office accommodation ready for occupation in 2009.
 - 6.2. that the priority areas for the revised strategy are :
 - 6.2.1. to move staff from the least satisfactory accommodation that is unfit for the purpose of delivering effective services, and
 - 6.2.2. to provide appropriate accommodation to support the implementation of a single children's service.

- 6.3. that the Southwark Town Hall (31 Peckham Road only), 151 Walworth Road and 19 Spa Road buildings be retained, subject to affordability considerations.
- 6.4. to delegate to the Chief Executive the approval of the Gateway 1 for the procurement of a partner to undertake office fit-out and design and business transformation associated with the office accommodation programme.
- 6.5. to provide funding for the works, as set out in the closed report, and to instruct the Finance Director to identify the required funding sources in consultation with the Executive Member for Resources and to report back to the executive for approval as required.
- 6.6. that the Finance Director be required to incorporate all financial implications arising from the agreed programme within a refreshed Medium Term Financial Strategy and within the four year Policy & Resourcing Strategy.
- 6.7. that the Deputy Chief Executive and Finance Director be requested to provide in advance of budget preparations for 2008/09 a further report on the nature and extent of efficiency savings to be targeted as a result of this programme.

BACKGROUND INFORMATION

7. On 17 August 2006 the executive member for resources signed an Individual Decision-making report authorising officers to enter into preliminary negotiations to acquire modern accommodation for between 1,000 and 2,000 staff.
8. On 30 January 2007 the executive approved a strategy for office accommodation which provided for short, medium and long term solutions and an interim business case (including options for funding which include efficiency savings).
9. The executive also approved measures in relation to making new office accommodation provision at Hannibal House in Elephant & Castle that would have permitted some short term moves and improvements for staff in some of the worst accommodation. The executive had delegated to the office accommodation programme delivery board (designate) to approve the final terms for a lease of Hannibal House. One issue that the board had to clarify was the IT investment required. In the light of that further work the board subsequently reached the view that the investment of time, effort and resources in Hannibal House on the scale recommended to and approved by the executive on 30 January 2007 could not be justified.

KEY ISSUES FOR CONSIDERATION

Office Accommodation Strategy

10. The council is reviewing its accommodation requirements. On 30 January 2007 the Executive approved a strategy recommended by the officers that addressed accommodation needs over time: over the short, medium and long terms. Further work has led officers to recommend in this report a change of emphasis, namely to focus on accommodation arrangements as a key component of the council's business model.

That model allows office accommodation for:

- service delivery that requires a local presence
 - specialist service delivery that cannot readily be combined with central office accommodation even if it is not locality dependent
 - centralised activity that is not location dependent (normally general office activity).
11. The council's office accommodation arrangements need to support all three types of business activity.
 12. The amended strategy includes the retention of the council's town hall buildings (Southwark Town Hall [31 Peckham Road only], 151 Walworth Road and 19 Spa Road), subject to affordability considerations. They will provide the council with a democratic focus and will provide options when the council considers in due course the potential for rationalising the office arrangements for specialist and local service provision. The work currently underway to review this provision will link into the preparation of area plans and the co-ordination of investment in local areas and will focus on developing community "hubs". These arrangements will be the subject of a future report.
 13. This report, however, focuses on the accommodation requirements for the centralised, administrative, transactional functions of the council. It is probably helpful to remind the executive why action is necessary.
 14. The council has a widely dispersed estate that is inefficient to maintain and which militates against making step changes in effectiveness. Staff are housed in poor quality, highly cellular buildings.
 15. Much of the council's office accommodation asset base is in a poor state of repair due to a lack of investment in the fabric of the buildings over a number of years. The reactive repairs and maintenance budgets included in running costs are significantly lower than the recommended levels of expenditure to bring the buildings to a reasonable state of repair. The under-investment is the result of reluctance to put funding into accommodation that has to be replaced in any event because of regeneration schemes and into offices that are inherently inflexible through their design. Accommodation that is currently just adequate is likely to deteriorate with the passage of time, given the level of investment required.
 16. The working conditions for some staff leave the council vulnerable to accusations that it is not meeting its duty of care. By way of example, the council currently occupies three main office buildings that are converted car parks beneath residential blocks: Chiltern House, Chaplin Centre and Bradenham. All three properties suffer from significant inherent design defects including lack of natural ventilation and daylight, restricted headroom with some occupied areas in breach of current building regulations, drafts in winter due to ineffective cladding systems and poor insulation and poor foul drainage systems. All these factors combine to create a very poor office environment. In addition all three buildings regularly suffer from flooding from flats above. Not only does this have a significant financial impact as areas which suffer from flooding often require significant remedial works, but it has also made parts of the buildings un-occupiable for periods as well as destroying important files and office equipment including computers and printers. All three buildings are earmarked for demolition as part of the Aylesbury Estate project and need to be re-provided.

