

**EXECUTIVE BOARD – 16<sup>th</sup> October 2018**

<b>Subject:</b>	Loxley House Work Place and Hub Phase 2: Outline Business Case and Related Approvals
<b>Corporate Director(s)/Director(s):</b>	Chris Henning, Corporate Director, Development and Growth
<b>Portfolio Holder(s):</b>	Councillor Jon Collins, Leader/ Portfolio Holder for Regeneration and Growth
<b>Report author and contact details:</b>	Sarah White, Project Manager, Major Programmes. <a href="mailto:sarah.white@nottinghamcity.gov.uk">sarah.white@nottinghamcity.gov.uk</a> . Tel: 0115 8763410
<b>Subject to call-in:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Criteria for Key Decision:</b>	
(a)	<input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision
<b>and/or</b>	
(b)	Significant impact on communities living or working in two or more wards in the City <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Type of expenditure:</b>	<input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
<b>Total value of the decision:</b>	£1.823 million
<b>Wards affected:</b>	All
<b>Date of consultation with Portfolio Holder(s):</b>	27.09.18
<b>Relevant Council Plan Key Theme:</b>	
Strategic Regeneration and Development	<input checked="" type="checkbox"/>
Schools	<input type="checkbox"/>
Planning and Housing	<input type="checkbox"/>
Community Services	<input type="checkbox"/>
Energy, Sustainability and Customer	<input checked="" type="checkbox"/>
Jobs, Growth and Transport	<input type="checkbox"/>
Adults, Health and Community Sector	<input type="checkbox"/>
Children, Early Intervention and Early Years	<input type="checkbox"/>
Leisure and Culture	<input type="checkbox"/>
Resources and Neighbourhood Regeneration	<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
<p>This report outlines proposals to maximise the potential of Loxley House and other assets, as outlined in the Council's Corporate Asset Management Plan and the Strategic Regeneration Programme. This programme of works will include the movement of services from locations across the City to one central point, in Loxley House. The project will be funded through prudential borrowing, rental income, operational savings and capital receipts as set out in the financial model. The key outcome will be more efficient use of the Council's estate and facilitating the development of key sites across the City.</p>	
<b>Exempt information: State 'None' or complete the following</b>	
<p>Appendices C and D to this report are exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because they contain information relating to the financial affairs of the Council and its partners.</p> <p>It is not in the public interest to disclose this information because it may impact on the future ability of the Council to generate income to support public services.</p>	

<b>Recommendations:</b>	
<b>1</b>	To approve the Outline Business Case for the Loxley House Work Place and Hub Phase 2 programme of works as outlined in Appendix A.;
<b>2.</b>	To approve the financial model of the project as outlined in the exempt Appendix C;
<b>3</b>	To delegate authority to the Corporate Director for Development and Growth, in consultation with the Leader/ Portfolio Holder for Regeneration and Growth, to enter into contracts for the works contracts, including the procurement of consultants, and to commit any other expenditure required during the delivery of the programme, subject to the costs being contained within the parameters of the financial model, noting that all requirements will be procured in conjunction with the Procurement Team and in accordance with the Councils own internal Contract Procedure Rules and Public Procurement Regulations 2015;
<b>4</b>	To approve the establishment of 1 FTE I grade change manager post and of 1 FTE H grade change manager post and the recruitment to that post under scheme of delegation number 16, for a fixed term of 12 months;
<b>5</b>	To delegate the authority to the Head of Legal Services to amend existing licence agreements to reflect changes and to enter into any service level agreements required to facilitate the programme and protect the interests of the Council;
<b>6</b>	To delegate the authority to the Corporate Director for Development and Growth, in consultation with Leader/ Portfolio Holder for Regeneration and Growth, to approve the Final Business Case, subject to the value being within the funding envelope set out within the Outline Business case.
<b>7</b>	To delegate the authority to the Strategic Director of Finance to opt to tax Loxley House if required to protect the Council's tax position;
<b>8</b>	To increase the Capital Programme by £1.823 million as detailed in the exempt Finance comments.

## **1 REASONS FOR RECOMMENDATIONS**

- 1.1 The development of key sites across the City is dependent on the relocation of existing City Council staff to facilitate regeneration. This programme of works will release three sites for development and in the process generate income and savings to fund these works.
- 1.2 There is an opportunity to consolidate complementary public facing services within Loxley House from Angel Row and Housing Aid, Lower Parliament Street with DWP.
- 1.3 The scope of this project will also include the decommissioning of the current Henry Whipple base alongside some potential works at Southglade Children's Centre in order to facilitate these moves.
- 1.4 The works required to facilitate these relocations are likely to impact on the layout across Loxley House. This provides an opportunity to introduce more flexible working at Loxley House, to maximise the efficiency of the building, align with the implementation of IT strategies, and to improve the working environment at Loxley House.

