

Mandate to consider the medium and long-term options for Guildford's workspace and civic HQ

30 March 2022

Introduction

The Operational Asset Review is one workstream in the Savings Programme which seeks to reduce costs by £1.5m from the Council's operational property portfolio to contribute to the reduction of the Council's overall budget deficit of circa £6m over the next 4 years. The Asset Management Plan (AMP) review of the Millmead House Complex recommended that the asset be taken forward as a project through the mandate process to understand how the offices could be used in the future given agile working, the collaboration with Waverley, the ability to generate income from surplus space and the long-held aspiration to redevelop the site under plans for Shaping Guildford's Future (SGF). A high-level mandate for the Millmead House Complex identified various options for its future which have since been refined into short, medium, and long-term options.

Short-term option: The short-term option is to move CMT, Democratic Services and the Mayor out of Old and into New Millmead in order to generate additional income from rent and service charges of up to £250,000 per annum through leasing the remaining vacant space in Old Millmead House.

Medium-term option: The next step is to reduce the number of desks GBC use in New Millmead in order to create additional surplus space. There is an opportunity for Guildford to lease the surplus space to third parties and generate additional income. Alternatively, there is an opportunity for Guildford to accommodate Waverley Borough Council and trial joint working at Millmead until completion of The Burys. (Waverley Borough Council intend to redevelop The Burys in Godalming and will need to temporarily decant into alternative premises during the redevelopment phase of the project).

Long-term option: The question then remains as to what Guildford and Waverley want to do in the long-term in light of the collaboration. Remaining at Millmead indefinitely is not an option because the site will be redeveloped in 5 to 10 years under SGF and there is significant and costly life expired M&E plant and equipment which will not be replaced. Do we want to buy smaller premises without Waverley, buy a shared premises with Waverly, or move both Councils into The Burys?
Submit permitted development rights?

1. Why should a programme/project be started now?

To reduce costs and make necessary savings by 2025. To align with Waverley who are in the final stages of obtaining Executive approval for their redevelopment proposal of The Burys – if WBC move into Millmead House, the workstations need to be ready to accommodate them. To align with Shaping Guildford's Future – Millmead will be redeveloped in 5 to 7 years, so we need to start considering our relocation options.

2. What is the good idea, opportunity or problem to be solved?

The good idea is to either accommodate Waverley during the redevelopment of The Burys or to lease the surplus space to third parties. The former gives us an opportunity to trial joint working with WBC in readiness for a potential long-term partnership; the latter gives us an opportunity to generate additional income from rent and reduce the Council's apportionment of its operating costs through a service charge. The problem to be solved is to understand the scope and willingness of both Councils to work together in the long-term.

3. What is the purpose of the programme/project and what outcomes, or outputs will it deliver?

The preliminary purpose of the project is to trial joint working with Waverley (Collaboration programme), or to generate additional revenue (Savings programme). The subsequent purpose is to understand whether there is any appetite from both Councils to continue working together either by buying a shared premises or by moving into The Burys together.

4. What priority, corporate objective or strategy is fulfilled by this project?

Both the Savings and Collaboration programmes which seek to reduce the Council's budget deficit over the next 5 years and explore joint ways of working with Waverley Borough Council.

Options Evaluation

5. What are the potential strategic options to deliver a solution?

Medium-term

Reduce the number of desks GBC use in New Millmead in line with the agile working policy (50% office working) and either

1. move Waverley Borough Council into New Millmead during the redevelopment phase of The Burys; or
2. lease surplus space to third parties

Long-term

1. Guildford buys a smaller premises; or
2. Guildford and Waverley buy a shared premises; or
3. Guildford and Waverley move into The Burys on completion of the redevelopment project

Considerations

6. Who is the lead Director & Service Manager and Portfolio Holder (Cllr) who will lead and direct the project and who will be managing/using the projects products once they are handed over?

Lead Director Dawn Hudd, Service Manager Marieke van der Reijden and Portfolio Holder Councillor Anderson.