The council's workplaces also include Victorian buildings and other worksites such as converted residents' garages on housing estates. These provide increasing challenges to control the risk of water ingress, spores from moulds, rodent and insect infestation. As these sites become more tired so the controls required become more intense with diminishing returns.

17. The council's Corporate Health and Safety Policy (2006) commits it to providing the highest achievable standards of health and safety and emphasises the provision of safe and healthy workplaces with adequate access and egress. The attainment of this stated aim can only be enhanced by the provision of modern accommodation with less reliance on existing buildings. These were either not purpose built to achieve current health and safety standards, or are becoming harder to maintain with wear and tear and rising expectations for workplace standards.
18. The provision of one main administrative building will aid more consistent compliance with welfare arrangements such as sanitation and first aid requirements (including increasing emergency defibrillator coverage for a greater percentage of the workforce). The compliance with bespoke legislative duties including electrical equipment, asbestos, fire, workstations and hazardous substances will improve as more resource can be focussed on one location instead of the intense efforts currently being dissipated across many sites of varying size, condition, age and complexity.
19. Whilst the environmental benefit of one major site reducing employee travelling in the borough is clear, there is also an occupational health and safety dividend by reducing the potential risk of staff being assaulted at work whilst travelling off site.
20. The Disability Discrimination Act (DDA) 1995 protects disabled people from being discriminated in employment, but is not an anticipatory duty, therefore it is within the law to have physical barriers preventing access for disabled people to a workplace, until a disabled employee needs to work there. In 2003 an access audit was carried out on all of the council's properties.

An action plan was developed to prioritise works on buildings that had public access. Work areas have only been made accessible when it has been known that a member of staff has a particular access need. This has caused disruption to teams and in particular, distress to disabled employees when they have had to relocate and the disabled employee could no longer work with their colleagues until significant workplace alterations were made.

21. In September and October 2006, staff were consulted on the development of Southwark's disability equality scheme, to meet the proactive duties of the DDA 2005. Disabled staff fed back that current arrangements for working excluded them from fulfilling their duties. Not all work spaces were accessible, which meant that disabled staff could often not attend meetings, or training. Travelling between locations is problematic because of the distance of council buildings from accessible transport routes, or lack of accessible parking facilities for disabled drivers.
22. Crucially, disabled staff and members of the public said that disabled people are not likely to apply for jobs at the council because there was no confidence that the work place would be accessible.

23. This feedback informed the key priority of increasing the proportion of the council workforce who are disabled and to increase the confidence of disabled staff to be open about their disability. In order to achieve this priority, an accessible workplace is required, that meets as a minimum the DDA requirements public spaces have to achieve. This will make it easier for workplace adjustments to be made when individual staff require them. The workplace will be ready for any new disabled members of staff, or the return to work of an existing employee who has become disabled. Disabled staff will start to be included in work activities because the work place is accessible, and be able to work to their full potential. An Equalities Impact Assessment is planned as part of the office accommodation programme of work.
24. The Council incurs significant ongoing expenditure on a range of security measures including both physical premises related measures (grilles, alarms, etc.) and varying degrees of static and mobile security guarding presence. The costs of these measures are determined by the individual requirements at each location based on a risk assessment covering the safety of both staff and the public to include location, hours of operation, services delivered and the nature of the individual buildings. Due to the large number of buildings and their diverse locations the council is incurring a significant duplication of cost that would be mitigated by the consolidation of services to fewer more appropriate buildings. The council currently has full time guarding at the majority of our major sites which include the Town Hall, Chiltern, Larcom Street, Bradenham, Bournemouth Road and Chatelaine House. Also, in response to localised incidents and individual threats to the safety of staff, the council utilises additional security measures which include enhanced on site presence and the use of mobile security patrols. In certain cases where staff safety is significantly compromised we employ a variety of control measures to reduce the level of risk. An example of this is a shuttle bus service operating between the hours of 4.00pm to 7.00pm to transport staff from Chiltern House offices to local transport hubs.
25. The poor quality and old fashioned nature of the accommodation is unappealing to new recruits. As a result the council has a problem recruiting and retaining the best staff. This in turn slows the pace with which services to the public can be improved and impacts on the council's ability to make the most effective use of the partnerships that it has entered into.
26. All of this has an impact on the morale of existing staff who are impatient for change. The council's 2006 Staff Survey found that 71% of staff endorse the need for change. This represents a significant increase on the 2004 survey and a substantially higher than average level of support compared with organisations similar to Southwark.
27. Service provision is increasingly reliant on partnerships. The requirement to take an holistic approach to children's services is a good example. The implementation of a new Children's Services department and the Children's Trust will be more effective if the office accommodation arrangements are in place to support it and the new ways of working that are critical to maximising service effectiveness. The combination of policy and administrative functions operating out of offices that are fit for purpose, supporting well thought out local service provision is a powerful one.
28. Many of the council's offices do not enjoy good transport links. Again, this impacts on the council's attractiveness as an employer to potential recruits. It also means that a significant proportion of staff drive to work, adding to the capital's congestion and pollution problems.