- 1.5 An Outline Business Case (OBC) has been developed that sets out the rationale for this programme of works, including the financial model. The OBC sets out the dependencies with other projects and how this programme of works will facilitate other strategic objectives. This is included as Appendix A.
- 1.6 High level designs and costs have been developed to clarify how the construction works and layout of the building will be affected. These are currently being reviewed and consultation with key stakeholders is underway. The construction works will be procured using a framework as this allows early consultation with contractors. This will help mitigate risk related to the technical aspects of the construction.
- 1.7 The programme includes for change management resource to support engagement throughout the programme for both the construction and moves and the implementation of agile working.
- 1.8 It is anticipated the furniture and IT equipment as well as resources will be required to support the delivery of this programme. At this stage, there are high level costs setting out these requirements. All requirements will be procured in conjunction with the Procurement Team and in accordance with the Councils own internal Contract Procedure Rules and Public Procurement Regulations 2015.
- 1.9 It should be noted that this project is at an early stage and costs may fluctuate within the financial model as they are finalised. Once detailed designs are complete, a Final Business Case (FBC) will be completed, confirming that the costs are within the parameters set by the financial model and finalising the scope, procurement methods and timescales for the project.
- 1.10 The Council would like the ability to recover VAT on any rental income from partners, subject to licences being in place. This reports asks that this be delegated to the Strategic Director of Finance to allow make a decision depending on the particular circumstances and the impact on the Council overall.

## **2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 2.1 The Corporate Asset Management Plan sets out the strategy for making best use of the property assets owned by the Council. This document clarifies the corporate drive for value for money through income generation and operational efficiency. This programme of works forms part of this strategy, and facilitates the delivery of other strategic regeneration projects across the City.
- 2.2 Loxley House is a key asset and work by the Strategic Property and Assets team has been undertaken to review how the building can operate more efficiently, offering services to citizens and providing a quality, flexible working environment for colleagues and partners.
- 2.3 The construction works include the adaptation of facilities on the ground floor, the provision of new toilet facilities and the creation of a new entrance off Trent Street (subject to Planning permission being granted). There will also be reconfiguration works across Loxley House to support the relocations and the implementation of agile working. The detail of each of the individual projects is included in the Outline Business Case as Appendix A.

- 2.4 The project will release other assets to enable regeneration whilst at the same time generating income and savings to fund these works. The payback period for this investment under a prudent medium case scenario is eight years.
- 2.5 Consultation with the Corporate Leadership Team (CLT) and the Strategic Asset Management Corporate Leadership Team (SAM CLT) has taken place. Service heads of the teams moving into Loxley House have been consulted and a wider consultation with the teams and partners within Loxley House will take place once detailed plans are in place. An engagement strategy will be developed and led by a change management specialist.
- 2.6 The Outline Business Case has been reviewed by the Council's Project Assurance Group (PAG).

### **3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 3.1 Do nothing: this option was rejected. The do nothing option risks blocking two development opportunities to increase the efficiency of usage in the Council Estate. The do nothing option is not cost neutral and would lead to ongoing operational costs.
- 3.2 Relocate Nottingham Revenues and Benefits service and/ or Housing Aid to other buildings in the City: this option was rejected. No appropriate buildings have been identified as being suitable and this option does not allow for the co-location of customer facing services and the opportunity for cross team/ organisational working.
- 3.3 Reconfigure the ground floor of Loxley House without introducing agile working: this option was rejected. The co-location of new customer facing services on the ground floor at Loxley is only possible by relocating some back office functions elsewhere in the building. Relocating these services means that current desk ratios will need to be improved. This will bring the building back into line with the original operational intentions whilst providing a more flexible work environment. In addition, agile may allow for further desk space to be allocated to partners, generating revenue, in line with the strategic objective set out in the Corporate Asset Management Plan.
- 3.4 Relocation of Housing Aid and Nottingham Revenues and Benefits with introduction of agile working. This is the preferred option. This option will allow two sites to be redeveloped, contributing to the financial and strategic objectives of the Council. The co-location will also benefit citizens by providing customer facing services in one location and support the opportunities for cross team/ organisational working. Agile working will allow the Council to improve resource utilisation and the working environment. There may also be opportunities to allow for further relocations or secure rental income by co-locating with partners under licence agreements.
- 3.5 Procure the construction works through a framework. The delivery of construction through a framework is preferred as this will allow the programme to better understand the construction costs associated with key elements, particularly the proposed Trent Street entrance. Procurement through a framework allows for a collaborative approach that will help to mitigate cost increases at a later date and ensure a shared understanding of the brief and scope of works. The preferred

framework and contractor will be included in the Final Business Case submission for approval by the Corporate Director for Development and Growth and the Leader/ Portfolio Holder for Strategic Regeneration and Growth and accordance with the Council's own contract procedures.

