

Real Estate Advisory

Epping Forest District Council

Service Accommodation Review - Strategic Outline Case

*Strictly Private
and Confidential
Final*

21 December 2016



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Service Accommodation Review

Executive Summary (1/3)

1. Purpose of the review

- The Service Accommodation Review under the Council's Transformation Programme explores options to:
 - Maximise the beneficial use of the Council's land holdings;
 - Provide a catalyst for transformational change in working practices; and
 - Improve accommodation provision whilst realising ongoing running cost efficiencies.
- The Review considers both the future of the Civic Offices site and alternative sites for a potential new office HQ.
- The overall objective has been to develop a Strategic Outline Case (SOC) that enables the Council to make a clear decision on whether to progress with detailed feasibility work and the development of an outline business case.

2. Future requirements

- The Council is presently occupying and paying for more space than it needs to accommodate the current and future headcount.
- Approximately 500 staff will require accommodation at the Civic Offices or in alternative office accommodation within a foreseeable timeframe.
- An 8:10 workstation to staff ratio is considered achievable based on the degree of flexibility in the workforce identified.
- There is potential to be more ambitious and work towards a 7:10 or 6:10 ratio as cultural change is embedded.
- North Weald Airfield offers a potential site for a new HQ office.

Service Accommodation Review

Executive Summary (2/3)

3. Options considered

- Four main options have been identified and appraised:
 - **Option 1:** Do minimum (no development in Epping).
 - **Option 2:** Full relocation of the Council HQ.
 - **Option 3a:** Part relocation of the Council HQ (retain a presence on the Civic Offices site).
 - **Option 3b:** Part relocation of the Council HQ (retain presence in Epping town centre).
 - **Option 4:** Optimise use of the Civic Building and new Housing Hub.
- In addition a number of variant scenarios have been considered to identify the optimum scenario for the Council.
- Two main development schemes have been considered for the Civic Offices site, one predominantly residential and a second also incorporating a hotel.
- The schemes have been densified to minimise the need for development in the surrounding Green Belt and maximise the site value. In progressing any scheme to outline planning consent it would be necessary to balance the requirements for a substantial development with the need to preserve the character of the Conservation Area.
- The schemes also assume relocation of protected newts and an electricity substation from the site.
- The Council could retain a front-facing office presence within any future development scheme.



**Potential re-development of the
Civic Offices site in Epping**

Service Accommodation Review

Executive Summary (3/3)

4. Conclusions

	Option 1	Option 2	Option 3a	Option 3b	Option 4
Savings vs base case for core scenarios	£81,688	(£372,724)	£14,859	(£30,766)	(£46,492)
Financial appraisal ranking	5	1	4	3	2
Qualitative weighted score	2.65	3.25	4.60	3.90	2.40
Qualitative appraisal ranking	4	3	1	2	5

- Overall the residual land value of the Civic Offices site is slightly lower than that required to fund a new build office of a size sufficient to accommodate the future headcount at an 8:10 ratio.
- All core options demonstrate the potential to be financially viable based on disposal of the Civic Offices for capital release, with Option 2 demonstrating the highest potential on-going annual savings of £373k pa. However, the financial return for Options 2, 3a and 3b could be optimised further through several development variables, including more ambitious implementation of agile working.
- A hotel and residential development mix suggests slightly better financial return but the market for hotel use is untested and therefore higher risk.
- An additional financial benefit of up to £320k pa could be realised if the Council were to act as investor/developer and generate an income stream from the site, instead of disposal. The savings could increase significantly to £1.37m pa if interest only borrowing were considered. The Council therefore needs to carefully consider the relative benefits of the additional income from acting as a landlord in whole or part, against a lower risk disposal option.
- Option 3a scores highest against the Council's strategic objectives as defined by senior officers.
- Option 4 demonstrates that it would be necessary to extend the Civic Building and acquire adjacent land to accommodate staff at an 8:10 ratio across the Civic Building and new Housing Hub whilst meeting parking requirements on site. If a ratio of between 7:10 and 6:10 was adopted, extension of the building would not be required but this may be culturally challenging to implement. It could, however, deliver a higher saving against the base case by avoiding the cost of extension.
- The Council needs to consider the relative importance of its transformation objectives against the "do minimum" option and the associated stakeholder sensitivities of a move away from the Civic Offices site.
- Further work should now be undertaken to develop the Civic Offices scheme and new build office, including establishing a clear vision for future office accommodation and ways of working.

Background & Current Position

Service Accommodation Review

Background & Context (1/2)

Key points:

- *The Civic Offices on Epping High Street are the Council's current HQ.*
- *Existing office accommodation at the Civic Offices is considered to be under-utilised.*
- *The current layout is inflexible and does not lend itself well to public access.*
- *The Civic Offices site has good alternative use potential in an Epping town centre location.*



Epping Forest District Council's headquarters office is currently based at the Civic Offices site on Epping High Street and is the seat of political power in the district. The office accommodates the majority (450) of Council staff and a mixture of customer facing and back office functions across several buildings. The Conder building dates from the 1970s, while the new Civic building at the front of the site was built in the 1980s, incorporating a new Council Chamber and public and committee meeting rooms.

The Council has concerns that its existing office accommodation is under-utilised and that the current use of the Epping site does not represent the highest and best economic use of a valuable Council asset. Furthermore the design and layout of some of the current accommodation is considered inflexible, restricting the ability of the organisation to respond to expansion/contraction in teams and deliver cultural change, whilst posing challenges for public access and customer contact.

In addition the Council owns the freehold of land at North Weald Airfield, two miles from the Civic Offices and within the North Weald masterplan area, which is designated for commercial and office development. The Council is also proceeding to self-deliver other development schemes using its assets, including a mixed use development at St. John's Road, Epping Forest Shopping Park, Epping Forest District Museum, and potentially leisure centre refurbishment/replacement as part of a new leisure management contract.

A separate project is also proceeding to deliver a new build housing hub facility at North Weald to co-locate the Housing Responsive Repairs team that is required to vacate the St. John's Road depot to enable development of the site, and the Housing Assets team from the Civic Offices. Capital funding of £3.2m has been identified from the Housing Revenue Account (HRA) and planning permission has recently been secured for the new building. The new building will accommodate 42 Housing staff and act as a touch-down office base for mobile tradesmen. As a total of 82 workstations will be provided there is some potential additional capacity at the new Housing Hub office.

Service Accommodation Review

Background & Context (2/2)

Civic Offices site, Epping High Street



North Weald Airfield site



The changing political, economic and social landscape will require the Council to be highly adaptable and efficient in future to meet increasing challenges across the local authority environment as Government spending cuts take effect and support for growth and job creation is needed in response to mounting demographic changes. The Council's Conservative Cabinet wish to reduce spending and increase income generation to keep Council Tax low and protect front line services. This will require the Council to maximise its use of assets and resources, and think more innovatively around ways to bridge the funding gap and ensure future financial sustainability.

The Council has instigated a Transformation Programme in response to the challenges it faces. The Programme includes workstreams for Customer Experience, Business Culture, Resources, Accommodation and Technology, and Major Projects.

The Service Accommodation Review project under the Resources, Accommodation and Technology workstream is required to explore options to:

- Maximise the beneficial use of the Council's land holdings;
- Provide a catalyst for transformational change in working practices; and
- Improve the accommodation provision whilst realising ongoing running cost efficiencies.

The Review should explore a range of options for the future occupation of Council office accommodation by carrying out an options appraisal and developing a Strategic Outline Case, detailing the redevelopment options and the qualitative and quantitative performance of the options against the Council's strategic objectives. The options need to consider whole or part redevelopment of the existing Civic Offices site as well as delivery of new, fit for purpose office accommodation in an alternative location to release capital value and/or generate an income stream to the Council.

Service Accommodation Review

Approach (1/2)



A six stage process has been undertaken over two months to develop the Strategic Outline Case (SOC) for changing the Council's office estate. This has involved engagement with senior officer stakeholders throughout, as well as the use of specialist development surveying and architectural support in appraising the options. Cabinet considered a draft report on 1 September 2016 and its comments have been reflected in the final report.

Specific activities undertaken included:

- A **Visioning Workshop** with the Council's Leadership Team to understand the perception of and issues with the current premises, appetite for change and new ways of working, and the Council's strategic drivers and objectives.
- **Review of core property data** for the Civic Offices to establish the baseline for a "do nothing" scenario. This included reviewing the current annual premises costs, occupancy and space utilisation.
- **Interviews** with each of the four Service Directorate management teams (Directors and Assistant Directors) to understand current ways of working, existing staff numbers, high-level accommodation requirements and any future change in service delivery models. Interviews were also held with the Chief Executive and Head of Transformation.
- Collating staff headcount and FTE data for the organisation based on information provided by HR and **agreeing key assumptions on future staff headcount and demand for accommodation**. Management teams were then asked to validate future staff numbers and assign notional "workstyle" categories to individual roles to better understand the potential for more flexible ways of working.
- Meetings/conversations with the Council's retained **planning consultants** at Fortismere Associates and in-house Development Control team.
- Producing high level **development massing options** for the Civic Offices site, taking into account demand for and value of alternative uses, to establish an optimum massing and Gross Development Value to inform the option appraisal.
- **Appraising alternative sites** as a location for a new HQ building and outline design to establish the size of any new build office and to demonstrate how a new building could support the Council in more creative and agile ways of working and the quality of the customer experience.

Service Accommodation Review

Approach (2/2)



- Initial conversations with the Council's **key partners** at the Police and Clinical Commissioning Group (CCG).
- **Quantitative and qualitative appraisal of an agreed short-list of options**, including scoring against the Council's strategic objectives, financial appraisal of the high-level steady-state capital and revenue implications of the options, and assessment of the main risks of each option.
- **Summarising** the conclusions of the review and options appraisal in a Strategic Outline Case.

Exclusions / limitations

Detailed feasibility studies, tax analysis or detailed designs and cost estimates for the options have not been undertaken at this stage. Instead the focus has been on high-level strategic and financial appraisal of the core options to enable the Council to establish a clear direction of travel with which to secure stakeholder support.

The appraisal has been based on the key assumptions set out in Appendix 1 and agreed with the Council's project sponsor.

