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REPORT OF THE STRATEGIC DIRECTOR OF SUSTAINABLE RENERATION

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TO THE LEAD MEMBER FOR PROPERTY and LEAD MEMBER FOR  
SUSTAINABLE REGENERATION (HOUSING)  
ON 5/11/2008

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TITLE: Rationalisation of Housing Connections Partnership office support accommodation.

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RECOMMENDATIONS: That approval be given to

- 1) The relocation of HCP from the Tenth floor of Emerson House; The management team and associated support team to be relocated to the vacant space at St James House.
  - 2) The relocation of staff from Halton House & Salford Property Shop to Churchill Way.
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EXECUTIVE SUMMARY: The HCP management team are based on the tenth floor of Emerson House, which they occupy under a lease due to expire in 2010. As part of rationalisation and a drive to reduce accommodation costs they need to reduce annual revenue commitments. The first floor of St James House is currently vacant, and is held under a lease due to expire in May 2009. Several accommodation options have been considered (see accompanying report), that of *Option 5 - St James House*, was deemed the most efficient, cost effective and strategically suitable solution.

In addition to this, it is not financially viable to retain Halton House as part of the portfolio due to costs of addressing the backlog maintenance issues of approximately £150,000 and there are several serious Health & Safety concerns. The accommodation at Churchill Way has subsequently been identified as a viable mid-term solution to rehousing HCP staff from Halton House and the Property Shop. The lease on the Property Shop can be assigned from HCP to Salix Homes as part of a greater overall asset strategy, again creating a reduction in revenue commitments.

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BACKGROUND DOCUMENTS: Accompanying Report outlining all options originally considered (the relevant document contains exempt or confidential information and is not available for public inspection).

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ASSESSMENT OF RISK: Low

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SOURCE OF FUNDING: Existing revenue budget.

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LEGAL IMPLICATIONS: The Landlord has agreed in principle to assign the lease on the Tenth floor at Emerson House and there are no implications as regards St James House as we have a lease on this (lessee being Salford City Council), which is currently vacant.

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FINANCIAL IMPLICATIONS; This relocation would induce savings of approximately £62,866 per annum.

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**COMMUNICATION IMPLICATIONS:**

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VALUE FOR MONEY IMPLICATIONS: Reduced Revenue Commitments

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CLIENT IMPLICATIONS: N/A

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PROPERTY: Rationalisation of office accommodation

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HUMAN RESOURCES: N/A

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WARD(S) TO WHICH REPORT RELATE(S):Pendleton

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KEY COUNCIL POLICIES:

Best Value Review of Office Accommodation  
Agile Working  
Strategic Review

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DETAILS:

### **1.0 Introduction**

HCP (Housing Connections Partnership) currently occupy the following:

- 10<sup>th</sup> Floor of Emerson House
- Halton House
- Ground Floor of Crompton House
- The Property Shop Salford Precinct
- Elmstead House (not in scope)
- Burrows House (not in scope)
- Turnpike Lodge (not in scope)

The accommodation strategy for HCP needs to be developed in order to effectuate a reduction in costs for the directorate. Relocation and rationalisation have been identified as the key drivers in successfully implementing such an exercise. The proposal is for HCP to vacate Emerson, Halton and the Property Shop to reduce costs. The brief is to find suitable accommodation and to compile a report outlining all feasible options; taking into account all factors such as staff numbers, business plans, agile working, rents, running costs and to find the most suitable bespoke solution for HCP with the underlying factor of reducing the aforementioned costs wherever practically viable; yet at the same time aiming to improve the quality of accommodation for all employees involved.

## 2.0 Existing Accommodation terms

Address	Term	Rent (£ p.a)	Staff Numbers	Running Costs (Inc rent)	Area	Building Capacity (Based on corporate space standards)	Comments
10 <sup>th</sup> Floor Emerson House	5 years from 01/06/07	27,626	19	£ 47,729	322.8m <sup>2</sup> (3475 ft <sup>2</sup> )	40 FTEs	
Halton House	F/H ownership	N/A	41	£49,383	355.7m <sup>2</sup> (3828.7ft <sup>2</sup> )	32 FTEs	Major Backlog maintenance H& S concerns – investment req to minimum of £150K
Ground Floor of Crompton House	F/H ownership	N/A	16	Apportioned Area occupied charge	202.5 m <sup>2</sup> (2179.71 ft <sup>2</sup> )	25 –31 FTEs	Homelessness Team (includes secure reception areas)
The Property Shop- Salford Precinct	15 years from 25/03/95	20,000	10	£31,844	78.73m <sup>2</sup> (848 ft <sup>2</sup> )	?	Rent review negotiations under way
<b>Totals</b>			<b>86</b>	<b>£128,956</b>			



