

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 28th May 2018

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WARD(S): All

PORTFOLIO: Leader of Council - Councillor Swindlehurst

PART I **KEY DECISION**

Proposed Acquisition of Strategic Asset

1. Purpose of Report

The centre of Slough is changing, with a number of modern, attractive buildings being delivered in recent years. Slough's town centre stands on the cusp of a profound transformation thanks to the arrival next year of Crossrail (Elizabeth Line), followed by the planned expansion of nearby Heathrow Airport with runway 3, the proposed western rail extension to Heathrow and light rapid transit connections to the airport. The rundown High Street remains in a transitional stage and is struggling to survive, although we anticipate the two covered shopping centres will be completely redeveloped by their new owners.. Slough Borough Council (SBC" or "the Council") has an opportunity to make a real difference to kick-starting early regeneration by relocating its council office and civic headquarters into the heart of the town centre.

This report seeks approval from Cabinet to expedite the regeneration of the town centre and enhance customer services for residents through the purchase of currently available office premises, which are located within close proximity to the High Street

This acquisition would allow the Council to achieve a number of positive benefits in pursuit of various outcomes within the 5 year plan. These include:

- Realising the long-held objective of relocating its headquarters back into the town centre – providing an immediate boost to the daytime/evening economy through increased footfall in and around the High Street; and providing services to residents in a more accessible part of the town for the direct benefit of most service users who need face-to-face access to centrally located services;
- Incentivising a modal shift of council employees who would be more likely to use non car modes of travel to work, thereby helping to reduce traffic levels, reduce air pollution and greenhouse gas emissionsCO₂;
- Delivering smarter, flexible working and updated office IT infrastructure for staff as part of our wider transformation agenda, reducing the amount and cost of desk space utilisation, facilitating more remote working, further reducing travel to work and its consequences, and enabling improved service to customers;

- Delivery of reduced number of commuting journeys and adoption of a greener travel plan through increased use of Electric Vehicles on Council business to improve air quality in the town.
- Releasing St Martins Place for conversion to a mix of social and affordable rented residential accommodation that meets the requirements of the Housing Strategy and makes a step change contribution to dealing with homelessness whilst offering more cost-effective solutions and avoiding the need for expensive temporary housing;
- Stimulating further investment in the regeneration of the town centre by demonstrating very tangibly the council's direct investment in the town centre's future; and
- Enhancing the financial robustness of the Council by acquiring an asset with a significant investment value, which has the potential to indirectly benefit everyone in Slough through releasing resources for improving services and/or reducing costs.

2. Recommendation(s)/Proposed Action

Cabinet is resolved to:

- a) Approve the acquisition by the Council of the freehold interest the proposed office as set out in recommendations **2.1, 2.4 and 2.5 of the Part II report.**
- b) Delegate authority to the Interim Chief Executive, in consultation with the s151 Officer and Leader of the Council to approve the final terms of the acquisition.
- c) Agree that the total purchase price and associated costs (including IT infrastructure, fit-out and moving costs) will be funded through the capital programme.
- d) Agree that SMP should be redeveloped to provide a mix of social and affordable housing that makes a material contribution to the Housing Strategy and note that an options appraisal for future use will be presented to Cabinet by October 2018.
- e) Note that a report will be presented to Cabinet by October 2018 to update Cabinet on the feedback from Energy Conservation surveys, including measures to improve energy optimisation and efficiency and the costs associated with these measures..
- f) With reference to section 5.12, note that Asset Management will undertake a performance review of assets and make recommendations to Cabinet by October 2018 regarding the potential to dispose of assets to reduce the Council's borrowing costs.
- g) Note that a report will be presented to Cabinet by October 2018 that provides an update on proposals for fit-out, IT solutions and potential relocation of the Cashiers and Customer Service Centre into Cornwall House.
- h) Note that a report will be presented to Cabinet by October 2018 that will provide recommendations for the adoption of Fleet Challenge Measures, timescale and costs associated with these measures, and their benefits.

3. The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan

The delivery of new affordable housing will reduce temporary housing costs whilst providing an income stream which could contribute to the provision of front line services.