Note: the outline development appraisals provided do not constitute formal valuation under the RICS Valuation - Professional Standards ("the Red Book").

Service Accommodation Review

The Civic Offices – Current Position (1/3)

Key points:

- *1.26ha site to the north east end of Epping High Street.*
- *Accommodation is split over four buildings on site.*
- *Civic Building is inflexible in use.*
- *Other buildings on site offer greater flexibility and potential for more open office space.*



Overview

The Civic Offices lie to the north east of Epping Town Centre High Street on the corner of Church Hill and Homefield Close, occupying a site of 1.26ha.

The Council's accommodation is spread over a number of properties on the site:

- i. Civic Building;
- ii. Conder Building;
- iii. Rear Extension Building; and
- iv. Homefield House.

All but Homefield house are linked together. The Civic Building, designed by Richard Reid and Associates, with its distinctive red brick tower, was built in the 1980s. This generally houses the core public services, with a customer service desk, council chamber and public gallery and democratic services. The building appears to have been designed to a defined brief and there is limited flexibility designed in, especially around the entrance, atrium and council chambers.

The Conder building is a steel framed building which is more flexible in its layout with light weight partitions dividing the space as the council currently requires. This building generally houses back of house office functions.

The Rear Extension building is fairly small in comparison to the Civic and Conder building and offers some flexibility, but due to its proportions and size, is not suitable for large open plan office accommodation.

Homefield House is a two storey house converted into offices for Voluntary Action Epping Forest which provides advice, information and development support services for the district.

Service Accommodation Review

The Civic Offices – Current Position (2/3)

Key points:

- Overall the Council is occupying and paying for more space than it needs to accommodate the current headcount.
- Currently more workstations are provided than there are staff (472 workstations: 449 staff).
- Average workstation occupancy is just 60% throughout the day.
- The amount of space provided per workstation is high compared to sector benchmarks.
- Annual running costs are slightly high compared to freehold local government office benchmarks.

Utilisation

Currently 472 workstations are provided for 449 staff based at the Civic Offices giving a ratio of 105.1%. Furthermore, a recent survey by the Council identified that average workstation occupancy is just 60% on average throughout the working week.

Space allocation per workstation is high at 14.15m² net internal area (NIA) per workstation compared to a central government target of 8-10m² per workstation.

Cost in use

Total annual running (revenue) cost for the Civic Offices are approximately £1.05m pa which equates to an average cost of £135.36/m². This is slightly above average compared to typical freehold local authority office benchmarks of around £110-120/m².

Third party agreements

The Council has recently renewed the lease with Voluntary Action Epping Forest (VAEF) on Homefield House until March 2018. There is an option to break subject to either party giving 3 months' notice and the lease is outside the Landlord & Tenant Act 1954 s.24-28 so VAEF has no security of tenure.

Key metrics	
Current staff headcount	449
Current workstations	472
Existing Use value (£)	£9.74m*
Total Gross Internal Area (GIA) (m ²)	7,735m ²
Space (NIA) per workstation	£14.15m ²
Total annual running costs	£1.05m
Average annual running cost	£135.36/m ²

Note: *existing use value is based on the Council's accounts for 2015/16 and has not been validated or reviewed as part of the development of the SOC.

Service Accommodation Review

The Civic Offices – Current Position (3/3)

Key points:

- *The Civic Offices are generally considered to be in good condition.*
- *There is potential to increase capacity in the Civic Building by extending the office adjacent to Homefield House and/or infilling the atriums.*

Condition

Although condition survey data has not been provided, the Civic Offices are generally considered to be in good condition for their age with an annual programme of planned investment in repairs and maintenance. It is understood that the Council considers the mechanical and electrical (M&E) plant and systems appropriate for long term occupation without a need to upgrade but this has not been assessed in developing the SOC.

Potential capacity and layout considerations

The Council has recently commissioned a structural survey to consider the potential to open up the Civic Building to support more agile ways of working. The survey concluded that all walls within the atrium could be removed, but the large circular pillar needs to remain, along with the 3 or so supporting pillars in the wall which creates the Housing Options offices. In addition it should be feasible to construct floors across the atrium at first and second floor level to create additional floor space, most suitable for use as additional meeting rooms.

There is also potential to extend the Civic Building. This would logically be adjacent to Homefield Close to the rear of the building to minimise the impact on parking and development potential to the rear of the site. This would create approximately an additional 885m² (GIA) and 108 extra workstations.

Overall, the Civic Building appears to have limited flexibility designed in, especially around the entrance, atrium and council chambers, although non-structural walls could be removed across the floors to create more open office space in support of agile working. The Conder Building is considered to be more flexible with lightweight partitions that can more easily be removed and a more uniform, rectangular layout.

These considerations have informed the appraisal of options in this review where the Council retains an office presence on the existing Civic Offices site.

Future Requirements

Service Accommodation Review

Strategic Objectives & Drivers

Key points:

- *Senior officers have identified five key strategic objectives for the accommodation review, focussed on service transformation, cultural change, partnership working and economic development.*
- *Accommodation proposals must maximise revenue income and capital receipts.*
- *These strategic objectives have been used to appraise the options under review.*

The discussion with the Council's senior managers at the Visioning Workshop concluded that there were a number of strategic objectives for the accommodation review further to the financial imperative. These drivers relate to the Council's Corporate Plan 2015-2020 (see Appendix 3) and the Benefits Statement from the Council's Transformation Programme (see Appendix 4). Five key strategic objectives were ranked in order of importance to the Council:

1. A focus on customer service, "placing them at the heart of everything we do", including:

- Improved customer environment
- Minimised disturbance from relocation
- Positive resident and stakeholder satisfaction

2. Enable transformation and cultural change across the Council involving new and agile ways of working across teams

3. Enable closer collaboration and shared services with partner organisations

4. Support the economic development aspirations for the district, through the Local Plan

5. Deliverability of the proposals, in terms of planning, commercial and investment matters

The overarching financial objective for the Service Accommodation Review is to assess and develop the Council's own property and landholdings, in order **to maximise revenue streams and capital receipts.**

Service Accommodation Review

Future Requirements (1/3)

Key points:

- Approximately **500 staff** will require accommodation at the Civic Offices or in alternative office accommodation within a foreseeable timeframe.
- Of those 500 staff, a conservative estimate of 300 roles (52%) have potential to work more flexibly (subject to appropriate IT provision and HR policy) which should reduce future space demand.

Workstyle definitions

Fixed	Largely desk-based role. Admin staff assumed as fixed. 90-100% time desk-based on average.
Some flexibility	Some flexibility due to off-site visits/meetings or activities. 70-90% of time desk-based on average
Agile	Significant part of the role undertaken off-site. Less than 70% of time desk-based on average.

Staff numbers / headcount

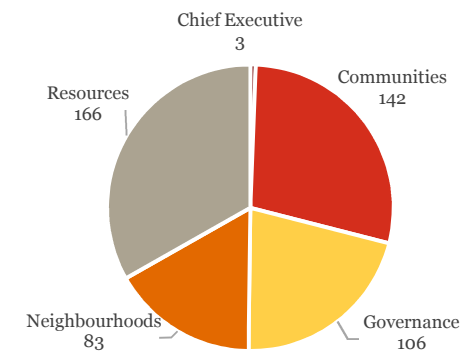
A review of current staff numbers has identified a total headcount of 449 (403 FTE) based at the Civic Offices (excluding vacancies).

A gross **total future headcount of 500 staff** has been determined. This includes the Housing Assets team (currently based at the Civic Offices) and the Housing Responsive Repairs team (currently based at St. John's Road), which are proposed to be co-located in a new Housing Hub at North Weald. It also allows for 19 Communities staff proposed to relocate to the Civic Offices from Hemnall Street and a small number of vacancies.

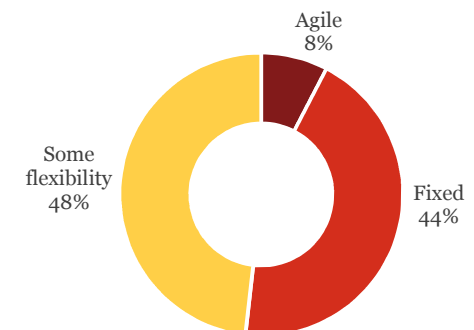
An initial review of the potential for more flexible ways of working based on staff roles has been undertaken by Directorate management teams. This suggests that 300 roles allow for some degree of flexibility, indicating potential to introduce more agile ways of working and a reduced workstation to staff ratio to offset future space requirements. This is considered a conservative assessment of workstyles and would need to be more robustly appraised at a later stage.

The breakdown of future staff headcount and workstyle category is shown in the charts to the right:

Future headcount by directorate:



Staff roles by workstyle:



Service Accommodation Review

Future Requirements (2/3)

Key points:

- *An 8:10 workstation to staff ratio is considered achievable based on the degree of flexibility in the workforce identified.*
- *There is potential to be more ambitious and work towards a 7:10 or 6:10 ratio as cultural change is embedded.*
- *The Customer Service Review will consolidate customer-facing functions in one location in future.*
- *A “core” front-facing Epping town centre Council presence has been identified which has been used to inform the appraisal of split-site options under review.*

Based on the initial assessment of staff workstyles, a conservative 8:10 workstation to staff ratio is considered achievable assuming appropriate provision of alternative worksettings (e.g. break out areas), IT provision, and supporting HR policies. Subject to more detailed review of staff workstyles and the Council’s level of ambition for cultural change there may be potential to reduce the ratio to 6:10 in line with other more ambitious private and public sector organisations.

Other future requirements

The Customer Service Review will establish a new customer contact centre, bringing together the Council’s existing call centre and customer-facing functions in one location. Initial work to establish the scale of this function and develop a floor layout has been used to inform the development of future accommodation options in the SOC.