### 3.0 Potential Accommodation Solutions

Address	Term	Rent	Running Costs	Area	Building Capacity (Based on corporate space standards)	Comments
Precinct AHO Churchill Way <b>(PropertyA)</b>	F/H ownership	N/A	£39,777	760 m <sup>2</sup>	69 FTEs	
St James House <b>(PropertyB)</b>	5 Yrs from 12/05/04	£15,428*	£26,313	208 m <sup>2</sup>	26 FTEs	Expires 12/05/09
<b>Totals</b>			<b>£66,090</b>			

\* N.B this figure includes 6 car parking spaces (current lease charges for Emerson include 15 spaces)

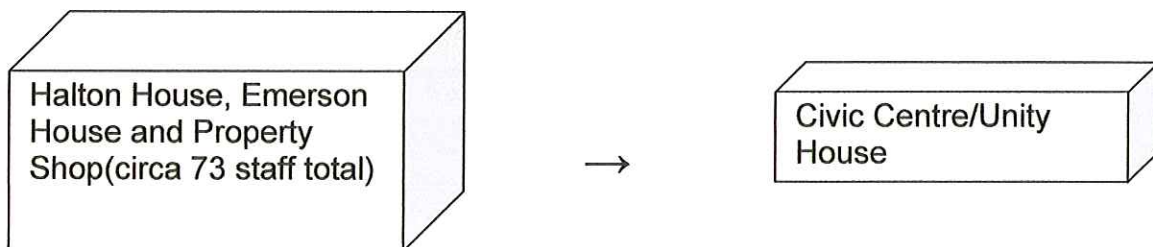
#### 3.1 Potential Accommodation Comments

The Precinct Area Office on Churchill Way is currently occupied by Salix Homes who are due to vacate towards the end of 2008. The building currently occupies 38 staff that will mainly relocate to additional accommodation at Diamond House with a new local facility being created on Salford Precinct. (This would potentially provide an opportunity to assign the existing HCP Property Shop to Salix Homes).

Churchill Way AHO is within the PFI regeneration proposals and will be demolished at some point in the future. This demolition is identified in the PFI programme no sooner than December 2011 and allows for medium term occupation of the building.

### 4.0 Proposed Rationalisation Strategies

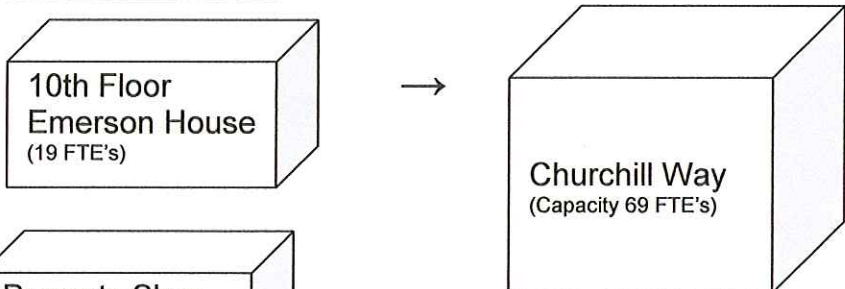
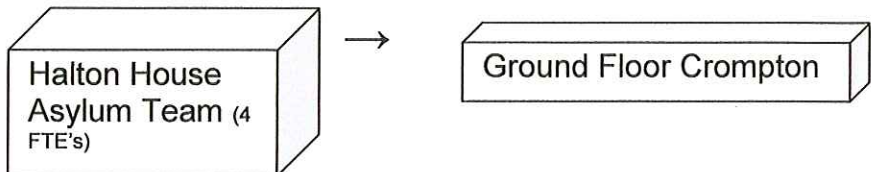
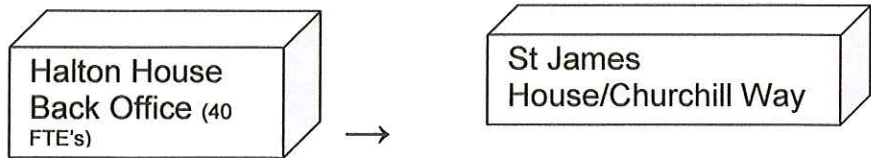
#### 4.1 OPTION ONE



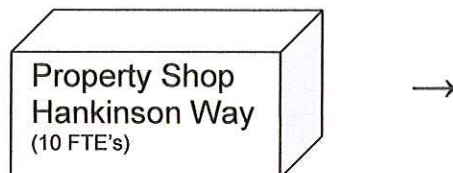
**4.1.1** The Civic Centre and Unity House were initially identified as a potential solution, however this has already been utilised. Audit and Risk have taken the 3rd floor. It will be 12 months before space is available

## 4.2 OPTION TWO

STEP 1



STEP 2



### 4.2.1 Option 2 comments

Halton House could move their visiting officers function to St James House (approx 33 FTE's) in conjunction with some Asylum Team staff moving to the ground floor of Crompton House, the remaining staff would move to Churchill Way. This step relinquishes Halton House for disposal.

