

# Report of the Strategic Director of Regeneration to the meeting of Executive to be held on 8<sup>th</sup> March 2016

**BD**

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## Subject:

Property Programme progress report and investment plan for 2016/2017

## Summary statement:

This report sets out the progress made by the Property Programme incorporating New Ways of Working to the end of 2015/2016. It also outlines the work plan and investment requirement for 2016/2017 and seeks Executive approval to commence with those plans.

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## Portfolio:

Regeneration and Economy

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## Overview & Scrutiny Area:

Corporate



## 1. SUMMARY

This report sets out the progress and savings made by the Property Programme (formally b-works). It also outlines the work plan for 2016/2017 and seeks approval to commence with 2 new capital schemes costing £4m. Funding for the schemes has been included in the Council's Capital Investment Plan approved in February 2016.

The work plan for 2015/16 seeks approval for:

- a. Scheme 1: A £2m scheme to refurbish part of the Ground floor of Britannia House. The scheme is linked to a £0.75m scheme approved in 2015/16 to refurbish Argus Chambers.

Both schemes will enable the Council to vacate Jacobs Well saving approximately £0.7m per year and enabling a Private Sector developer to create a new One Public Sector Hub.

- b. Scheme 2: £2.0m for essential building works on Council properties

## 2. BACKGROUND

2.1 The Property Programme is a ten year 'invest to save' strategy to deliver a well-managed and fit for purpose estate that enables staff to work in a more agile way through New Ways of Working (NWoW). The programme was based on a financial model that generated revenue savings and capital receipts from reducing the Council's operational estate, and then used those savings and capital receipts to improve the Council's retained estate (and the management of it). The programme was agreed by Executive in October 2009.

2.2 The programme has two key areas of activity:

- 1) Undertaking 'Spend to Save' projects that result in revenue savings and capital receipts by vacating surplus properties. This is principally undertaken by two project teams:
  - The Property Realignment team identifies properties that can be vacated; undertakes the work necessary to vacate/relocate, and then disposes of the surplus properties.
  - The New Ways of Working (NWoW) team are providing the infrastructure to support the delivery of services in a more agile way, to reduce the amount of office space required by enabling staff to work flexibly (on a 7 workstation to 10 employees ratio) and access documents remotely.
- 2) Improving the quality and management of the retained estate by re-investing the revenue savings and capital receipts generated by the invest to save elements.

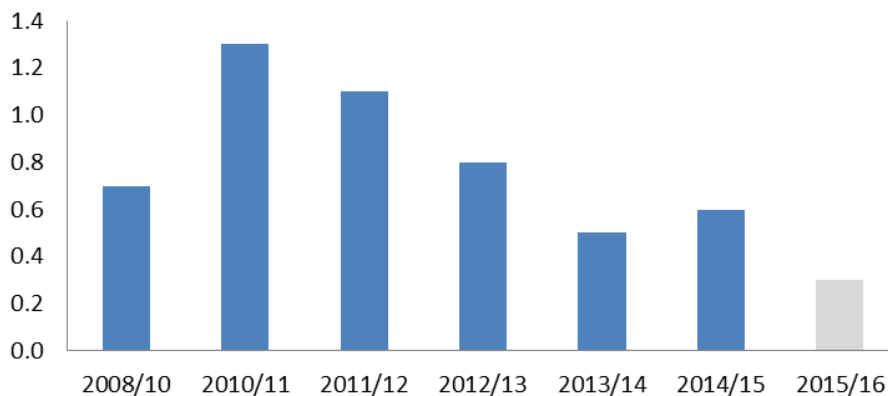
### 3. OTHER CONSIDERATIONS

- 3.1 The Programme's outcomes and property sales/reinvestment will enable Council resources to work in an agile way through the implementation of NWoW which enables the rationalisation of accommodation and the introduction of mobile and non-territorial working arrangements.
- 3.2 A prosperous city centre is recognised as key to the regeneration of the district. One of the prime objectives of the Estate Strategy is to increase the Council workforce presence in the city and town centres. To date some 1,000 staff have been relocated to the city centre boosting the local economy.
- 3.3 The Council must continue to address backlog maintenance in its retained estate to minimise any risk to the health and safety of its customers and staff.
- 3.4 In addition there is a further contribution to regeneration benefits as the surplus properties disposed of by the Council are put to alternative uses such as new housing and business creation/ expansion.