Discussions with senior officers have also identified “core” Council functions that are considered best retained in an Epping town centre location under a split site option. These are:

- Customer Contact Centre (assumed 15 staff)
- Council Chamber
- Committee/Public meeting rooms
- Democratic Services (7 staff)
- Elections (3 staff)

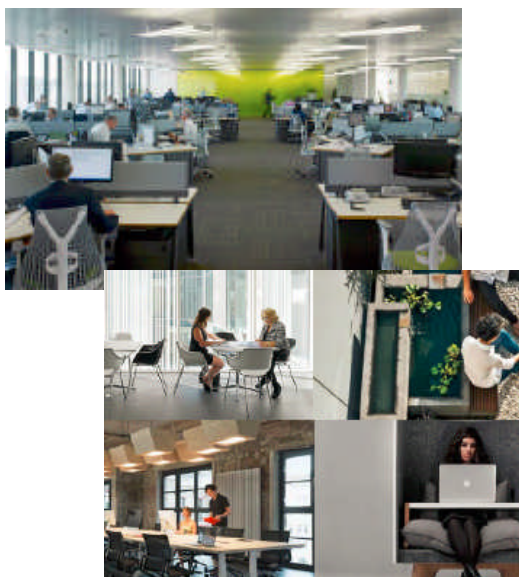
Interviews with Directorate management teams identified several other facility requirements above and beyond staff workspace. Many of these are small or general relating to storage of records or equipment, or meeting/training requirements. As such, most would be readily accommodated within a modern, flexible office under a new build option for the future and have not been considered in more detail at this stage.

Service Accommodation Review

Future Requirements (3/3)

Key points:

- *The Council should establish and communicate a clear vision for a new way of working in support of transformation and to inform new office accommodation designs.*
- *This will need to consider the office work settings, IT provision and HR policy needed to support the new way of working.*



Future accommodation vision and key principles for new ways of working

It is recommended that the Council should formally establish and communicate a clear vision for how it wants its staff to work in future and the office accommodation and technology needed to enable the new ways of working. This will provide a design standard for future office accommodation and provide a means of “selling” the cultural change and new ways of working to staff.

Some of the key principles for a future vision emerging from the Service Accommodation Review are:

- **Open plan floors** and a move away from cellular individual offices;
- A **range of different worksettings** to support more agile ways of working and to give staff a choice as to where they undertake their activities (e.g. breakout spaces, confidential meeting spaces, touch down points, café areas, quiet working areas, a range of meeting rooms/sizes etc.);
- Adoption of agile working at **an appropriate workstation to staff ratio** based on roles and responsibilities;
- An **IT strategy** that supports mobile working and equips staff to undertake their duties based on workstyles;
- **Maximum 10m² per workstation** (excluding circulation, storage and meeting space), although aspire to 8m² in line with central government guidelines;
- **Co-location with partners** where there are collaborative working opportunities and financial benefits for the public; and
- Provides a **value for money and appropriate image** for the Council.

Initial work by Bisset Adams to demonstrate a potential office environment and new way of working for the Council is set out in Appendix 2 showing a concept and a range of worksettings that could be further developed for new office accommodation in future, and to help communicate a vision to staff and stakeholders.

Accommodation Options

Service Accommodation Review

Options Considered

Key points:

- Four main options have been identified and appraised in the SOC.*
- The core options appraised involve modelling the Council's future space demand at a 8:10 workstation to staff ratio, assuming sale of the Civic Offices site for capital release and no land assembly (i.e. development of the Council's existing freehold interest in the site only).*
- In addition a number of variant scenarios have been considered to identify the optimum scenario for the Council.*

Three main options have been identified and defined, in addition to a “do nothing” baseline option against which the financial performance of the other options has been assessed. The core options are:

- **Option 1:** Do minimum (no development in Epping);
- **Option 2:** Full relocation of the Council HQ;
- **Option 3:** Part relocation of the Council HQ (retain a presence in Epping town centre); and
- **Option 4:** Optimise use of the Civic Building and new Housing Hub.

Option 3 has been split into two sub-options depending on whether the Council retains a presence on the Civic Offices site or elsewhere in Epping town centre.

The options are defined in more detail on the following pages with their respective benefits/opportunities and constraints/risks.

The core options involve sale of the Civic Offices site for capital value, future space demand at an 8:10 ratio, and no strategic land assembly.

In addition a number of variant scenarios have been considered for each option. The variant scenarios include:

- Modelling the Council's future space demand at both an 8:10 and 6:10 workstation to staff ratio;
- Modelling both capital release from the Civic Offices site and an alternative investment/income generation scenario;
- Considering potential acquisition of two existing residential properties and primary care land adjacent to the Civic Offices site to optimise the potential development area; and
- Considering two potential optimum development mixes for the Civic Offices, one predominantly residential and one combining a hotel with residential, plus a smaller residential scheme (Option 4 only).

Service Accommodation Review

Summary of Options

Option 1: Do minimum (no development in Epping)

Continue to occupy the Civic Offices site, undertake refurbishment works, implement more agile ways of working at a ratio of 8:10 and consolidate staff into a reduced footprint. Let any surplus office space to a third party for a rent. Proceed with a new build Housing Hub at North Weald as planned to enable the St. John's Road site to be vacated.

Option 2: Full relocation of the Council HQ

Vacate and redevelop the Civic Offices site for alternative uses and relocate all Council HQ functions to a new build office on another site (potentially at North Weald Airfield). Co-locate Housing staff intended for the new Housing hub in the new HQ office.

Option 3a: Part relocation of the Council HQ; retain core front office presence on Civic Offices site

Redevelop the Civic Offices site for alternative uses, retain core civic and customer-facing Council presence on the site and relocate other Council HQ functions to a new build office on another site (potentially at North Weald Airfield). Co-locate Housing staff intended for the new Housing hub in the new HQ office.

Option 3b: Part relocation of the Council HQ; retain core front office presence in town

Redevelop the Civic Offices site for alternative uses, relocate other Council HQ functions to a new build office on another site (potentially at North Weald Airfield) and rent office space in Epping Town for civic and customer services. Co-locate Housing staff intended for the new Housing hub in the new HQ office.

Option 4: Optimise use of the Civic Building and new Housing Hub

Redevelop the rear of the Civic Offices site for alternative uses; retain, refurbish and optimise use of the Civic Building and build a new Housing Hub with additional capacity at North Weald.

Service Accommodation Review

Option 1 – Do minimum (no development in Epping)

Option Description:

Continue to occupy the Civic Offices site, undertake refurbishment works, implement more agile ways of working at a ratio of 8:10 and consolidate staff into a reduced footprint. Let any surplus office space to a third party for a rent. Proceed with a new build Housing hub at North Weald as planned to enable the St. John's Road depot site to be vacated.

Benefits/opportunities

- Consolidates Council staff into a reduced office footprint and makes more efficient use of space.
- Potential to generate an income stream by renting surplus office space to a third party.
- Staying on the same site is less politically and publically sensitive.
- Staff disturbance/relocation is minimised.

Constraints/risks

- Implementation of more ambitious agile ways of working (i.e. 7:10 or 6:10 ratios) is restricted by the nature of the existing building when compared to a new build, modern office.
- The Civic Offices site cannot be made available for alternative development/uses.
- Market for third party office space within the existing Civic Offices may be limited in Epping unless a suitable partner organisation can be identified.
- Capital cost of providing a new Housing hub at North Weald.
- Potential car parking issues at the Civic Offices site from needing to meet both Council and third party staff parking requirements on the site.



Space Summary	
Number of workstations	436 (400 - Civic Offices; 36 - Housing Hub)
Workstation:staff ratio	8:10
New GIA (m2)	6,234 (5,413 - Civic Offices; 821 – Housing Hub)
Reduction in floor area	19%

Service Accommodation Review

Option 2 – Full relocation of HQ

Option Description:

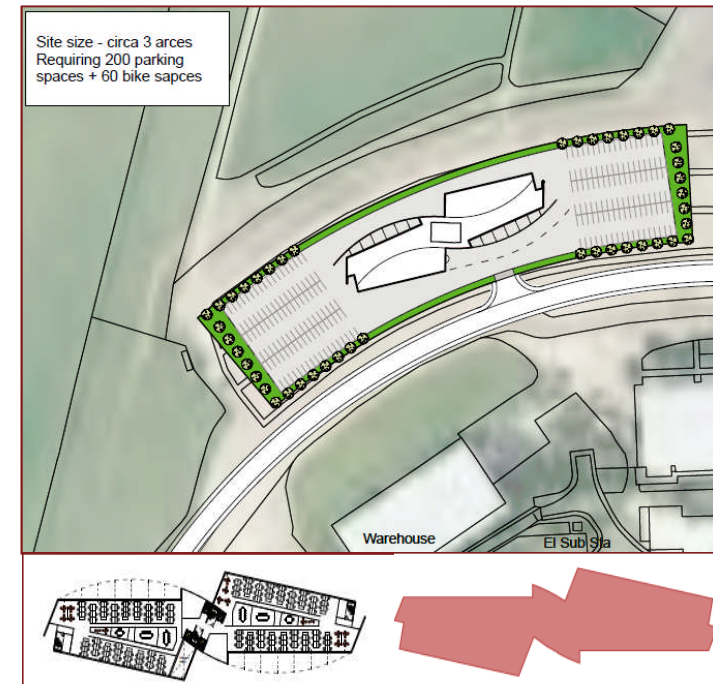
Vacate and redevelop the Civic Offices site for alternative uses and relocate all Council HQ functions to a new build office on another site (potentially at North Weald Airfield). Co-locate Housing staff intended for the new Housing Hub in the new HQ office.

Benefits/opportunities

- All Council HQ functions co-located under one roof in a single new build office.
- The Civic Offices site is vacated and alternative uses/income potential maximised.
- Potential to optimise the quality, efficiency and flexibility of the new office through the design process.
- Ability to maximise agile working and cultural change through design of the new office.
- Contributes to economic development and Local Plan on both the Civic Offices and at North Weald Airfield.
- Avoids the need for capital investment in a new Housing Hub at North Weald.

Constraints/risks

- Public perception of vacating the Civic Offices site and investing in new accommodation.
- Staff relocation to a new site outside Epping town centre with associated travel to work concerns.
- Politics of a move away from the historic seat of the Council in Epping town centre.
- Large scale capital investment required across both sites and associated cost of borrowing.