29. It is therefore important, taking account of the council's policies for promoting sustainability, to encourage staff to use alternatives to the car, something which is much easier to achieve if they are working in accommodation with good transport links. The Mayor of London, Transport for London and inner London boroughs, including Southwark, have been set an ambitious target of negative 2% traffic growth between 2001 and 2011. In order to meet this target and in particular to show leadership to others in the borough, it is necessary for the council to change substantially the sustainable travel proportion of staff journey to work. In particular the availability of public transport services is key to driving this change whilst supporting initiatives contained within the council Travel Plan.
30. Other sustainability considerations include the impossibility of raising the council's existing estate to levels of environmental performance achievable in new office buildings, where the latest in energy conservation measures are designed into the fabric of the building. The council needs to look to the future and to anticipate the increasing pressure on environmental factors. It needs to reduce its carbon footprint, the ground space it covers, its energy consumption and its water consumption.
31. The Government is increasingly expecting local authorities to take a leadership role in reducing carbon dioxide (CO₂) emissions, both from its own buildings, and through exercising its functions and powers. The Local Government White Paper "Strong and Prosperous Communities" has proposed that the new performance framework for local government will have an appropriate focus on climate change. In support of this, the Government is consulting on CO₂ emissions indicators for local authorities' estates.
32. In addition, the Government has recently consulted on proposals to introduce a carbon trading scheme for local authorities that have sites consuming over a set threshold of electricity (100kW - Southwark has several such sites). Under this scheme, local authorities would be allocated permits to emit a fixed amount of CO₂ from their buildings. A council operating energy inefficient buildings would have to buy additional permits to cover the extra CO₂ emissions from such buildings.
33. The European Union 'Energy in Buildings Directive' will apply to non-domestic buildings from 6 April 2008. This will require all local authority buildings (above 1,000m²) to display publicly an Energy Performance Certificate. Subsequent implementation of parts of this directive will also require regular inspection of the efficiency of air-conditioning and boiler plant in buildings.
34. The business environment and the climate in which services are operating is characterised by growing public expectations about standards of service and a much greater degree of scrutiny and transparency. This need for an overall responsiveness and to be more efficient means the council has to find new approaches to service delivery with increased openness, collaboration, communication, the breaking down of old hierarchies and the promotion of more project working and more team collaboration across departmental boundaries. In this respect, there is only so much progress to be made with staff distributed across a large number of sites and buildings. There needs to be a step change in workspace arrangements if the council is to lever the most out of its investment in people and the IT that supports them. The new agility and flexibility this would bring will support the development of the holistic approach to service provision referred to earlier in the context of children's services.