#### **Progress to Date – Achieved and Planned to end of 2015-16**

- 4.1 By the end of 2015/16 it is projected that the Programme will have achieved:
  - 1. Vacating over 65 properties/ 53,000m2 of space (equivalent to over 5 Jacobs Wells). The savings from the start of the programme to the end of 2015/16 totals £21.6m and will be equivalent to £37.5m by the end of the Programme in 2018/19 with £5.2m per year gross revenue enabling funding to deliver front line services..

**Full year gross savings from buildings vacated in year £ms**

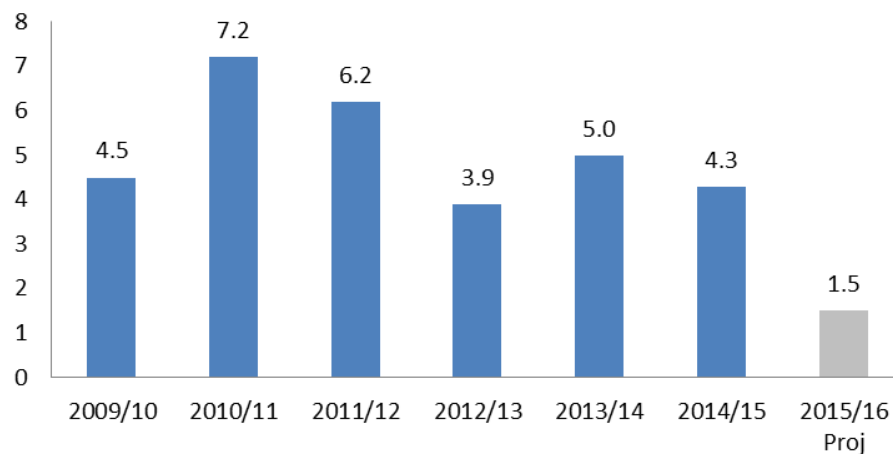


Additionally, the Programme has recently completed a scheme to relocate staff based at Future House (12,000m<sup>2</sup> leased accommodation) to the refurbished Margaret McMillan Tower (former Central Library building) on time and on budget. The scheme has brought a major city centre building back into use and increased the number of city centre employees by approximately 550 aiding city centre regeneration and saving an additional £1.2m per year from the comparable running costs of the leased office.

The Programme has also recently started work on a £2.75m scheme to refurbish Argus Chambers and part of Britannia House. The scheme will enable the vacation of Jacobs Well office accommodation (10,000m<sup>2</sup> freehold accommodation) saving the Council approximately £0.7m per annum in running costs, and enabling private developers to redevelop the site.

2. £33m of capital receipts from disposing of surplus properties.

### Capital Receipts £ms



The level of capital receipts generated in 2015/16 is projected to be £1.5m which is less than the target of £3m. This is due to:

- A consequence of the success of the rationalisation programme has resulted in fewer former operational properties coming forward for disposal with the value of those that do being of relatively low value.
- The disposal of properties forming part of the ‘investment estate’ has been decelerated whilst the non-operational estate strategy is reviewed and updated. This links to ongoing work around the identification of land suitable for development for housing and employment uses and the consideration of wider benefits than solely capital receipts that may be realised from sales.
- Delayed sales due to various factors such as;
  - Three properties are subject to Asset of Community Value applications.

- The sale of the former Silsden Library building and Wesley Place has been delayed due to the consideration of a proposal for community use. Because of the length of time that the properties have stood empty some preparatory works are required to the buildings prior to marketing.
- The marketing of the site of the former Flockton House and car park failed to elicit a suitable offer. The marketing plan for the property is being reviewed prior to remarketing.
- When selling property Estate Management seeks to maximise capital receipts by for example obtaining planning permission and/or negotiating joint sale agreements with adjoining land owners which takes additional time.