Space Summary	
Number of workstations	400 (new build)
Workstation:staff ratio	8:10
New GIA (m2)	5,088
Reduction in floor area	34%

Service Accommodation Review

Option 3a – Part relocation of HQ; retain core front office presence in Civic Offices

Option Description:

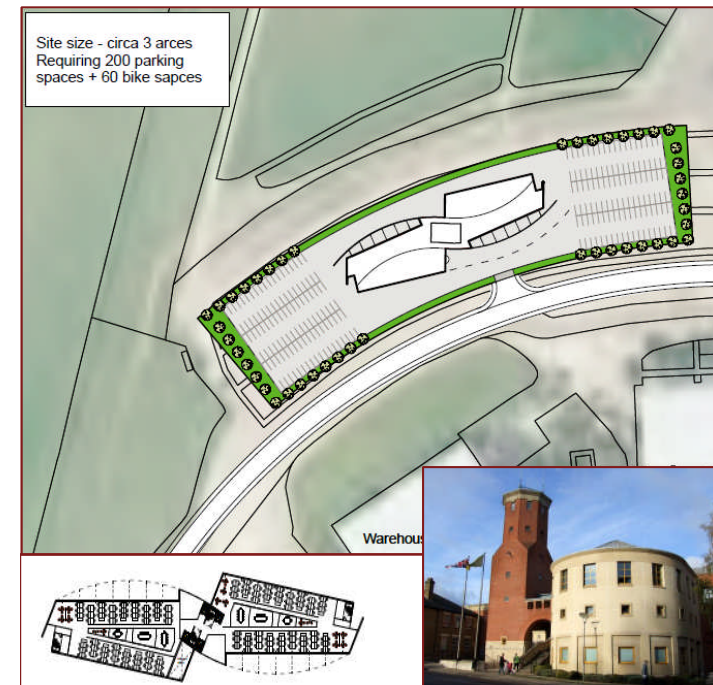
Redevelop the Civic Offices site for alternative uses, retain core civic and customer-facing Council presence on the site and relocate other Council HQ functions to a new build office on another site (potentially at North Weald Airfield). Co-locate Housing staff intended for the new Housing Hub in the new HQ office.

Benefits/opportunities

- The Civic Offices site is largely vacated, with alternative use/income potential realised across most of the site.
- Potential to optimise the quality, efficiency and flexibility of the new office through the design process (although less so than Option 2).
- Ability to maximise agile working and cultural change through design of the new office (although less so than Option 2).
- Contributes to economic development and Local Plan on both the Civic Offices and at North Weald Airfield.
- Retains a Council presence on the historic seat of the Council in Epping.
- Avoids the need for capital investment in a new Housing Hub at North Weald.

Constraints/risks

- Splits Council HQ functions across two sites with associated operational inefficiencies.
- Public perception of vacating most of the Civic Offices site and investing in new accommodation.
- Staff relocation to a new site outside Epping town centre with associated travel to work concerns.
- Rent payable for Civic Offices retail/office space which would otherwise be let to a paying tenant.
- Significant amount of capital investment across both sites and associated cost of borrowing.



Space Summary	
Number of workstations	405 (380 - new build; 25 - core front office)
Workstation:staff ratio	8:10
New GIA (m2)	5,990 (New Build - 4,465, Civic Offices - 1,525)
Reduction in floor area	23%

Service Accommodation Review

Option 3b – Part relocation of HQ; retain core front office presence in Epping town

Option Description:

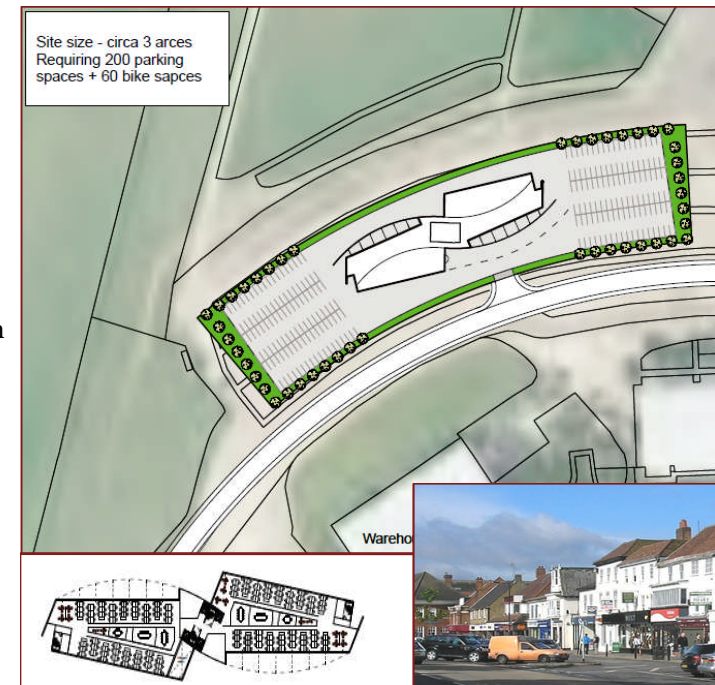
Redevelop the Civic Offices site for alternative uses, relocate other Council HQ functions to a new build office on another site (potentially at North Weald Airfield) and rent office space in Epping Town for civic and customer services. Co-locate Housing staff intended for the new Housing Hub in the new HQ office.

Benefits/opportunities

- The Civic Offices site is completely vacated, with alternative use/income potential realised across all of the site.
- Potential to optimise the quality, efficiency and flexibility of the new office through the design process (although less so than Option 2).
- Ability to maximise agile working and cultural change through design of the new office (although less so than Option 2).
- Contributes to economic development and Local Plan on both the Civic Offices and at North Weald Airfield.
- Avoids the need for capital investment in a new Housing Hub at North Weald.

Constraints/risks

- Splits Council HQ functions across two sites with associated operational inefficiencies.
- Public perception of vacating the Civic Offices site and investing in new accommodation.
- Staff relocation to a new site outside Epping town centre with associated travel to work concerns.
- Politics of a move away from the historic seat of the Council in Epping town centre.
- Need to identify and secure a suitable customer-facing Epping town centre office.
- Rent payable for third party office space.
- Significant amount of capital investment across both sites and associated cost of borrowing.



Space Summary	
Number of workstations	405 (380 - new build; 25 - core front office)
Workstation:staff ratio	8:10
New GIA (m2)	5,990(New Build - 4,465, Civic Offices - 1,525)
Reduction in floor area	23%

Service Accommodation Review

Option 4 – Optimise use of the Civic Building and new Housing Hub

Option Description:

Redevelop the rear of the Civic Offices site for alternative uses; retain, refurbish and optimise use of the Civic Building and build a new Housing Hub with additional capacity at North Weald.

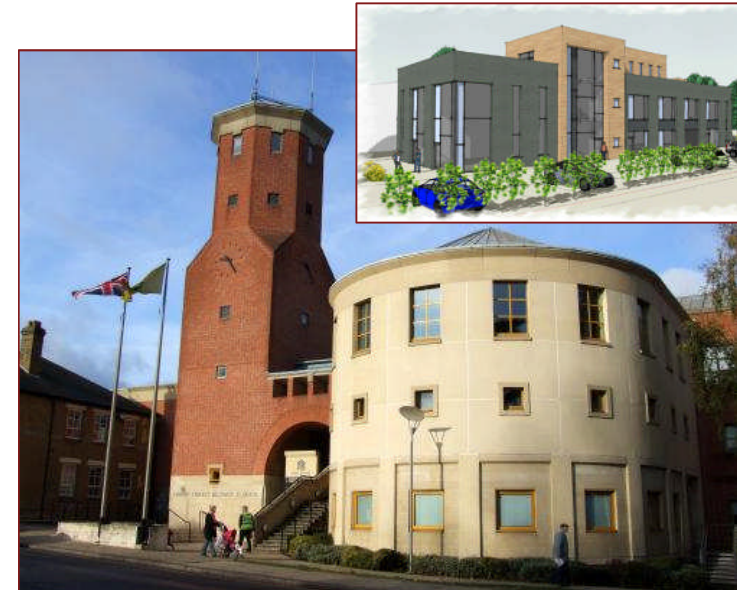
Note: The Civic Building has potential to accommodate 250 workstations based on modern layouts to support agile working and the Council could extend the Civic Building to accommodate an additional 108 workstations, which would be necessary to support an 8:10 ratio (see Appendix 2). The Housing Hub provides a further 82 workstations.

Benefits/opportunities

- Consolidates Council staff into a reduced office footprint and makes more efficient use of space.
- Staying on the same site and retaining the Civic Building is less politically and publically sensitive, and likely to be acceptable in planning terms.
- Staff relocation is minimised.
- Optimises use of surplus capacity at the new Housing Hub.

Constraints/risks

- An 8:10 ratio is only feasible across the two sites if the Civic Building is extended. Staff would need to work at between a 7:10 and 6:10 workstation to staff ratio across the two sites without any extension, which is culturally and practically challenging.
- Potential car parking issues at the Civic Offices site from needing to meet both Council and residential parking requirements on the site.
- Acquisition of additional adjacent land would be needed to accommodate an extension of the Civic Building (see Appendix 2) whilst meeting the parking requirement on the site.
- Only the rear of the Civic Offices site is released for alternative development/uses which reduces the capital receipt/income potential for the Council and Local Plan aspirations.
- Staff decant is potentially challenging during refurbishment and site redevelopment.



Space Summary	
Number of workstations	440 if Civic Building extended (358 Civic Building; 82 Housing Hub); 332 without extension
Workstation:staff ratio	8:10 if extended; between 7:10 and 6:10 without extension
New GIA (m2)	5,901 if extended (4,605 Civic Building; 1,296 Housing Hub); 5,007 without extension
Reduction in floor area	24%; 35% without extension

Service Accommodation Review

Civic Offices Development Potential (1/2)

Key points:

- *Two main development scenarios have been considered, one predominantly residential and one also incorporating a hotel.*
- *Affordable housing provision has been allowed for in the appraisal.*
- *The Council could retain a front-facing office presence within any future development scheme.*



An appraisal of the alternative use potential and optimum development mix/densities for the Civic Offices site if it were to be released by the Council has been undertaken to inform the financial appraisal of the options.

Two main development scenarios have been identified based on higher value land uses in the district:

- a. Predominantly **residential**, with commercial/retail use along the ground floor road frontage; and
- b. A **hotel** and **residential**, with commercial/retail use along the ground floor road frontage

A smaller, reduced-density residential scheme has been identified for Option 4 specifically. More detail on the development potential and densities are set out in Appendix 2.