The 10<sup>th</sup> floor Emerson staff from Emerson House (19 FTE's) and the Property Shop (10 FTE's) could also potentially move to occupy Churchill Way.

### 4.2.2 Assumptions made

That both the Property Shop lease and 10<sup>th</sup> floor Emerson can be assigned/sublet to Salix and Urban Vision respectively avoiding a surrender premium and schedule of dilapidations claim.

Financial Benefits: Reduces Revenue Costs by £62,866

The disposal of Halton House could produce a potential capital receipt in the region of £150,000 (subject to market conditions) and avoids necessary expenditure on the building (Circa £150K).

Relinquish Halton House = £49,383 (saving)

Relinquish 10th floor = £47,729 (saving)

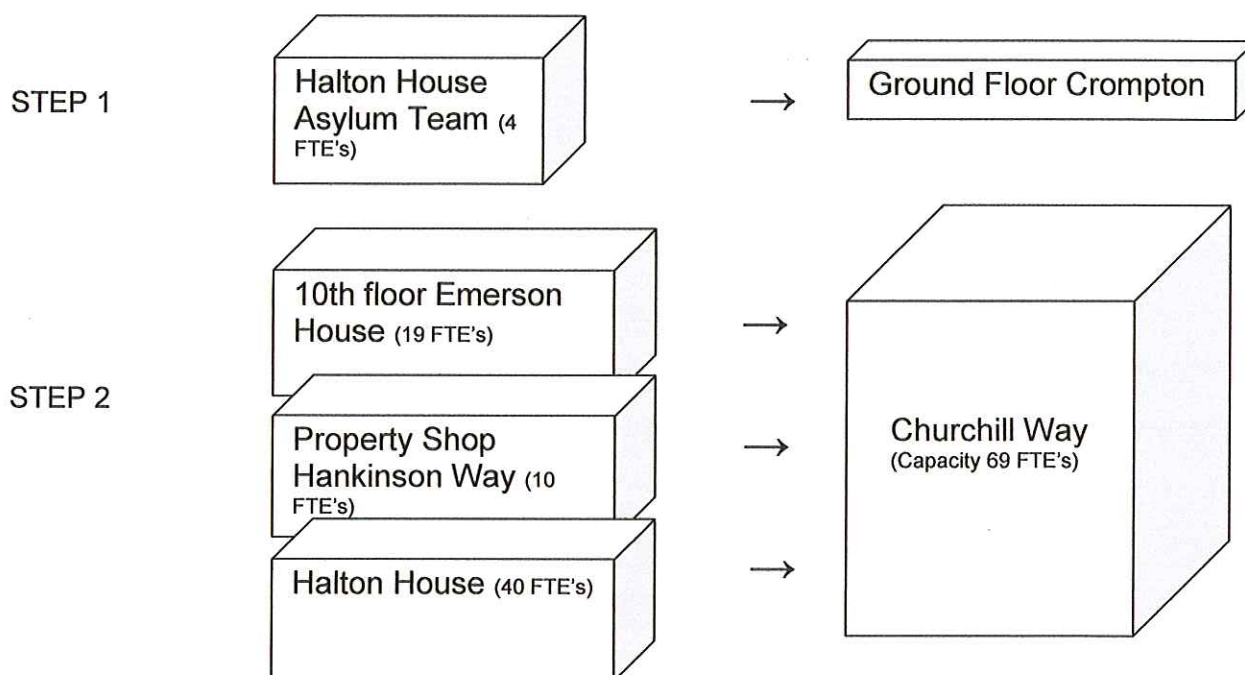
Relinquish Property Shop = £ 31,844 (saving)

Sub Total	£128,956 (saving)
Revised accommodation costs	£66,090 (excludes Crompton)
<b>Total Cost Saving Option 2</b>	<b>£62,866</b>

**Option Two Space standards (excluding Crompton) 14.02 sq.m/person**

***Crompton House is full and the back office function would not work. There would be a conflict of service delivery combining the Asylum team into Churchill Way.***

**4.3 OPTION THREE**



**4.3.1 Option 3 comments**

Asylum Team (4 FTE's) move to Crompton House. Remaining Halton House staff (40 FTE's), Emerson House staff (19 FTE's) and Property Shop (10 FTE's) could potentially move to Churchill Way. It is anticipated that the adoption of agile working practices would assist to enable Churchill Way to become fit for purpose

**4.3.2 Assumptions made**

That both the Property Shop lease and 10<sup>th</sup> floor Emerson can be assigned/sublet to Salix and Urban Vision respectively avoiding a surrender premium and schedule of dilapidations claim.