3a. Slough Joint Wellbeing Strategy Priorities

Relocating SBC's headquarters to the town centre will increase footfall and spend per head in and around the High Street increasing the viability of the retail offer and the associated employment opportunities. Improving the viability of the town centre should also contribute towards improving the image of the town.

3b. Five Year Plan Outcomes

Relocating the SBC head quarters into the town centre and redeveloping St Martins Place as affordable housing will address the Five Year Plan outcomes through the following:

- **Outcome 1** – Contributing towards a viable and active High Street will help Slough children to grow up happy, healthy and successful;
- **Outcome 3** – Contributing towards a viable and active High Street will help encourage people to visit, live or work in Slough;
- **Outcome 4** – The delivery of a mix of affordable homes through the conversion of St Martins Place will directly contribute towards our residents having access to good quality homes; and
- **Outcome 5** - Contributing towards a viable and active High Street will help attract and retain businesses that provide opportunities for our residents.

4 Other Implications

a) Financial

See section 5 below.

b) Risk Management

Risk	Mitigating action	Opportunities
Legal – competing priorities could create delays.	The Council has appointed external solicitors to undertake due diligence and provide comprehensive reports on title, deeds, leases etc as required.	
Legal – Title defects	The Council has undertaken due diligence to ensure that all titles and leases are satisfactory and compliant with the marketing information.	
People & Practice - Changes to working practices do not change at required speed to deliver reduction in floors area – impacting on the ability to meet the financial business case, which is dependent on leasing out space.	Ongoing consultation and corporate buy-in to support required cultural shift.	
Energy – the BREEAM rating assessment report and EPC certificate have yet to be	Request for BREEAM Report and EPC certificate including energy modelling assumptions	Re-Fitting energy conservation measures and optimisation during the fit-out

sourced. The building is significantly larger than SMP and energy costs will also be much higher	Identify through energy surveys and Re-Fit High Level Assessment and Investment Grade Proposals opportunities to improve energy efficiency and reduce energy demand	stage will reduce future investment and retro-fitting costs. Opportunities to consider IT energy saving solutions and staff energy awareness programme will reduce energy costs.
Property - Whilst unlikely, the property could have internal or external defects that will create a long-term financial pressure.	The Council has commissioned a full building survey as part of the due diligence process.	The building has the benefit of construction warranties which will be confirmed during the legal process.
Finance/Property – the proposed new office is greater than the combined space at LMP/SMP and will become a financial drain.	The Council will seek to lease-out space to third party organisations to reduce liability and generate an income stream	The Council plans to reduce from an 8:10 for most staff to 5:10 for all staff desk ratios as part of the Transformation Agenda. This will create additional space to lease, generating additional income
Staff Issues – substantially less car parking than Montem	The space currently enjoyed at Montem would no longer be available from January 2020 – which coincides with the notional date for the Montem site to be redeveloped for housing. The Fleet Challenge Programme focusses on adoption of a ‘business travel hierarchy’ and EV pool fleet to significantly reduce ‘grey fleet’ travel and need to travel to work by car	The new office is located immediately beside the town centre and will provide greater opportunities for staff to use public transport. The Council could also accelerate proposals to increase the fleet of electric cars, which would reduce the number of business car journeys.
Human Rights	No risks identified	
Health and Safety	No risks identified	
Equalities Issues	No risks identified	
Community Support	No risks identified	
Communications	No risks identified	
Community Safely	No risks identified	
Timetable for Delivery - Fit - Out and Installation of IT infrastructure - delays in the programme will result in additional holding costs	Early appointment of fit-out and IT contractors based on agreed specification and budget. Effective SBC project Management to manage programme	
Governance	No risks identified	
Performance –	No risks identified	

c) Human Rights Act and Other Legal Implications

The Council’s powers to acquire land are governed by statute. Section 120 of the Local Government Act 1972 permits the Council to acquire by agreement any land whether situated inside or outside its area of operation. It does not matter that the asset is used immediately for the intended purpose and may be used for an

alternative purpose in the interim.

d) Equalities Impact Assessment

Locating council offices in the heart of the town centre close to the rail and bus stations will reduce fear associated with walking to and from the building in the hours of darkness, potentially benefitting staff and woman in particular. Releasing SMP for conversion to affordable housing would make a very positive impact on the outcomes contained in the Housing Strategy and would directly benefit the most disadvantaged groups.

e) Property Implications

See Section 5 below

f) Carbon Management

The Council cabinet approved Carbon Management Plan (2015-2020) vision states “*Slough Borough Council aspires to have a low carbon and energy efficient corporate estate, fleet and workforce to meet with the future economic challenges of local government*”. The principal source of carbon emissions relates to electricity and gas consumption within our corporate estate, street lighting and transport fleet emissions. The Council has a good track record in reducing its CO2 emissions.