Under each development scenario the residential element provides a mix of 1 and 2 bedroom apartments and 3 bedroom townhouses. The following assumptions have also been made with regard to planning policy:

- Private rented/sale @60% of units;
- Affordable @40% of units split 70% social rented and 30% intermediate (sold to an RSL / HRA Account); and
- Affordable units split 50:50 between one and two bed flats.

The opportunity to increase the development potential has been explored considering the viability of purchasing the two bungalows in the top right hand corner of the site along Homefield Close and the GP surgery site.

If the site were released for development, the Council could retain an office and customer-facing presence on the site. This would most logically be within the commercial/retail space along the ground floor road frontage and this has been considered in the appraisal of Option 3a.

Note: the development scenarios assume relocation of protected newts and an electricity substation on the site to optimise development.

Service Accommodation Review

Civic Offices Development Potential (2/2)

Key points:

- *The level of affordable housing provision the Council is able to negotiate with planners could significantly impact on the value of the site.*
- *There is good potential for co-location opportunities with partners should the Council wish to explore these further.*



In undertaking the development appraisal consideration has been given to points made in discussion with Alison Blom-Cooper of Fortismere Associates and Chloe Salisbury of ARUP, specifically:

- Reduced parking on the site is necessary due to its close proximity to the town centre and Epping Tube Station. Minimal parking should be accommodated for visitors and any town houses that are proposed;
- The Council have an appetite to densify any development so as to protect the surrounding Green Belt from development;
- An existing SLAA on the site has been identified for 38 dwellings at 30dph, however the above point suggests that a much more dense approach can be considered;
- A mix of 1 and 2 bedroom apartments are much needed in the area but 3 bed flats are unlikely to be viable;
- The council will consider if it is viable to have 40% of the residential development affordable housing, 70% of which are to be affordable rent and 30% for intermediate housing; and
- A chain hotel is likely to be more viable than an independent/boutique hotel, but visitor numbers are awaited to inform the Local Plan so the demand and market for a hotel is untested.

Note: as an affordable housing level of 40% has been allowed for in the development appraisal, if a lower level could be negotiated with the planners then this would provide a more favourable return to the Council than the scenarios presented in this SOC.

Co-location with partners

All options offer the potential for the Council to take a One Public Estate approach with partners, either on the Civic Offices site or as part of a new build office which would provide the opportunity to also accommodate partner office requirements is appropriate. An initial approach to Essex Police and the CCG has been made to better understand their estate strategy and any potential for co-location with the Council and a response is awaited at the time of writing.

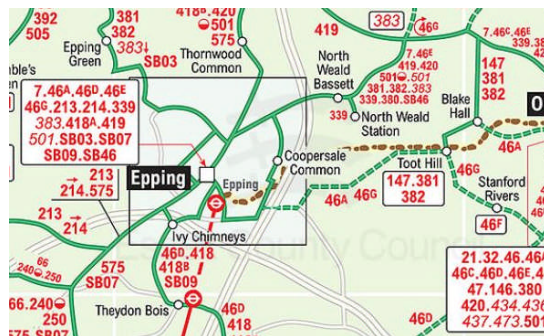
Should the Council retain a customer-facing presence on the Civic Offices site, the ground floor commercial/retail space along the road would lend itself well to a possible library or re-provision of the GP surgery and these opportunities could be explored further.

Service Accommodation Review

Travel to Work

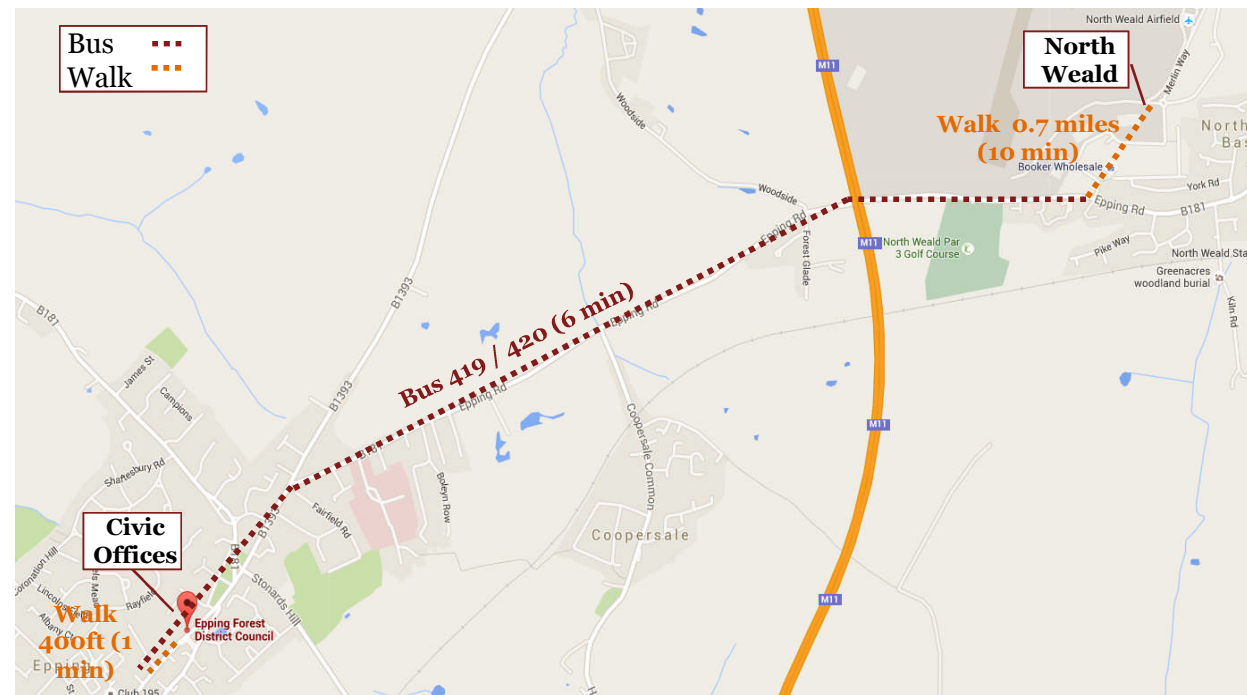
Key points:

- Staff relocation and travel to work will need to be considered in deciding on any move away from the Civic Offices.
- Currently 43% of staff live in the district and 80% drive to work (equating to approximately 300 cars).
- North Weald is approximately 2 miles from the Civic Offices - a 10 minute drive.
- However, North Weald is served by a regular bus service from Epping High Street and Epping Tube Station.



Transport links between Epping town centre and North Weald Airfield

- A bus service runs **every 10 mins** between Epping High Street and Hurricane Way, which is a 10 min walk from North Weald Airfield.
- 419 / 420 bus route takes **6 minutes between Civic Offices and North Weald** (the 420 bus also connects North Weald to Epping Tube Station).
- As part of any development of the North Weald site it would be necessary to consider access improvements from Epping Road/Hurricane Way in negotiation with neighbouring landowners.



Option Appraisal

Accommodation Review

Financial Appraisal (1/2)

Borrowing assumptions:

- Borrowing rate of 2.26% over 35 years for Options 2, 3a, 3b and 4 in line with current PWLB annuity rate.
- Borrowing rate of 1.47% over 15 years for the Baseline and Option 1 in line with current PWLB annuity rate.

Capital Receipts Scenario (core options)

	Baseline	Option 1	Option 2	Option 3a	Option 3b	Option 4
Running Costs	£1,098,658	£1,106,717	£843,358	£1,296,565	£1,250,815	£982,287
Recurring Income	-	(£462,250)	-	-	-	-
Net Revenue	£1,098,658	£644,467	£843,358	£1,296,565	£1,250,815	£982,287
Costs (Excl. Housing Hub Build Costs)	-	£7,166,700	£13,680,008	£12,104,450	£12,107,450	£8,818,965
Housing Hub Build Costs	£3,200,000	£3,200,000	-	-	-	£3,200,000
Receipts	-	-	(£10,754,532)	(£10,754,532)	(£10,754,532)	(£4,596,553)
Net Capital	£3,200,000	£10,366,700	£2,925,476	£1,349,918	£1,352,918	£7,422,412
Cost of Borrowing	£239,275	£775,153	£121,850	£56,226	£56,351	£309,154
Total Annual Costs (inc. borrowing)	£1,337,933	£1,419,621	£965,208	£1,352,791	£1,307,166	£1,291,441
Savings vs Baseline	-	£81,688	(£372,724)	£14,859	(£30,766)	(£46,492)
Rank	0	5	1	4	3	2

Variant Scenarios:

	Baseline	Option 1	Option 2	Option 3a	Option 3b	Option 4
Core Option: Residential, 8:10, No land acquisition Note: Option 4 assumes acquisition of bungalows only	-	£81,688	(£372,724)	£14,859	(£30,766)	(£46,492)
6:10	-	£81,688	(£687,413)	(£284,095)	(£329,721)	-
Hotel and residential	-	£81,688	(£428,452)	(£40,869)	(£86,494)	-
With Strategic Land Acquisition	-	£81,688	(£319,099)	£68,485	£22,859	-
No Civic Building extension	-	-	-	-	-	(£384,640)

Accommodation Review

Financial Appraisal (2/2)

Borrowing assumptions:

- Borrowing rate of 2.26% over 35 years for Options 2, 3a, 3b and 4 in line with current PWLB annuity rate.
- Borrowing rate of 1.47% over 15 years for the baseline and Option 1 in line with current PWLB annuity rate.
- The financial impact of borrowing at an interest only rate has also been shown below

Gross Rental Income Scenario (core options)