- But the case is as equally valid for services right across the council where managers and staff are developing a customer focus and are looking beyond the traditional, departmental approach that has developed over time and, at its worst, encourages a rigid, silo mentality. The BME staff group have argued for the reduction in silo working and for the encouragement of staff to work across departmental boundaries.
35. "Place" is known to have a strong psychological impact on people and behaviours. Addressing the issues of place can become a strong catalyst for change.
 36. Above all the council needs to maximise flexibility through its accommodation and working practices, so that although unable to predict the future, it is well placed to meet its challenges. For example, it needs to provide "touchdown" points across the borough, to support staff who need to be working and travelling across the borough with short-stay, drop-in facilities. Provision will be made in the retained town halls for this flexible work style.
 37. For all of the reasons discussed above, the council has been seeking to acquire a new, modern administrative building near a transport hub. In summary, the objectives for the new building are:
 - to provide a high quality, efficient working environment that offers sufficient flexibility for the future, replacing accommodation that is unfit for purpose
 - to enable the staff located there to work collaboratively, openly, creatively and innovatively
 - to foster good internal and external communications
 - to project a modern, professional and welcoming image.
 38. Through the necessary change to business processes, working practices, management style and to the organisation itself, the benefits sought from this new, modern administrative building are:
 - Improved efficiency and improved personal productivity
 - Improved team working and communication
 - Improved access to information and knowledge
 - Reduced vulnerability to loss or abuse of information
 - Healthier, happier, more motivated staff
 - Increased ability to attract, motivate and retain the best people for the job
 - Improved trust and empowerment of staff
 - Reduced travel time and cost
 - Improved sustainability
 - Increased ability to work flexibly
 - Better space utilisation and reduced paper storage
 - Better, quicker service delivery through a greater ability to focus on the customer resulting in better outcomes for customers.
 39. Unsurprisingly, given the drivers for modernisation, many local authorities are currently undergoing a similar exercise in relation to their accommodation requirements and rationalising their historic estates into modern fit-for-purpose buildings and at the same time introducing new ways of working. Edinburgh City Council opened their new purpose built headquarters in April 2007 accommodating 1,800 staff, and announced a further programme to accommodate a further 1,500 staff.

In relation to London, many authorities are at strategy stage and are current agreeing options and implementation programmes. They include Haringey, Havering, Brent and Richmond-upon-Thames. Tower Hamlets has agreed on a strategy and is currently searching for a building which meets its requirement. Greenwich is seeking to develop a new 20,000 sq m building at Woolwich. Lambeth has taken modern office accommodation at Phoenix House, Vauxhall and Barking & Dagenham is seeking to rationalise its estate to five core buildings.

Property Acquisition

Office Market in Southwark

40. In order to secure the new building the council has engaged with the commercial office market. Whilst the council's "offer" as a prospective tenant is a highly attractive one to most landlords, it is a strong lettings market in which the council must compete, with relative demand expected to cause rents to rise over the next few years. The council must move quickly if opportunities that are available now are not to be lost, or become more expensive.
41. Anticipated supply means that if the building identified in the closed part of the report is not taken, the private market will not offer further opportunities for several years. The earliest delivery date for a newly constructed building, should the council seek to bring forward a development of its own would be 2012/2013.

Property Search

42. Commercial property agents GVA Grimley were instructed in October 2006 to identify, evaluate and negotiate terms on suitable premises according to the following criteria:
 - Accessibility for staff and customers
 - Situated within Southwark
 - Accommodation for 2,000 – 3,000 staff
 - Modern, efficient building
 - Platform for new ways of working and efficiency gains
 - A step change on current standards of accommodation and how the Council uses accommodation
 - Timing and compatibility with long term strategic goals
 - High standards of environmental performance.

Occupation and Logistics of Occupying the New Building

43. Fitting out a building of the size envisaged and successfully completing a move for 2,000+ staff is a major undertaking for any organisation, and generally it will be desirable to engage a specialist firm. The level of expertise and resource needed for this project does not exist within the council. Nevertheless, the timetable is deliverable if the council appoints a "partner" with a proven track record, operating to a tightly drawn specification, within a comprehensive, controlled, project management environment. Preliminary discussions have taken place on an informal basis prior to a compliant procurement exercise.

44. The advantages of this approach in mitigating risk to the council are:
- buying in to proven experience and expertise
 - time not expended in assembling an in-house resource (assuming possible to do so)
 - delivery risks potentially transferred to the contractor.
45. The council will begin by appointing a Quantity Surveyor to prepare a technical specification for the works to be undertaken. A specification for this initial appointment and a gateway 1 procurement report has been prepared in readiness to proceed. The Quantity Surveyor's appointment can be procured through the Office of Government Commerce S-Cat Procedure under its Term Assurance Framework Agreement.
46. The specification produced will be used to tender for the appointment of the partner to undertake the works. Upon appointment, the partner will need to develop a detailed understanding of how the council intends to occupy and use the new building (in terms of new ways of working, for example) and the wider change objective driving the office accommodation programme. It is imperative that the stakeholder consultation and change management associated with the office accommodation programme is started as quickly as possible, to inform the business transformation which in turn will inform the office design and fit out. Any delay will result in a higher risk of requests to amend specification and requirements during the fit out stage when it is too late to accommodate such changes without slippage and delay in staff moving into the new accommodation. It is therefore proposed that the executive should delegate to the Chief Executive under Contract Standing Order 8.4 the procurement strategy (gateway 1) for the appointment of the partner.
47. The Quantity Surveyor preparing the specification would continue to have a managing and quality assurance role with regard to the execution of the works to the Council's satisfaction. In-house project management resources will perform an intelligent client role, managing the relationship with and performance of the Quantity Surveyor, ensuring full integration with objectives and dependencies in the overall programme, and robust product acceptance management. The fit out works specifically are expected to take five to six months.
48. To ensure that the project proceeds on time and within budget there will be a structure in place for timely and effective decision making, a full commitment to working with the appointed Quantity Surveyor (provision of information etc), and a "right first time" agreement around the specification to avoid project critical changes (time and budget).
49. The cost of procuring the Quantity Surveyor, the partner undertaking the works and the in-house project resource needed to ensure cohesion, will be calculated as a percentage of the overall cost. It is currently unbudgeted, and a budget will need to be identified from revenue and /or capital resources.