The office has an EPC (Energy Performance Certificate) rating B (the modelled energy efficiency rating is ‘good’) and the BREEAM rating for the building is ‘very good’. The modern building should on paper perform better from an energy efficiency viewpoint than St Martins Place which has an DEC (Display Energy Certificate) rating G which is ‘poor’. However, a direct comparison cannot be made between a DEC which is based on actual operational emissions and an EPC which is based on modelled emissions.

The EPC assumptions will need to be thoroughly examined and tested by our energy consultants. It should be noted as the building space is larger than the combined space of SMP and LMP (currently combined circa 79,000 sq.ft.) and the building contains significant glazing, that cooling and heating demands are likely to be higher than our existing offices. As a consequence, the running costs (energy) will also be higher. These additional costs will be picked up in the report to Committee in October 2018 – however it should be stressed that SBC is reducing it’s corporate footprint to 72,123 sq.ft. and will be recharging a share of utility costs via service charges.

The mechanical, ventilation and heating system, lighting, number and location of desks, number and type of printers and telephony system, IT infrastructure will be a key component of carbon emissions. A key issues to consider is that smarter working could reduce the demand for desks and hence energy consumption.

In order to quantify the potential energy demand and CO2 emissions associated with the move to the new town centre office and also to assess the scope for re-fitting the new office with energy conservation measures, including the optimisation of the building as part of the fit out programme; it is proposed to commission the Council’s Re-Fit provider and energy consultant to undertake energy surveys and high level assessments under our legal Re-Fit Framework. Where feasible ECMs measures will be proposed and a detailed Investment Grade Proposal will be developed. It is proposed to report the findings to Cabinet by October 2018.

5 **Supporting Information**

Background

- 5.1 Relocating the Council's headquarters into a town centre location is a key aim within the 5 Year Plan 2018/23. The relocation of staff within easy walking distance to the shops and amenities in the High Street will have an immediate economic development impact. Apart from substantially increasing footfall, the assumption is that relocating close to the High Street will make major contribution to stimulating the daytime and evening economy, creating vibrancy and confidence in the town centre during the transitional period before its major redevelopment by new owners.
- 5.2 From an economic development perspective, there is evidence that the Council's existing investments in the Curve and Bus Station, as well as the proposals for two new hotels, have created confidence from financial institutions and sovereign wealth funds. This confidence was a material consideration for international brands to invest in Slough. Should Cabinet agree to relocate services into the proposed office, the Council will make another significant statement about its confidence in Slough and its assertion about it being one of the best connected locations in south-east England.
- 5.3 The Council is simultaneously working with public sector partners to develop a network of neighbourhood hubs that allow services to be integrated under one roof. Acquiring this asset has the potential to generate One Public Estate outcomes by providing space to co-locate back office services. This would create savings to the public purse and potentially free-up sites for affordable housing.

Location & Description

- 5.4 **Refer to Part II Report, Sections 5.4 – 5.6.**

Current Position – SBC Services

- 5.5 The majority of the Council's services are provided from two main buildings, St Martin's Place ("SMP") & Landmark Place ("LMP"). Including Slough Children's Services Trust, the Council current occupies circa 79,000 sq.ft. across SMP and LMP based on a (circa) 8:10 desk ratio for most staff.
- 5.6 SBC is the freeholder of SMP. The location is secondary, providing 61,000 sq. ft. of refurbished accommodation that includes circa 200t car parking spaces. To reduce operating costs, the majority of the ground floor was leased to Slough Children's Services Trust for 5 years. This lease arrangement expires in 2020 – although for the purposes of this report, the assumption is that the Trust will co-locate with the Council should Cabinet approve the recommendations in this report and will continue to pay the same rent psf for the duration of the lease.