In addition to the capital receipts generated, disposing of properties also results in regeneration benefits as the properties are put to alternative uses such as housing provision or business expansion examples are:

- Olicana House – sale and conversion to residential
- Bowling Area Office – sale to Yorkshire Buildings Society for expansion of HQ.
- Neal Street – Sale to Unison for new office
- Errington House – sale and residential redevelopment.

3. Over £50m of backlog maintenance reductions from investing in retained premises and disposing of surplus properties, halving the Councils backlog maintenance.

Other benefits that the Programme has delivered include:

- Centralisation of the Facilities Management function; implementation of a unified Facilities Management system and investment into a rolling programme of building condition surveys to improve the strategic management of the Council's estate.
- Creating the infrastructure necessary to enable flexible and mobile working which adds to resilience making the organisation more easily adaptable to future change. This has involved:
  - Rolling out a Corporate Electronic Document management system to services across the Council. The system now has approximately 3,600 users.
  - Providing IT equipment to enable Flexible Working. Approximately 2,900 staff are equipped and trained to be flexible workers enabling service improvement and reductions in the requirement for office accommodation.
  - The creation of a corporate mail, print, scanning and archives service to improve the management and security of information whilst also delivering print and mail efficiencies and reducing the requirement for storage space in other properties.
  - A corporate managed print service to enable users to print securely from any location and improve the quality of the printer estate.

To deliver the above benefits the Programme will have incurred approximately £15.4m of revenue expenditure and £50.1m of capital expenditure from the start of the Programme in 2008/9 to the end of 2015/16.

The capital works have been overseen by Facilities Management who have continued to offer much needed apprenticeships. The development saw Chris Richards the Mixed Trades Operative working on Margaret McMillan Towers awarded the Employee of the Year at the Service Excellence Award. The benefits of the property programme also cascades down to the local economy through the supply chain with goods and services bought locally wherever possible.

## 5.0 PLANS FOR 2016/2017 AND BEYOND

- 1) In 2016/2017 the Programme will continue work to complete the approved City Centre Property Utilisation scheme. To date the project has delivered the new City Library in City Park, the purchase and refurbishment of Sir Henry Mitchell House and the major refurbishment of Margaret Macmillan Tower (the former Central Library building) on time and on budget.

To complete the project, the Programme will seek to dispose of Flockton House land for housing, and further reduce the number of leasehold properties.

- 2) The Programme will continue to progress the proposed £19m Keighley Hub scheme which aims to consolidate a number of public sector services onto the North Street site of the former Keighley College. In principle approval has been agreed by the Council and construction will only occur if suitable agreement can be reached with public sector partners
- 3) Work will continue on the £3m Depots strategy which seeks to consolidate the Council's depots onto existing space at Bowling Back Lane enabling the vacation and disposal of Shearbridge and Harris Street Depots and the Wakefield Road Depot Tramshed
- 4) The Programme will also complete works approved in prior years in 2015/2016 and 2016/2017 including £1m of improvements to St George's Hall<sup>1</sup>, City Hall Roof and Structures and the Shipley Library refurbishment amongst others.

In addition to completing work on approved schemes outlined above, the Programme is also seeking approval to commence work on 2 new schemes.

### 5.1 **Scheme 1 - £2m project to refurbish part of the Ground Floor of Britannia House to enable the vacation and disposal of Jacobs Well. The scheme is closely linked to the previously approved £0.75m refurbishment of Argus Chambers. The combined scheme consists of :**

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<sup>1</sup> The work to replace roof, windows, electrics and heating system was approved in 13/14 but was put on hold pending a match funding bid to the Heritage Lottery fund.

**1) £750k for the refurbishment of the 5 upper floors of Argus Chambers**

Argus Chamber was vacated by West Yorkshire Pension Fund in June 2015. The ground floor space has been leased to the Citizens Advice Bureau, who will take occupation in 2016/17 following refurbishment of the space.

The upper floor of Argus Chambers will be refurbished to corporate standard to maximise capacity. The project will be completed in April 2016 for occupation by the Council. This will contribute towards enabling the vacation of Jacobs Well.

The £750k of expenditure to enable work to commence so that the scheme could complete in line with the programme plan was approved in the mid year 2015/16 Finance report.