Facilities Management in the New Building

50. The Facilities Management (FM) of a large office building is a significant factor both in terms of the quality of the working environment and cost. It is the integrated management of a wide range of services both 'hard' and 'soft' to provide a safe and efficient working environment, which is essential to the performance of any business. The key services are set out below:
- Hard FM - These services include internal, external and mechanical & electrical repair and maintenance, improvements, relocations, alterations and waste and energy management.
 - Soft FM - These services include cleaning, security, reception, printing and reprographics, post room, catering, room bookings, catering and Health & Safety
51. In a new building the standards to which the council will be obliged to deliver these services will be of an extremely high standard. There are two drivers for this. Firstly the quality of the working environment that will support and maintain the efficiencies achieved must be maintained. Secondly the council's obligations to the landlord will be stringent in terms of maintaining the fabric and services to the building to a high standard. Any under investment in the asset may result in interim dilapidation costs and/or a significant final financial liability.
52. Over and above the essential services there are many elements that are optional. Examples could include creche facilities, training facilities and possible public facilities such as an enhanced reception function or meeting facilities.
53. Decisions on the provision of any of these additional services will be based on need, cost, space implications, relative benefit, council priorities, the proximity of either council provision or the availability of private services and their suitability. The inclusion of any of these within the building would clearly impact on occupancy levels and require a full cost/benefit analysis.
54. The programme for the establishment of a central function of facilities and property management is currently underway. The corporate facilities management programme will deliver a fully integrated management process for the council's entire non-housing estate. This includes management and contractual arrangements for hard and soft services for well in excess of (a current) 120 buildings, with a traded service to the Primary Schools estate and the council's other partners.
55. The delivery of FM services to the new administrative building will be managed by Corporate FM through one of three possible options;
- The full incorporation of the new building requirements in the developed corporate arrangements
 - The procurement and management of a single service provider for both hard and soft services for the new building
 - The procurement and management of a suite of hard and soft contractual arrangements for the new building.

56. These options will be assessed on the basis of cost, benefit, management of risk and timescales as part of the efficiency review of shared support services. A decision will need to be made early in the process to allow time for an appropriate procurement process, if required.

Options Appraisal

57. The office accommodation options have been evaluated according to criteria of strategic alignment, building functionality, sustainability and business case. The analysis is set out in the closed part of the report.

Advanced Business Case

58. On 30 January 2007, the executive received an intermediate business case based on the best market information available at that time. In summary, the report noted that the consolidation of more than 2000 staff in a single office building would create a likely funding gap over ten years. This funding gap was established net of future running costs (including property lease rental and service charges), set up costs and receipts generated through the disposal of former office buildings no longer required.
59. The report indicated that the average annual shortfall would need to be met through targeted efficiency savings that would not otherwise be achievable in existing accommodation. No account was taken of those costs foregone that would be required to maintain the fabric of the existing, aging stock, to replace existing accommodation as the buildings were displaced or leases came to an end or the costs of modernising or 'greening' existing sites to current working and environmental standards.
60. Since the January Executive meeting, a further and more detailed assessment has been carried out across a number of alternative options. These have been based on current and future building availability in Southwark to identify the best value for money option:
- 'Do Minimum' – remain in existing property estate and do only essential works which involves replacing Chiltern House and the Chaplin Centre, performing necessary backlog maintenance and refurbishment and greening the existing building stock.
 - Lease a property or properties near a transport hub
 - Retain the existing property estate until 2012 and then build own office space
 - Retain the existing property estate until 2012 and then lease office space.
61. An analysis of these options is included in the closed part of the report. A recommendation to approve the business case to implement a lease option is also included in the closed report.