	Baseline	Option 1	Option 2	Option 3a	Option 3b	Option 4
Running Costs	£1,098,658	£1,106,717	£1,404,275	£1,857,483	£1,811,733	£1,115,397
Recurring Income	-	(£462,250)	(£2,243,669)	(£2,243,669)	(£2,243,669)	(£887,400)
Net Revenue	£1,098,658	£644,467	(£839,394)	(£386,186)	(£431,936)	£227,997
Costs (Excl. Housing Hub Build Costs)	-	£7,166,700	£51,155,195	£49,579,637	£49,582,637	£23,842,157
Housing Hub Build Costs	£3,200,000	£3,200,000	-	-	-	£3,200,000
Receipts	-	-	(£15,535,625)	(£15,535,625)	(£15,535,625)	(£6,608,250)
Net Capital	£3,200,000	£10,366,700	£35,619,570	£34,044,012	£34,047,012	£20,433,907
Cost of Borrowing (annuity repayment)	£239,275	£775,153	£1,483,605	£1,417,981	£1,418,106	£851,101
Total Annual Costs (inc. borrowing)	£1,337,933	£1,419,621	£644,212	£1,031,795	£986,170	£1,079,098
Savings vs Baseline	-	£81,688	(£693,721)	(£306,138)	(£351,763)	(£258,835)
Rank	0	5	1	3	2	4

Variant Scenarios:

	Baseline	Option 1	Option 2	Option 3a	Option 3b	Option 4
Core Option: Residential, 8:10, No land acquisition	-	£81,688	(£693,721)	(£306,138)	(£351,763)	(£258,835)
Note: Option 4 assumes acquisition of bungalows only						
6:10	-	£81,688	(£1,008,410)	(£605,092)	(£650,717)	-
Hotel and residential	-	£81,688	(£752,848)	(£365,265)	(£410,890)	-
With Strategic Land Acquisition	-	£81,688	(£653,407)	(£265,824)	(£311,449)	-
Interest only repayments	-	£81,688	(£1,368,762)	(£951,320)	(£997,002)	(£646,086)
No Civic Building extension	-	-	-	-	-	(£596,983)

Service Accommodation Review

Financial Appraisal Summary (1/3)

Key points:

- Overall the residual land value of the Civic Offices site is slightly lower than that required to fund a new build office of a size sufficient to accommodate the future headcount at an 8:10 ratio.*
- Under the core scenarios, if the Civic Offices site were sold for capital release, Options 2, 3b and 4 break even against the base case with Option 2 performing best showing an indicative saving of £373k pa.*
- A hotel and residential development mix suggests slightly better financial return but the market for hotel use is untested and therefore higher risk.*
- There is potential to optimise the net savings up to £687k pa for Option 2 if a more ambitious agile working ratio of 6:10 and therefore smaller new build office was considered.*

Overall

- In summary, the financial appraisal shows that the Council could choose to either construct a new build HQ office or refurbish the existing Civic Offices and cover its costs using value and savings released from the Civic Offices site.
- The residual land value of the Civic Offices site, which ranges between approximately £10.8m for the predominantly residential development scheme to £12.0m for the hotel and residential scheme, is slightly lower than the capital cost of a new build office at an 8:10 ratio.
- Any overall financial upside to the Council is dependent on the specific option and variables identified, which have potential to optimise the financial return. Overall annual revenue savings of up to £1.37m pa are potentially achievable for the best performing option (Option 2) if the Council were to act as investor landlord and borrow on an interest only basis. This represents an net initial yield of The assumptions used in the financial appraisal are set out in Appendix 1.

Capital receipt scenarios

- For the core scenarios, which assume a predominantly residential scheme, no strategic land acquisition and an 8:10 workstation to staff ratio for new accommodation, the financial appraisal demonstrates that Options 2, 3b and 4 break even after allowing for cost of borrowing, with Options 1 and 3a showing a marginal cost.
- Option 2 shows the highest financial benefit (£373k pa) followed by Option 4 (£46k pa). Option 4 also suggests a higher benefit of £385k pa if the Civic Building is not extended.
- If the hotel and residential scheme was pursued instead of a predominantly residential scheme then the financial appraisal shows slightly higher returns of £428k pa for Option 2 could be achievable, although the demand and market for a hotel remains untested and this development mix is therefore considered higher risk. Other options also show improved returns under this scenario.
- If a 6:10 workstation to staff ratio is used to reduce the Council's future demand for space in a new build office then Option 2 shows returns of £687k pa and the other options also show a marked improvement against the base case, most notably Option 4 which would require an extension to the Civic Building, as a result of the need for a smaller office footprint overall.

Service Accommodation Review

Financial Appraisal Summary (2/3)

Key points:

- *A additional financial benefit of up to £320k pa could be realised if the Council were to act as investor/developer and generate an income stream. The savings would increase significantly with interest only borrowing.*
- *This would involve additional risk and management overheads but the Council would hold a significant appreciating asset.*
- *The Council therefore needs to carefully consider the balance of risk/reward between disposal receipts and investment income at Outline Business Case.*
- *Strategic land acquisition should be considered more fully once a more detailed development appraisal is commenced in discussion with adjacent landowners to optimise returns.*

Gross rental income scenarios

- Under these variant scenarios, the Council would act as investor/developer, leasing out the private housing, commercial/retail and hotel elements of the scheme to generate an income stream in lieu of capital receipts, other than for the affordable housing units which it has been assumed would be sold to a Housing Association.
- The financial appraisal shows that in comparison to the capital receipt scenarios the gross rental income scenarios generate higher returns against the base case by about £320k pa for Options 2, 3a and 3b. Option 1 shows no additional benefit as the Civic Offices site is not redeveloped under this option and Option 4 shows only £212k greater returns due to only partly developing the site. If the Council were to borrow on an interest only basis then the financial returns would be significantly higher, with Option 2 showing potential savings of £1.37m pa.
- The Council would take on the management and administrative burden of acting as an investor landlord under this scenario, which would incur additional risk, costs and management. However, at Outline Business Case stage the Council could seek to mitigate the risk and achieve a balance between capital receipts and investment assets on the site by engaging a development partner to construct part of the scheme on behalf of the Council which could then take an income from commercial/residential uses.

Strategic land acquisition variant

- There is potential to increase the number of residential units on the Civic Offices site by acquisition of land adjacent to the site currently occupied by two bungalows and the GP surgery.
- Land acquisition would be subject to negotiation and it is therefore difficult to determine at this stage the cost to the Council of buying out the current owners. High-level assumptions of 1.5x market value have therefore been assumed. Option 4 assumes acquisition of the bungalows as this is required to enable extension of the existing Civic Building and an 8:10 ratio.
- The financial appraisal suggests there would be no financial gain to the Council in pursuing these acquisitions based on this assumption. However, the potential to increase the financial gains from extending the development area should be re-considered once a more detailed development appraisal has been progressed and in discussion with the third party landowners.

Service Accommodation Review

Financial Appraisal Summary (3/3)

Key points:

- The appraisal is conservative on sale values but ambitious in terms of development density.*
- Variations in construction costs and sale rates of even 10-20% up or down will have a significant impact on the residual land value of the Civic Offices site and potential for savings.*
- A sizeable contingency should therefore be allowed.*

Savings vs base case
(Residual land value)

Sensitivity analysis

- A sensitivity analysis has been undertaken to understand the impact of changes in construction costs and sale rates on both the residual land value of the Civic Offices site and the savings position against the base case.
- The sensitivity analysis for Option 2 (as the best performing option in finance terms), assuming sale of the site for capital value, a predominantly residential scheme, no strategic land acquisition and an 8:10 ratio, is shown below to demonstrate how susceptible the overall financial position is to these two variables. **It will also be subject to any potential purchaser's own financing of the development.**
- The sensitivity analysis shows that the residual land value could vary from £5.3m if construction costs increased by +20% and sale rates fell by -20% to £16.2m if construction rates fell by -20% and sale rates increased by +20%. This compares to a residual land value of £10.8m based on the core assumptions. The analysis also shows that the savings position against base case could vary between £145k pa and £600k pa depending on changes in construction costs and sale rates.
- With the changing political and economic environment, particularly as a result of Brexit, it is difficult to say with any certainty how these variables might change over the coming months/years.

Sales: Rate pf ²	Construction: Rate pf ²				
	-20.00 pf ²	-10.00 pf ²	0.00 pf ²	+10.00 pf ²	+20.00 pf ²
-20.00 pf ²	(£437,668) (£12,313,758)	(£364,822) (£10,564,801)	(£291,976) (£8,815,852)	(£219,129) (£7,066,898)	(£146,283) (£5,317,950)
-10.00 pf ²	(£478,042) (£13,283,086)	(£405,196) (£11,534,141)	(£332,350) (£9,785,192)	(£259,503) (£8,036,233)	(£186,658) (£6,287,290)
0.00 pf ²	(£518,416) (£14,252,422)	(£445,571) (£12,503,479)	(£372,724) (£10,754,532)	(£299,878) (£9,005,566)	(£227,032) (£7,256,628)
+10.00 pf ²	(£558,791) (£15,221,774)	(£485,945) (£13,472,817)	(£413,099) (£11,723,871)	(£340,253) (£9,974,922)	(£267,406) (£8,225,964)
+20.00 pf ²	(£599,166) (£16,191,114)	(£526,319) (£14,442,154)	(£453,473) (£12,693,210)	(£380,627) (£10,944,261)	(£307,780) (£9,195,297)