**2) £2m for the refurbishment of the ground floor space and reconfigured upper floor space in Britannia House.**

Britannia House is currently utilised with staff working on a one desk per person ratio. The majority of staff occupying the building have previously been through the New Ways of Working training and been provided with technology to support flexible working. The increased utilisation of Britannia House and the refurbishment of Argus Chambers will facilitate the vacation of Jacobs Well.

Phase 1 of the project will complete in 2016

The ground Visitor Information Centre will remain but will be reconfigured to incorporate a reception function for the services occupying the upper floors of Britannia House.

Phase 2 of the project will complete 2017

The well area in the middle of the Britannia House building will be closed and covered to provide breakout space, conferencing, meeting rooms and catering facility for staff and visitors.

The above works will enable the relocation of staff from Jacobs Well to Argus Chambers/Britannia House, and the subsequent vacation of Jacobs Well generating £0.7m of property savings per year as a direct result of this closure.

Other benefits include:

- Reduction in Co2 emissions
- Avoidance of £2.46 million of backlog maintenance
- Creation of a business hub with central access point to front-line services

The disposal of the Jacobs Well site will then enable a Private Sector Developer to create a £20 million office development (fully funded by the private sector) for this site. This will provide shared space and facilities to bring more employment opportunities, greater footfall in to the city centre and a net increase in business rates as the new building will be substantially larger than Jacobs Well

## **5.2 Scheme 2 - Essential repairs to the Council's estate - £2.0m**

The work includes 4 major schemes.

- 1) £0.7m for Phase 5 of City Hall essential roof replacement and external works. The scheme will complete the overall £4.5m phased project that started in 2010-11.
- 2) £0.5m to renew stone work on St Georges Hall. The scheme will be undertaken at the same time as other building work (roof, windows, fire safety upgrades) previously approved.  
Additionally plans for a further £4m of works to modernise the auditorium are currently being assessed. A bid for £1.7m of funding to contribute to the works has been submitted by the Theatres Service to the Arts Council and Heritage Lottery and a decision is expected imminently.
- 3) £0.2m re-wire of Eccleshill Pool to replace dated wiring.
- 4) £0.1m replacement of Keighley Library Roof to improve insulation and stop water ingress.

A full list of the schemes can be found in Appendix 1.

## **6.0 FUTURE DIRECTION OF THE PROGRAMME**

This successful cost saving programme is nearing its original end date and many of the properties that could be vacated and disposed of now have been. The £5.2m savings it has made will continue beyond the end of the programme. The Council's administrative estate is in a more sustainable position than it was prior to the programme's establishment. Additionally the transition to New Ways of Working is also nearing completion with almost 3,000 employees being equipped to work flexibly.

Although work will continue to identify building related savings and investments, this is now deemed to be 'business as usual' for the Estate Management Service. The programme has been successful in achieving strategic involvement, the commitment for which will continue with the inclusion of the New Deal property related schemes being reported through the current governance arrangements.

The Council continues to participate in the 'One Public Sector Estate' programme which is an initiative designed to expand asset management and estate rationalisation across the public sector. This forms part of the Property Programmes remit .

The Programme will also expand its remit and focus on achieving the best returns from the Council's Investment Estate including disposing of poor performing assets and investing in others where appropriate.

## **6. OPTIONS**

1. Note the progress of the Property Programme and approve the release of funds for the schemes listed in section 5 of this report. The funding of Capital Expenditure for these schemes has been approved as part of the 2016/2017 budget setting process.



2. Reject the recommendations, however, the Council needs to continue to secure greater efficiency in the use, planning and retention/ownership of its property to enable maximisation of its city centre accommodation with a flexible and agile workforce.

## **7. FINANCIAL & RESOURCE APPRAISAL**

Please refer to sections 4 and 5

## **8. RISK MANAGEMENT AND GOVERNANCE ISSUES**

Risk management is managed at a programme and project level. This is part of the programme governance and subject to regular review by the programme and projects.