Governance

62. A programme delivery board has replaced the former Office Accommodation Programme Board, consistent with the outcome of the consultation on strategic management arrangements.

The new board comprises the Interim Strategic Director of Customer & Corporate Services (Ch), the Strategic Director of Regeneration & Neighbourhoods, the Interim Strategic Director (Major Projects), the Director of Legal & Democratic Services and the Finance Director, subject to confirmation by the Major Projects Board.

63. The programme plan will be submitted to the Major Projects Board.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal & Democratic Services

64. The executive is asked to approve a number of recommendations relating to the council's accommodation strategy, which are set out in paragraph 2. In considering any recommendations, the executive should have regard to the council's obligations to carry out its duties in accordance with the principles of best value. This requires that authorities are to secure continuous improvement in the way they carry out their functions, having regard to a combination of economy, efficiency and effectiveness. This report outlines the issues pertaining to the existing accommodation and sets out at paragraph 38 the benefits sought in recommending this approach.
65. The executive is also asked to approve the delegation to the Chief Executive of the procurement strategy (gateway 1) for the appointment of the partner to manage the agreed strategy. As this is likely to be a Strategic Procurement (due to its value) this decision is reserved to the executive, but under Contract Standing Order 8.4 may be delegated to another decision maker. The justification for requiring this delegation is noted in paragraph 46 of this report.
66. Officers in the Director of Legal and Democratic Services' Department have been advising colleagues on specific elements of this strategy and will continue to provide advice as and when required as the project develops. Further advice on the procurement strategies for both the QS and partner will be given as part of the gateway 1 reports.

Finance Director

67. The decisions required by this report represent one of the most demanding projects that the council has ever undertaken. The financial challenges cannot be taken in isolation from a range of organisational issues that will each require clear risk management arrangements and accountability.
68. The major challenge of the project remains to ensure that the project is affordable and that all additional costs are sustainable and offset by efficiency savings and delivery of the disposals programme. These issues are complicated by the state and age of existing office accommodation, the freehold interests that the Council retains on a number of sites, the listed status of some of the buildings and the potential costs that would need to be incurred to upgrade these buildings in the future.
69. The business case has been modelled comprehensively by external consultants (PA Consulting) on the basis of data supplied by council officers and the council's property agents.

Assumptions have been made within this extensive model and validated by the Finance Director and the Interim Strategic Director of Customer and Corporate Services. Preliminary work has been completed with the support of PWC who have in particular provided assessments of the extent to which efficiency savings may be achievable. Both PWC and more recently PA Consulting as part of their modelling activity have also completed a fundamental review of the current costs of council accommodation that will be used to help finance ongoing revenue costs of the new provision.

70. The disposals programme will need careful management to ensure that any receipt is optimised over time and that maximum resources are released, not only to fund fitting out costs for this project, but also more widely to help support the council's capital programme.
71. The programme delivery board will be required to undertake budgetary control of the implementation of any programme agreed by the executive and to undertake regular risk reviews as the project proceeds and to identify and put in place any appropriate containment actions as necessary.
72. The board will also oversee the detailed programming of services and functions moving to the new facilities and will seek to recover any rent due from external partners and agencies as appropriate.
73. The executive are requested to note that the Finance Director will be required to incorporate all financial implications arising from the agreed programme within a refreshed Medium Term Financial Strategy and within the four year Policy and Resourcing Strategy.

REASON FOR URGENCY

74. The report cannot await the next meeting of the executive on 15 May 2007, because to do so would involve a very high risk of the loss to a third party of the office accommodation for which the council is negotiating.

REASON FOR LATENESS

75. The business case model is complex. The need to verify the model with external advisors, who have other clients and commitments, has made it impossible on this occasion to circulate the report with five clear days in advance of the meeting.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Report to Executive, 30/1/07 – “Office Accommodation Programme – Strategy and Business Case”	Modernisation & Improvement Division, CCS Department, Floor 4, Cottons Centre SE1 2QP	Pamela Johnson 020 7525 0635

AUDIT TRAIL

Lead Officer	Eleanor Kelly, Interim Strategic Director of Customer & Corporate Services	
Report Author	Kevin Peters, Assistant Director (Modernisation & Improvement)	
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Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal & Democratic Services	Yes	Yes
Finance Director	Yes	Yes
CMT	No	No
Date final report sent to Constitutional/Community Council/Scrutiny Team	26/4/07	