Financial Benefits: Reduces Revenue Costs by £115,492

The disposal of Halton House could produce a potential capital receipt in the region of £150,000 (subject to market conditions).

Relinquish Halton House = £49,383 (saving)

Relinquish 10th floor = £47,729 (saving)

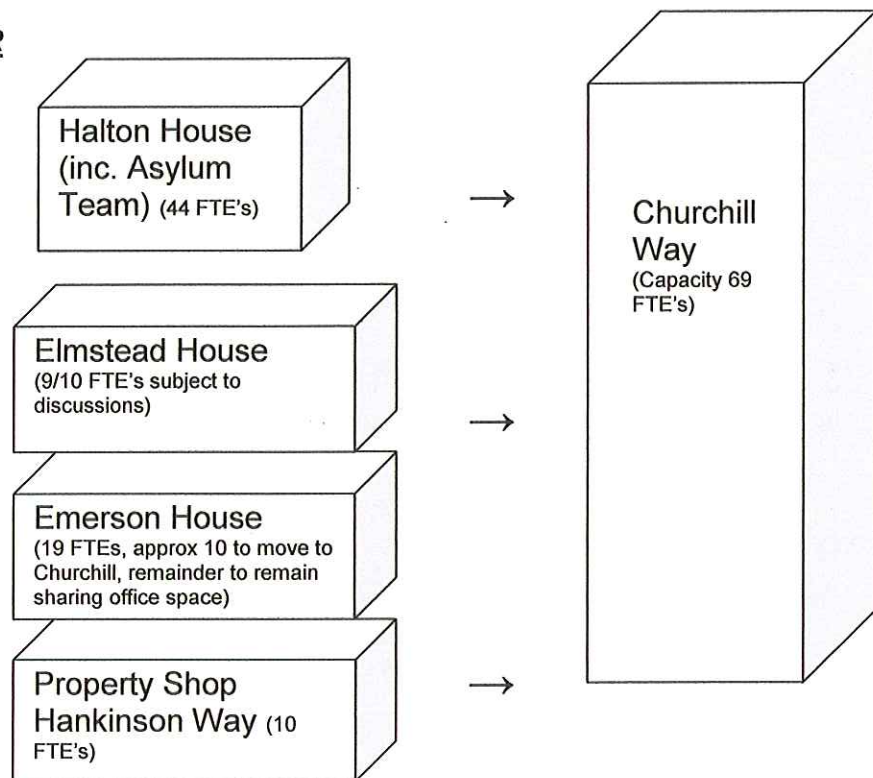


Relinquish Property Shop	= £ 31,844 (saving)
St James House (May 2009)	= £26,313 (saving)
Sub Total	£155,269 (saving)
Revised accommodation costs	£39,777 (excludes Crompton)
<b>Total Cost Saving Option 3</b>	<b>£115,492</b>

**Option 3 Space Standards (excluding Crompton) 11.01 Sq.m/person**

***A conflict of service delivery deems this as unsuitable in addition to insufficient space being available to accommodate all staff in Churchill Way.***

**4.3 OPTION FOUR**



**4.4.1 Assumptions made**

The main difference with this strategy is that HCP would retain a portion of office space on the Tenth Floor, with the majority of staff from this location being relocated Churchill Way. The Property Shop lease and 10<sup>th</sup> floor Emerson can be assigned/sublet to Salix and Urban Vision respectively avoiding a surrender premium and schedule of dilapidations claim, subject to the views of Urban Vision Board.

**4.4.2 Financial Benefits**

Reduces Revenue Costs by approximately £85,663

The disposal of Halton House could produce a potential capital receipt in the region of £150,000 (subject to market conditions).