Service Accommodation Review

Qualitative Appraisal

	Weighting (%)	Option 1 – Do Minimum	Option 2 – Full Relocation	Option 3a – Part Relocation; w. Civic Centre	Option 3b – Part Relocation; w. town centre	Option 4 - Optimise use of Civic Building	Commentary
1. A focus on customer service, “placing them at the heart of everything we do”, including: • Improved customer environment • Minimised disturbance from relocation • Positive resident and stakeholder satisfaction	50	3	2	5	4	3	Option 3a and 3b enable most improved customer access with dedicated customer facing offices in a central location. Whilst Option 1 means that customer facing roles remain readily accessible in town, the current facilities could be improved and plans for a new customer contact centre implemented as part of the refurbishment. Option 2 requires the transfer of customer facing offices to a less publicly accessible location. Option 4 maintains customer facing functions in the Civic Building but scope for improving customer contact is restricted by the need to accommodate other functions within the footprint.
2. Enables cultural change across the Council involving new and agile ways of working across teams	20	2	5	4	4	2	The construction of and full relocation to a new office under Option 2 enables the Council to fully facilitate a cultural change, with a new build specifically designed to optimise agile working. Options 3a and 3b facilitates this transformation to a lesser extent due to the split sites. Under Option 1 and Option 4 the existing Civic Centre building restricts the ability to implement agile ways of working and is considered a barrier to cultural change.
3. Enables closer collaboration and shared services with partner organisations	15	3	4	5	4	1	Under Options 2, 3a and 3b the Council has flexibility to co-locate with partner organisations in the new build office, and in the case of Option 3a, both in the new build office and in the retained presence at the Civic Centre, perhaps alongside a library. Option 1 provides limited flexibility with regards to co-location although it may be possible to lease surplus office space at the Civic Centre to partners. There is very limited co-location potential under Option 4 due to the need to use all available space for Council functions.
4. Supports the economic development aspirations for the district, through the Local Plan	10	1	5	4	4	2	Option 2 provides the Council with the opportunity to fully redevelop the current Civic Offices for alternative uses and maximise the contribution of a new build office to another site, thereby fully supporting economic development for the district. Part relocation under Options 3a or 3b provide redevelopment opportunities to a lesser extent. Option 4 enables some small scale residential development. Option 1 does not release the Civic Centre site for alternative uses.
5. Deliverability of the proposals, in terms of planning, commercial and investment matters	5	4	3	3	2	3	Option 1 is the most readily deliverable option with minimal change required and few planning considerations. Options 2, 3a, 3b and 4 all have significant planning and commercial risk attached, with Option 2 involving the largest capital investment. Option 3b has the added risk of needing to secure a suitable alternative town centre location for a front office. Option 4 has risk around managing staff decants.
Total score	100	13	19	21	18	11	1 = poor / no improvement on base case 5 = excellent / significant improvement
Total weighted score		2.65	3.25	4.60	3.90	2.40	
Rank		4	3	1	2	5	

Service Accommodation Review

Qualitative Appraisal – Key Risks

Key Risk	Option 1	Option 2	Option 3a	Option 3b	Option 4	Commentary
Planning consent – the Council fails to secure planning permission for the projected density of development or development type/s.	G	A	A	A	A	Option 2, 3a, 3b and 4 all involve planning risk relating to development densities and alternative uses, which could be mitigated through securing outline planning consent at the appropriate time. Option 1, with the least redevelopment, is relatively isolated from planning risk.
Commercial viability – the commercials of the Civic Offices redevelopment or new build office change due to market conditions making development no longer viable.	A	A	A	A	A	Options 2, 3a, 3b and 4 involve major redevelopment and new build office making them susceptible to changes in build costs, rents, land values and other commercial variables which may impact the financial viability of the scheme. Option 1 is most deliverable as it retains the Civic Offices site, although it could prove difficult to rent the surplus space at the Civic Offices depending on the market.
Staff relocation and disturbance – programmed office closures and relocations and the introduction of new working practices will create disruption to the organisation, impact on staff travel to work and impact retention of staff	G	A	A	A	A	There is minimal disturbance under Option 1 as staff are retained in the existing Civic Offices building, although there would be some disturbance and a possible need for decant to enable refurbishment. Options 2, 3a and 3b involve relocation of the majority of staff to a new office location, although this is likely to be within a short distance of the existing office and the impact could be mitigated through travel to work planning. Option 4 would require significant decant of staff to enable refurbishment and redevelopment.
Stakeholder support – opposition to change from members, officers, staff, partner organisations and the public prevent the financial and non-financial benefits being realised	G	R	A	A	G	Option 1 and Option 4 are likely to cause least concerns to stakeholders, although the failure to release the Civic Offices site in whole/part could be contentious with members in the context of the Local Plan. Option 2 does not retain an Epping town centre front office and is therefore likely to be least palatable with staff and the public. Options 3a and 3b retain an Epping town centre presence but the move away from the Civic Offices site could still be contentious with the public.
Devolution / Combined Authority – changes in the political environment over the next few years impact on the viability and requirement for a dedicated new build HQ office for the Council.	G	A	A	A	G	Option 2, 3a and 3b all involve major investment in a new office for the Council which could be abortive or redundant should there be any move towards a combined authority that impacts on the district. This would be less of a risk for Option 1 and Option 4 which retain the current site for continued occupation by the Council.

Service Accommodation Review

Qualitative Appraisal Summary

Key points:

- *Option 3a scores highest against the Council's strategic objectives as defined by senior officers.*
- *Option 4 scores lowest, releasing only part of the Civic Offices site for redevelopment and restricting cultural change and co-location with partners.*
- *Option 2 has the highest risk in relation to stakeholder support and potentially compromises customer access by not retaining an Epping town centre presence.*
- *The Council should consider the qualitative appraisal alongside the financial appraisal in determining its preferred option.*
- Option 3a demonstrates the highest qualitative score (4.60) when assessed against the Council's weighted strategic objectives. Option 3b ranks second with 3.90, Option 2 third with 3.25, Option 1 fourth with 2.65 and Option 4 last with 2.40. Option 3b scores lower than 3a because the Council has less control over deliverability due to the need to identify and secure a third party Epping town centre site.
- Options 3a and 3b score well overall because they provide the best balance between enabling cultural change and improved quality of accommodation through a major new build office, whilst maintaining an Epping town centre presence that supports service transformation and customer access (particularly important with a projected aging population). Option 2 sacrifices an Epping town centre presence but achieves the optimum co-location and cultural change potential by accommodating all staff and functions within a single new office. A new office would also enable environmental sustainability aspirations to be incorporated as part of the design.
- Options 2, 3a and 3b all release the Civic Offices site for redevelopment and therefore contribute to the Council's aspirations to support economic development and the Local Plan. Option 4 releases only the rear of the site for residential development. Option 1 does not release the Civic Offices site for redevelopment therefore compromising the Council's ability to use its asset to realise this ambition and release value.
- Of the four options, Option 2 is likely to cause most disturbance to staff by relocating all functions out of Epping town centre. However, if the North Weald Airfield site is the preferred alternative office location, the relocation is only 2 miles and can be mitigated by travel to work planning for the new office, consideration of a shuttle bus service or optimisation of the current public bus timetable/route in discussion with relevant authorities.
- All options for redevelopment of the Civic Offices site involve planning and commercial risk at this stage. This should be mitigated by proceeding with more detailed feasibility work and securing outline planning consent.
- Option 2 has been evaluated as having a red risk for stakeholder support. This reflects the potential political tension around a complete move away from both the existing Civic Offices site and Epping town centre, as well as the impact on staff. This would need to be considered against the relative benefits/constraints of the options and the financial appraisal by Cabinet.
- The Council also needs to consider the impact on Epping town centre trade of moving the HQ office out of town. Whilst lunchtime trade might be impacted, it is feasible that the additional demand for town centre shops and services from a residential/hotel/commercial scheme could ultimately be better for traders overall throughout the week.

Conclusions & Next Steps

Accommodation

Conclusions (1/2)

Key points:

- All options demonstrate the potential to be financially viable. The financial return for Options 2, 3a, 3b and 4 could be optimised through several development variables.*
- Option 4 performs comparatively well financially but scores lowest in qualitative terms as it only partially releases the Civic Offices site and does not fully achieve transformation objectives.*
- Option 1 also scores low in qualitative terms and shows little financial benefit.*

Option summary

- Option 2 performs best in financial terms demonstrating modest savings of £373k pa against the base case. Option 3a performs best in qualitative terms against the Council's key strategic objectives.

	Option 1	Option 2	Option 3a	Option 3b	Option 4
Savings vs base case for core scenarios	£81,688	(£372,724)	£14,859	(£30,766)	(£46,492)
Financial appraisal ranking	5	1	4	3	2
Qualitative weighted score	2.65	3.25	4.60	3.90	2.40
Qualitative appraisal ranking	4	3	1	2	5

Major development – Options 2, 3a and 3b

- Overall the financial appraisal demonstrates that Options 2, 3a and 3b all offer potential to be self-funding, whilst releasing the Civic Offices site and funding to build a new HQ office. The scale of any financial upside to the Council is however dependent on several variables available to the Council.
- The financial analysis demonstrates a potentially significantly more favourable financial position if the Council acts as investor/developer for the scheme and generates an income from the asset, instead of selling the site, although this comes with associated risk and management overheads.
- The relative benefit of acting as investor should be explored further once a redevelopment scheme has outline planning consent, potentially seeking to achieve a balance between receipts and income working with a development partner to mitigate the risk to the Council.
- A mixed use scheme incorporating a hotel could generate a better return than a predominantly residential scheme but the demand for a hotel in the locality from visitors and operators currently is untested. This should be explored further once visitor numbers are confirmed. A budget chain hotel is likely to be more viable than an independent “boutique” style hotel based on market experience.

Accommodation Conclusions (2/2)

Key points:

- *The Council needs to consider the relative importance of its transformation objectives against the “do minimum” option and the associated stakeholder sensitivities of a move away from the Civic Offices site.*
- *Further work should now be undertaken to develop the Civic Offices scheme and new build office, including establishing a clear vision for future office accommodation and ways of working.*
- The Council could optimise the financial position of its preferred option by being more ambitious in terms of agile working and stretching towards a 7:10 or even 6:10 workstation to staff ratio which would reduce the size and therefore cost of a new build office. This will require greater integration of workplace, IT and HR strategy and a larger degree of cultural change for the organisation, which may be considered too ambitious at the current time, although an 8:10 ratio is considered readily achievable.
- The potential for North Weald Airfield to accommodate a Council office HQ is dependent on addressing current access issues, likely to involve negotiation with adjacent landowners, and this needs to be explored further at outline business case stage, together with the appetite for co-location from partners.

Retention of the Civic Offices (in whole or part) – Options 1 and 4

- Option 4 performs comparatively well in financial terms against the other options but scores worst in qualitative terms as it does not fully realise the transformation aspirations of the Council, enable co-location with partners or fully release the Civic Offices site for alternative uses.
- Enabling an achievable 8:10 agile working ratio in line with the other options would also require extension of the Civic Building which is dependent on being able to acquire the bungalows at the rear of the site to meet future parking requirements. This is a key risk. Alternatively the Council could choose not to extend the Civic Building and work at between a 7:10 and 6:10 ratio across the Civic Building and new Housing Hub but this may be culturally challenging for the organisation based on forecast staff numbers. It could, however, deliver a higher saving against the base case by avoiding the cost of extension.
- Option 1 scores low in financial and qualitative terms, although the do minimum option offers potential to rent surplus office space to partners at the Civic Offices. The Council could choose whether to occupy the Civic Building and part of the Conder Building, or alternatively the Conder Building and part of the Civic Building, under this option, renting the remaining floor area to a third party.
- Key considerations would be the marketability of future space to third parties and providing suitable separation and secure access to both the Council and third party space.