The vast majority of staff car parking for SMP is located on the Montem Leisure Centre, however, this site is optioned to Slough Urban Renewal ("SUR") and will be redeveloped to provide circa 100 new homes. With a site start during 2019/20, the Council needs to be proactive to deal with this impending issue.

- 5.7 The Council occupies the ground floor of LMP (circa 18,500 sq. ft.), with the leases expiring in May 2020. The majority of this space is occupied by Housing Services (mainly General Fund staff), Taxi Licensing, Cashiers Office and Customer Services.

The rent is £425,000 per annum - although this excludes service charge and other operating costs – all of which takes the annual total expenditure to circa £769,400, which will continue to accumulate to expiry.

Financial Summary - Capital

5.8 Refer to Part II Report Sections 5.10 – 5.12

Redevelopment of SMP

- 5.9 Relocating services to the proposed new location provides an opportunity to remodel SMP into a mix of accommodation, including, one and two bedroom flats, and make a major contribution to meeting the objective of the Council's Housing Strategy.
- 5.10 Initial capacity studies have indicated that SMP could be refurbished to provide up to 67 residential apartments, 50 two bed and 17 one bed. In order to meet various forms of housing need, including alleviating homelessness and the use of expensive temporary accommodation and providing homes for key workers, this report assumes that the entire development will be designated for social and affordable housing. The redevelopment of the Montem site, which will be progressed by 2020, combined with the redevelopment of SMP, will form part of a wider regeneration programme for Chalvey and will be the subject of a separate report to Cabinet.
- 5.11 Subject to Cabinet approval, a detailed feasibility study will be commissioned, this study will inform the findings of an options appraisal, which will be reported to Cabinet by October 2018.

Impact on Revenue

5.12 Refer to Part II Report

Car Parking

- 5.13 The office move to the town centre presents both challenges and opportunities, it is clear that a significant reduction in the available staff car parking will require a new sustainable approach to staff travel and also very careful staff communication. 'Grey Fleet' remains a key source of carbon emissions. The Town Centre location does allow for a more sustainable approach given its excellent public transport links. The challenge is that staff will not necessarily be provided with a 'free' car parking space. The opportunity is that the move to a new office allows us to reconsider how the Council and staff undertake business travel and to be more sustainable in our approach.
- 5.14 A Fleet Challenge Programme has already been developed and approved by the PMO and CMT in late 2016 and is aimed specifically at substantially reducing 'grey fleet' business travel and mileage claims. A report will be prepared for Cabinet in October outlining proposed fleet challenge recommendations for the new town centre office site and car park.

Customer Service Centre

- 5.15 The Council acquired the freehold interest of Cornwall House, which includes the Royal Bank of Scotland (“RBS”) branch at 55-57 High Street, in 2016/17. Having received the anticipated confirmation that RBS will be closing the branch later this year, the Council will explore the feasibility of relocating the Service Centre and Cashiers into this asset. This proposal will be subject to a separate report to Committee by October 2018.

6 Comments of Other Committees

This report has not been considered by any other Committees.

7 Conclusion

- 7.1 Relocating the Council’s headquarters back into the town centre has been a long - term aspiration for the Council and will send the clearest possible message to current and potential investor’s that we have confidence in Slough as a major destination for commercial-led regeneration.
- 7.2 The proximity of the new office to the train station and bus station make it considerably more convenient for existing and new staff to access the workplace by public transport. This modal shift in car use will make a material contribution to the Council’s Carbon Management Plan.
- 7.3 The proposed redevelopment of SMP into a mix of social and affordable housing will provide up 67 new apartments for rent, which will help to meet growing demand and reduce pressure on the general fund.
- 7.4 The relocation into this town centre location comes with a degree of risk associated with the initial unoccupied space, which introduces budget pressures in financial years 2018/19 and 2019/20, however the expectation is that the building will be fully occupied within three years. Against this background, and taking into account the regenerative, social, financial and economic development benefits as well as the contribution that relocation would make to delivering the 5 Year Plan, the recommendation in this report is for Cabinet to approve the purchase of the proposed office asset.

8 Background Papers

None