Relinquish Halton House	= £49,383 (saving)
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Relinquish part 10th floor	= £17,900 (apportioned part saving)
Relinquish Property Shop	= £31,844 (saving)
St James House (May 2009)	= £26,313 (saving)
Part Elmstead House	= Unknown

Sub Total £125,440 (saving)

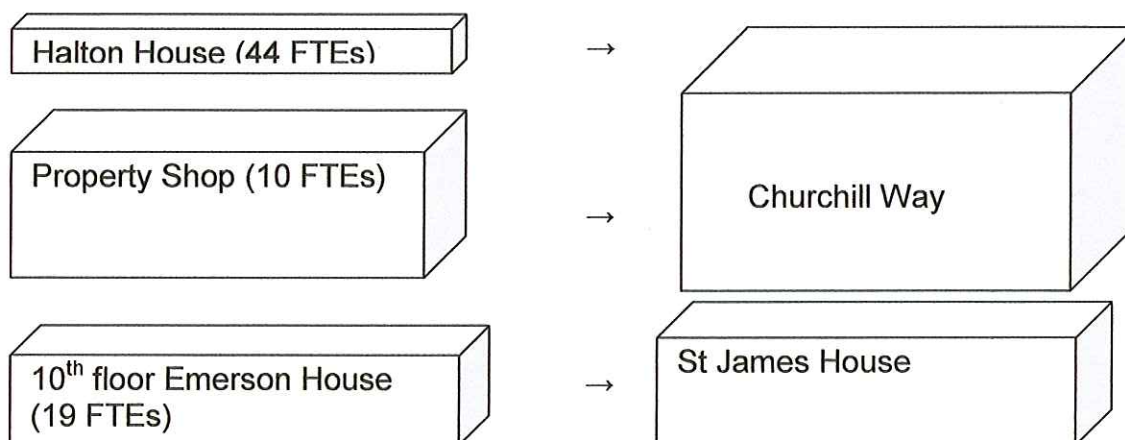
Revised accommodation costs £39,777 (excludes Crompton)

**Total Cost Saving Option 4 £85,663**

#### **Option 4 Space standards 10.4 Sq.m/person**

**Due to the configuration of the internal walls within Churchill Way this building could not support all HCP staff**

#### **4.5 OPTION 5 (Chosen Option)**



##### **4.5.1 Assumptions made**

Relocate staff currently based at Emerson House into vacant space in St James House (Phase 1). This is achievable prior to end December 2008 and allow for the lease to be assigned to Urban Vision with effect from January 2009 and thus in year savings. Staff based at Halton House and the Property Shop to relocate into Churchill Way Office (phase 2) during the last quarter of the financial year releasing the lease at the property shop to Salix Homes.

##### **4.5.2 Financial Benefits**

As per option 2 (£62,866)

Relinquish Halton House = £49,383 (saving)

Relinquish 10th floor = £47,729 (saving)



Relinquish Property Shop = £ 31,844 (saving)

Sub Total £128,956 (saving)

Revised accommodation costs £66,090

**Total Cost Saving Option 5 £62,866**

**Option 5 Space standards 13.2 Sq.m/person**

**4.5.3 This option is deliverable with the available accommodation.**

## **5.0 Timescales/Opportunity moves**

Issues to be considered urgently

- As part of the PFI initiative in Pendleton Churchill Way will eventually be demolished as part of the regeneration proposals. Feedback at this stage has confirmed that this may happen in approximately 6 months. Further discussions are required to understand whether or not this period could be extended to ensure Churchill Way would be available for up to two years.
- SALIX HOMES wish to relinquish their interest in Blackfriars AHO as well as vacate the existing Churchill way accommodation later this year (dates to be confirmed). These facilities will be replaced by new local facilities on Salford Precinct and Mocha Parade with the remaining back office function moving to additional space at Diamond House. HCP need to make a decision quickly regarding their own accommodation strategy if they are to make the most of an opportunity to assign/sublet their existing property shop on Salford Precinct to Salix Homes (subject to the views from Salix).
- Urban Vision are currently considering extending their accommodation into Orbit House and an early HCP strategy decision is required if they are to make the most of an opportunity to assign/sublet (the tenth floor Emerson House) to UV. This decision is likely to be made over the next two weeks.

## **6.0 General Issues**

It should be noted that assumptions have been made in this report regarding financial data based on information held within existing databases and should be checked for accuracy.

Following discussions with PFI Managers on the potential extended life for Churchill Way, further surveys are required to ensure that the building will be fit for purpose. A concern exists regarding car parking at Churchill Way (currently 12 spaces) and public interface facilities, which would need to be given due consideration if this strategy is to be implemented.

## **7.0 Conclusions**

To avoid surrender premiums (likely to be rent to the end of the term) and potential schedule of dilapidations a quick decision is required by HCP in respect of their short term accommodation strategy. It is likely that if these opportunities are missed the proposal to rationalise leased accommodation will not be cost effective.

## **8.0 Recommendation**

It is recommended that the lead member for Property approve the adoption and implementation of option 5.