- 3.6 Appoint external consultants as change managers. This option was rejected as it is cost prohibitive in comparison to the cost for recruitment, and goes against the councils commitment to reduce its use of external consultants.
- 3.7 Use internal resources as change managers to support the programme. This options was rejected as there is no in-house capacity to specifically support this programme.
- 3.8 Recruit two FTE change managers to support the programme. This option is preferred as it is the most cost effective and builds the required capacity in order to drive the required change.

#### **4 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)**

- 4.1 Please refer to exempt Appendix D for finance comments.

**Advice provided by:**

Roma Patel – Capital Accountant

Thomas Straw – Senior Accountant (Capital Programme)

#### **5 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)**

- 5.1 There are no significant procurement concerns with the recommendations set out within the report. The procurement team will support the client with their procurement activity in line with Public Contract Regulations 2015 and the Councils internal Contract Procedure Rules.

Comments provided by Sue Oliver – Places Procurement Category Manager

- 5.2 Appointments of employees is a non-executive function which can be approved by the relevant corporate director. All offers of employment should be based on merit.
- 5.3 The requirement for the provision of sufficient and appropriate accommodation for Nottingham Revenues and Benefits is set out in the contractual arrangements with Northgate and obliges the City Council to provide the same level of accommodation as was utilised by the City Council immediately prior to commencement of the contract.
- 5.4 The licence with DWP will require amendment. Legal Services will advise and draft the amended or new licence in conjunction with the Corporate Property team.  
Andrew James - Team Leader Commercial, Employment and Education

## **6 STRATEGIC ASSETS & PROPERTY COLLEAGUE COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)**

- 6.1 The proposals outlined in the report are consistent with the Council's Corporate Asset Management Plan vision and priorities. The proposals support the Council's requirement to have an estate that supports operational delivery, contributes to the regeneration of the City and maximises income generation through its commercial activities.
- 6.2 The Loxley House Project provides the opportunity for the Council to release a number of sites for development within the City thereby rationalising its estate and maximising the utilisation of its headquarter premises. The project will contribute to the reduction of the maintenance liabilities of the Council's operational estate that are no longer suitable, sufficient and sustainable for service delivery.
- 6.3 The proposal enables the consolidation of front facing public services within a single, modern, conveniently City Centre location. This provides a unique opportunity to improve the citizen experience particularly for those who are accessing multiple agencies. This proposal will also enable the Council to adopt modern working practices that optimises space and provides more suitable environment for staff to work effectively and collaboratively. The project is anticipated to release office space within Loxley House for appropriate partners which will further reduce the Council's premises running costs.

Advice provided by Kevin Shutter – Director of Strategic Asset and Property

## **7 HUMAN RESOURCES COLLEAGUE COMMENTS**

- 7.1 There are a number of workforce implications for the programme team to consider and address if this proposal is supported.
- 7.2 The current staff to desk ratio in Loxley House is almost at 1:1, so whilst the programme will only look to decrease this ratio back to the original levels of c.10:7 (more akin to when Loxley House was first occupied), staff have become accustomed to having more space and in many cases their own desk. Moving to 'hot desking' arrangements and more remote/home working will require a change in mind-set and behaviours, as well as any process/systems change. Issues such as storage, IT and any required reasonable adjustments will need to be fully considered and the identified needs be met.
- 7.3 The change should be addressed through appropriate staff and team engagement, training and development, and other supportive interventions, which it is proposed will be met by a funded change resource. Support for colleagues to work differently, and managers to lead their teams differently will be critical to the success of the programme. The programme may want to engage with our Trade Union representatives to ensure any employee concerns are raised and resolved appropriately.
- 7.4 It is understood that additional change resource will be required to support this programme, including an OD Specialist (NCC-I) and a Development & Change Consultant (NCC-H). These posts should be approved via the NCC Vacancy Approval process and recruitment to in the appropriate manner, considering any individual currently on the redeployment register first. As the posts are to be fixed-term for a period of 12 months, it is recommended that an appropriate exit strategy

is in place in order to terminate the contracts in line with NCC guidance. Management will need to ensure appropriate timelines are in place to notify the affected employee and give appropriate notice.

Advice provided by Nicola Gell - HR Business Lead (Development & Growth)

## **8 SOCIAL VALUE CONSIDERATIONS**

- 8.1 The proposal will improve the social, economic and environmental wellbeing of Nottingham citizens by:
- Ensuring the efficient use of the Council's estate
  - Co-location of customer facing services
  - Facilitating the redevelopment of sites across the City to support regeneration and growth

## **9 REGARD TO THE NHS CONSTITUTION**

9.1 Not applicable

## **10 EQUALITY IMPACT ASSESSMENT (EIA)**

10.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because:  
(Please explain why an EIA is not necessary)

Yes

Attached as Appendix B, and due regard will be given to any implications identified in it.

## **11 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)**

11.1 None

## **12 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT**

12.1 DDM 2826 One Public Estate (OPE) Projects, approved May 2017

12.2 DDM 2958 Loxley House Great Workplace - Phase 1 works, approved October 2017