## **9. LEGAL APPRAISAL**

- 9.1 Legal issues emerging from the programme will be identified and procedures put in place to ensure that all legal and statutory requirements are complied with.
- 9.2 Council assets are disposed of in accordance with the Council's approved Property Disposal Protocol. Disposal of Council property assets must comply with statutory requirements which provide that they cannot be disposed of at less than best consideration reasonably obtainable without ministerial consent. Section 123 of the Local Government Act 1972. Ministerial consent can be either specific or general. The terms of the General Disposal Consent 2003 means that specific consent is not required for the disposal of an interest in land which the authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area, so long as the undervalue does not exceed £2m.
- 9.3 If any of the Council property assets to be disposed of includes land that consists or forms part of an open space, the Council prior to the disposal will be required to advertise a notice of its intention of the disposal in two consecutive weeks in a newspaper circulating in the area in which the land is situated, and consider any objections to the proposed disposal which may be made to them. There is no prescribed statutory objection period but in practice 14 usual days as an objection period would suffice (28 days in total). "Open Space" means any land laid out as a public garden, or used for the purposes of public recreation, or land which is a disused burial ground," (section 336 of the Town and Country Planning Act 1990). However, the grant or an assignment of a lease for a term of less than 7 years in duration would not be a disposal for the purposes of section 123 of the Local Government Act 1972.
- 9.4 The Council recognises that the proposed movement and relocation of staff and the change to NWoW, may impact on existing terms and conditions of employment. The Council will ensure that it meets its obligations in law in managing this process. In particular, it will consult as necessary with recognised Trade Unions (and individual staff members where that is necessary) about any such proposals with a view to

eradicating or minimising the adverse impact of any proposal on existing terms and conditions of employment. Please also see Section 10.6 below.

## **10. OTHER IMPLICATIONS**

### **10.1 EQUALITY & DIVERSITY**

The Property Programme aims to improve the access and use of Council buildings and services for all.

In planning and implementing this programme attention has been paid to the requirements of the Public Equality Duty set out in Section 149 Equality Act 2010 (the Act). This requires public bodies such as the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations between different people when carrying out their activities.

Where appropriate Equality Impact Assessments (EIA) have been undertaken to assess the likely or actual adverse impact of any of the proposed schemes of work on people sharing one or more of the protected characteristics set out in the Act (whether these individuals are to be found within the staff employed by the Council or public using the properties in question). This information will be used to eradicate or minimise any potential adverse impact of the proposals on members of one or more groups sharing one or more of the protected characteristics laid down by the Act, who are identified as being at risk through this process.

### **10.2 SUSTAINABILITY IMPLICATIONS**

The increased use/reuse of existing buildings is the most sustainable option for creating an effective property portfolio.

Additionally the maximisation of staff in the city centre provides staff with an existing transport hub and is a more sustainable and accessible location which allows the increased use of public transport.

### **10.3 GREENHOUSE GAS EMISSIONS IMPACTS**

It is an aim of the Strategy to reduce CO<sub>2</sub> emissions from the Council's buildings by at least 25%. This will be achieved by reducing the total amount of space required and ensuring that new and retained buildings are both energy and water efficient. Making maximum use of existing buildings in town centre locations has the potential to reduce greenhouse gases arising from commuter transport by improving proximity to public transport facilities.

The reduction in travel and working from home including the ability to work in a mobile way is reducing unnecessary travel and time. This is also contributing to a reduction of CO<sub>2</sub> emissions

#### **10.4 COMMUNITY SAFETY IMPLICATIONS**

Well maintained and accessible Council buildings will help in creating pride in localities and community wellbeing.

#### **10.5 HUMAN RIGHTS ACT**

Accessible buildings by all members of the community has formed part of the assessment of the suitability of existing buildings and the development of property strategies. The refurbishment and re-provision of buildings will have regard to Community needs and appropriate consultations will take place to ensure that we are aware these and wherever possible adopt good practice.

#### **10.6 TRADE UNION**

The Trade Unions are represented on the Property Programme Board and the subsidiary project boards and will continue to be involved and consulted with as the projects and programmes progress.

The Trade Unions will continue to be consulted about the implications of such proposals for employees where appropriate (particularly where staff are to be re-located as a result of the plans outlined in this report or other changes to working conditions are planned).