Service Accommodation Review

Next Steps

Key points:

- *Following consideration by Cabinet, the Council should proceed with more detailed feasibility work for a new build office and development appraisal for the Civic Offices site as required.*
- *However, the Council should postpone a decision on whether to dispose of the Civic Offices site or invest as a landlord until outline planning is achieved and the scale of the scheme and returns are investigated further.*
- *A clear vision for agile working should be agreed, communicated to staff and used to inform future office designs.*

The following key steps are recommended to be taken forward by the Council:

- Cabinet to confirm their preferred option based on the financial and qualitative appraisal undertaken;
- Agree a clear vision and office accommodation standards for agile working to inform future office designs;
- Confirm the core services that would need to be retained in Epping town centre if appropriate to the preferred option;

If a redevelopment / new build option is agreed:

- Confirm North Weald Airfield as the preferred location for a new build office;
- Proceed to an outline business case and detailed feasibility / development appraisals for the Civic Offices and North Weald Airfield sites, seeking to secure outline planning consents as soon as possible for both schemes;
- Review options for improving access to the North Weald Airfield site to unlock the development potential in discussion with planners and adjacent landowners;
- For the Civic Offices site, undertake early investigations into ecology, statutory services and whether or not adjacent pieces of land can be purchased to enable the scheme to progress and optimise the development potential;
- Confirm future visitor numbers as part of the Local Plan process to assess local need for a hotel;
- Undertake early consultation with all major stakeholders including the planning department, preferred housing partner, preferred hotelier etc;
- Engage with partner public sector organisations to better assess appetite for co-location either in Epping town centre or in a new build office, and need from partners for a medical centre or other facilities/ business rental space at the Airfield site; and
- Consider options for decanting staff and Council functions as appropriate for the schemes.

Appendices

Service Accommodation Review

Appendix 1: Assumptions (1/2)

The following assumptions have been used in undertaking the option appraisal:

Space

- 10m² per workstation NIA + 17.5% for core/circulation.
- Workstation to staff ratios of 8:10 or 6:10 depending on the variant option.
- 1,525m² required by the Council for core functions to remain in Epping town centre under Options 3a and 3b reflecting Council Chamber, committee/public meeting rooms, customer contact and Democratic Services/Elections.

Running costs

- Baseline source: Cost Centre tab (Cost Centre 27050 15-16).
- Cleaning includes: Cleaning Materials, Contract Cleaning, Refuse Removal.
- Security: CCTV, Security Contract.
- Other: Premises, Newt Pond, Gritting, Tree Maint., Other Maint., Environmental Co-ordination, Grounds Maintenance, Document Shredding, Catering, Fixed Network Line Costs, Materials, Licenses.
- Repairs and maintenance revenue expenditure taken as average of 2015/16, 2014/15 and 2013/14 routine figures. 2015/16 figure source: Building Maintenance 27.06.2016.
- Routine maintenance figure, includes £45k of planned maintenance.
- New office running costs @1.2x existing running costs to reflect more intensive use and need to maintain modern environments.

IT (assumptions provided by David Newton via e-mail)

- 250 additional laptops required to enable more agile working (250 already in use). Smartphones already in use for those whose role requires them. Laptop cost £350.
- Docking station cost £150; assume 150 docking stations required.
- VOIP/internet telephone solution (installation) = £1,500.
- VOIP/internet telephone solution (annual cost) = £5,500.
- IT connection/link for the building (annual cost) = £11,394.
- IT connection/link for the building (reconnect fee) = £1,500.

Finance

- Borrowing rate of 2.26% over 35 years for Options 2, 3a, 3b and 4 in line with current PWLB annuity rate.
- Borrowing rate of 1.47% over 15 years for the Baseline and Option 1 in line with current PWLB annuity rate.
- Borrowing rate of 2.27% over 35 years for Options 2, 3a and 3b in line with current PWLB maturity rate for the gross rental income variant scenarios.

Civic Offices refurbishment / extension (Options 1 and 4)

- Option 1 and Option 4 Civic Offices refurbishment cost = £900/m² +15% for fees/preliminaries based on BCIS benchmarks.
- Option 4 Civic Building extension build cost = £2,200 /m² + 15% for fees/preliminaries based on BCIS benchmarks.
- Option 1 and Option 4 assumes £250k decant costs based on local market rents.

Service Accommodation Review

Appendix 1: Assumptions (2/2)

Civic Offices redevelopment

- Unit numbers / floor areas as per Bisset Adams' development appraisal.
- Private rented @60% of residential units.
- Affordable @40% of units split 70% social rented and 30% intermediate.
- Affordable units split 50:50 between one and two bed flats.
- Market level profit requirement based on metric of 20% profit on total cost.
- Stamp duty 4%; agent fees 1%, legal fees 0.5%, professional fees 9%; sales agent fees 1%, sales legal fees 0.5%.
- Developer finance 50% debt:equity; developer finance at 3%.
- The development timing is as follows:
 - Residential scheme - vacant possession / planning and preconstruction (18 months) / construction (24 months) / sales (18 months commencing 3 months prior to practical completion).
 - Hotel and residential scheme - vacant possession / planning and preconstruction (18 months) / construction (24 months) / sales (12 months commencing 3 months prior to practical completion).
- Housing portfolio management costs at 25% (10% for management and 15% for lifecycle maintenance) of rental income per annum for Gross Rental Income variant options.
- Strategic land acquisition at 1.5x comparable market value.
- Option 3a assumes the Council rents back space in the retail/commercial ground floor area in the development scheme at market rent following sale under a capital receipt scenario.
- Relocation cost of £150k for EDF electricity sub-station.

Market rents / values

- Market rental value for refurbished Civic Offices space to be sub-let under Option 1 = £19 / ft².
- Market rent for Epping town centre office space to be rented from a third party under Option 3b = £16 / ft².
- Hotel: expected rent £ pa per key = £6,000.
- Retail/commercial: headline rent pa = £20 / ft².
- Private residential 1 bed = £1,000 pm.
- Private residential 2 bed = £1,250 pm.
- Private townhouse = £1,750 pm.

New build office at North Weald Airfield

- £200,000 premium payable to negotiate improved access with adjacent landowner at North Weald Airfield.
- Build cost = £2,200 /m² + 15% for fees/preliminaries based on BCIS benchmarks.
- Warehouse accommodation of 300m² at a build cost of £1,000m² (plus 15% fees/preliminaries) in line with Building Cost Information Service (BCIS) benchmarks.

New Housing Hub at North Weald

- £3.2m capital cost taken from business case and understood to be funded from the HRA.
- Assumption that tradesmen staff would only require touch down space and therefore have not been included in total future headcount

Service Accommodation Review

Appendix 2: New Build Vision & Civic Offices Redevelopment

Further detail on the options and development potential for a new build office and redevelopment of the Civic Offices site is included within Bisset Adams' separate development study entitled "Epping Forest District Council Accommodation Review – August 2016".

This is a standalone document separate to this Strategic Outline Case and used to inform the definition and evaluation of the options.

Service Accommodation Review

Appendix 3: Corporate Plan: Strategic Aims & Objectives

Aim 1 - To ensure that the Council has appropriate resources, on an ongoing basis, to fund its statutory duties and appropriate discretionary services whilst continuing to keep the Council Tax low.

- i. **Budgets:** To ensure that the Council's Medium Term Financial Strategy meets the Council's financial and service requirements for any forward five year period, whilst minimising any reliance on Government funding.
- ii. **Property assets:** To continue reviewing and developing the Council's own property and landholdings for appropriate uses, in order to maximise revenue streams and capital receipts, and to deliver the following key projects:
 - the Epping Forest Shopping Park, Loughton
 - the Council House Building Programme
 - St John's Redevelopment Scheme, Epping
 - North Weald Airfield
- iii. **Joint working:** To explore appropriate opportunities to make savings and increase income through the shared delivery of services with other organisations, where such arrangements would provide improved and/or more cost effective outcomes.

Aim 2 - To ensure that the Council has a sound and approved Local Plan and commences its delivery.

- i. **The Local Plan:** To undertake consultation with local residents and work with neighbouring Councils, and to publish a sound Local Plan which meets the needs of our communities whilst minimising the impact on the district's Green Belt.
- ii. **Economic development:** To increase opportunities for sustainable economic development and new local employment in the district.
- iii. **Leisure and culture:** To deliver the Council's new Leisure and Cultural Strategy, in order to maximise participation and value for money in leisure and cultural services for local residents and visitors.

Aim 3 - To ensure that the Council adopts a modern approach to the delivery of its services and that they are efficient, effective and fit for purpose.

- i. **Customer contact:** To have efficient arrangements in place to enable customers to easily contact the Council in a variety of convenient ways, and in most cases have their service needs met effectively on first contact.
- ii. **Modernising Council operations:** To utilise modern technology to enable Council officers and members to work more effectively, in order to provide enhanced services to customers and make Council services and information easier to access.
- iii. **District demographic profile:** To ensure that the Council understands the effects of an ageing population and works with other agencies to make appropriate plans and arrangements to respond to this need.

Service Accommodation Review

Appendix 4: Transformation Programme – Benefit Statement

The Council's Transformation Programme

The scope of the Council's Transformation Programme was approved by the Cabinet on 3 March 2016.

Change Drivers

There are four drivers for change, as detailed in the Corporate Plan 2015-2020:

- Our customers and their needs are changing;
- Our customers expect modern, customer focussed services;
- Our customers demand well-managed, value for money services; and
- Our customers want us to reduce our costs and protect front line services.

Purpose

The purpose of the Transformation Programme is to make fundamental changes in how we deliver services, in order to deal successfully with our drivers for change.

Benefits Statement

The purpose of the Transformation Programme is to realise the following benefits:

- Recognising what customers' value about our services and placing them at the heart of everything we do;
- Focussing on getting things right first time, through joined up services;
- Reducing red tape to simplify how we work; and
- Delivery of resource savings and income generation, to keep Council Tax low.



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