#### **10.7 WARD IMPLICATIONS**

Members are consulted on the sale of property in their wards. Where City Centre buildings, being accessed by the public are likely to be disposed of, all Members of Council will be consulted. In addition where buildings in significant District Centres, accessed by the public, are likely to be disposed of, then all Members of Council in Wards that form part of that parliamentary constituency will be consulted.

#### **10.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)**

None

#### **11. NOT FOR PUBLICATION DOCUMENTS**

None.

#### **12. RECOMMENDATIONS**

It is recommended that the Executive:

1. Note the progress of the Property Programme.
2. Approve the release of £4.0m of funds to allow the following schemes to commence as detailed in section 5 of this report:

- I. The remaining £2m of the £2.75m scheme to refurbish Britannia House and Argus Chambers to enable the vacation of Jacobs Well.
  - II. Essential Works to the Council's estate - £2m.
3. That in order to build flexibility into the scheme, the Executive continue to grant the Strategic Director of Regeneration, in consultation with the Portfolio Holder and the Director of Finance, powers to make alterations to the programme on the basis that the total spend is below the amount authorised and the work is in line with the objectives of the programme.

### **13. APPENDICES**

Appendix 1 – Essential Works to the Council's Estate

### **14. BACKGROUND DOCUMENTS**

- Property Programme Progress and Investment Plan for 2015/2016 Executive Report 8<sup>th</sup> April 2015
- Property Programme Progress Report – Corporate Overview and Scrutiny 18<sup>th</sup> December 2014
- Property Programme Progress and Investment Plan for 2014/2015 Executive Report 8<sup>th</sup> April 2014
- Property Programme Progress and Investment Plan for 2013/2014 Executive Report 5 November 2013 (additional capital requirement for the Homelessness Service)
- Property Programme Progress Report and Investment Plan 2013/2014 Executive Report 7 May 2013
- Land and Property Disposal Policy including Community Asset Transfer Policy Executive Report 4 December 2012
- Changing our Council Property Enabler (formally b-works) progress report and investment plan for 2012/2013 Executive Report 16 March 2012
- b-works – Current progress and future investment requirement Executive Report 15 April 2011
- The Council's Capital Programme for 2010/2011 – 2014/2015 Executive Report 18 and 22 February 2011
- Estate Strategy First Phase Property Review Executive Report 11 February 2011

## APPENDIX 1

Prop Name	Element	Estimate	Brief Description of Works	Justification
City Hall	Building	£ 700,000	Phase 5 external works	Works to the main entrance to complete the scheme
St Georges Hall	Building	£ 500,000	Stonework repairs	Structural repairs required
Ecclehill Pool	Electrical	£ 223,977	Re-wire of the complete building and plant	Requires re-wiring due to its age and as part of a major re-fit programme
Keighley Library	Pitched Roofs	£ 101,242	Remove ex. Slate roof and rotten roof timbers, replace including felt and insulation replace approx 15% slates	Water penetration present in the building and increase energy efficiency
Argus Chambers	Lift	£ 85,000	Replace platform lift including enabling works	Replacement due to age and condition
Burnett Fields Children & Family Centre	Electrical	£ 80,524	Re-wire of the complete building and plant	Re-wire due to age and condition of the existing
Argus Chambers	Building	£ 80,000	Replace windows to well	Replace ex. failed, thermally inefficient metal windows
Kirklands Community Centre	Compliance	£ 50,000	Install new fire alarm and emergency lighting system	Compliance
Margaret MacMillan Tower	Lift	£ 45,000	Replace goods lift	
Ecclehill Library	Mechanical	£ 40,000	New boilers following phase 1 from 2014/15	In need of replacement due to age and condition.
Rainbow Children`s Centre	Mechanical	£ 39,598	Replacement boiler plant and energy efficient controls	In need of replacement due to age and condition.
The Hollies	Building	£ 30,000	Renew windows and doors	Replace ex. failed, thermally inefficient metal windows
Owthorpe House	Building	£ 30,000	Renew windows and doors	Replace ex. failed, thermally inefficient metal windows
Keighley Library	Flat Roofs	£ 13,148	Remove the flat roof forming the parapet gutter, replace with a sarnafel rubberoid single ply composite material.	Water penetration present in the building and increase energy efficiency

## ESSENTIAL WORKS PROGRAMME

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**£2,018,490**