7. What impact assessments have been undertaken and what are the impacts on other Service Leaders and/or other programmes/projects?

None yet undertaken. We will need to fully understand the impact on staff and the Council's agile working policy. Equality Impact Assessments will be required when moving to alternative premises. Service Leaders will be critical to helping us move to a conclusive recommendation as they will need to provide their desk count and other service-specific requirements. Programmes which impact this project include Shaping Guildford's Future and the redevelopment of The Burys.

8. What general approach will the project take to deliver?

This will split into two revised mandates to address the medium and long-term options separately. Both mandates to follow in due course with the implementation and management of them also to be decided in due course.

9. When must the project start and finish?

The medium-term option must start now to make necessary savings by 2025 and to pre-plan the potential joint working with Waverley. The long-term option must finish on completion of The Burys, or by the time SGF require Millmead for redevelopment.

10. Which stakeholders are or, need to be, involved in the project?

CMT, Councillors, Waverley BC, Unison, service leaders

11. What specialist resources are needed to consider this mandate and develop a strategic outline business case?

Internal staffing – Asset Management, FM, HR, ICT, Procurement, Legal, Finance, Strategy & Communications, Committee Services

External consultants including space planners, local property agents, specialist valuations and legal advice

12. What Rough Order of Magnitude (ROM) are the likely Whole Life Costs (WLC) of the project and live service?

The annual level of expenditure across Millmead House over the last 5 years has on average been £775,000pa balanced against an average income of £247,000pa.

In the short to medium term, there is an opportunity to increase the income and reduce the Council's operating costs of Millmead. Exact rent and service charge revenue to be confirmed following consolidation of services into more efficient use of space which will indicate the square foot and rental value of the surplus space.

In the long term, there is an opportunity to reduce costs further by relocating to smaller and more energy efficient premises, or for GBC & WBC to share the costs of operating either a new premises or The Burys.

Potential costs to proceed to the next stage to develop the Strategic Outline Case

Resource costs to progress to the next stage/gate and develop the Strategic Outline Business Case (SOC)

	Q2 (21/22)	Q3 (21/22)	Q4 (21/22)	Q1 (22/23)	Total	Comments
Internal costs					£ (TBC)	
Specialist external consultants' costs	£ (TBC)	£ (TBC)			£ (TBC)	In order to get to outline business case, the following may be required: Space planners Property agency advice Planning advice Legal advice / solicitor's fees Asset valuations Detailed surveys Further costs may be required at full/detailed business case
Total	£ (TBC)	£ (TBC)			£ (TBC)	All figures are estimated at this time

13. What are the strategic issues?

Medium term

- Establish WBC's requirements e.g., no. of workstations and ensure we can accommodate their requirements.
- Will Guildford and Waverley teams sit together, or will the Councils sit separately? This will affect how we space-plan New Millmead beforehand.
- Guildford agile working policy is 50% whereas Waverley is 20% office time – consideration to whether we align them or keep them as is.
- Understand if any works are required to lease the vacant space and the associated costs .
- Ensure that all new lease agreements are flexible to allow us to sell the site for redevelopment.
- Surrey County Council may exercise their break option in October 2023 (or anytime thereafter) and hand back 1st floor of Pavilion 3 at a rent of £101,887pa.

Long-term

- Consultation with staff on any change to employment terms and conditions as part of the change in office accommodation and parking arrangements etc.
- Sensitivity to those who reside in onsite staff accommodation.
- To establish from WBC if there is enough space in The Burys for both Councils on completion of the project.
- The need to align both the medium and long-term options to The Burys redevelopment and Shaping Guildford's Future.

Assumptions

14. What are the strategic assumptions?

Medium term

- We will not vacate Millmead House in the short term, we will retain the asset to give us time to plan for a relocation.
- We will not replace any life expired M&E plant & equipment due to the long-term aspiration to sell the site for redevelopment. Instead, a robust maintenance schedule will be implemented which should prevent the risk of failure. However, the assumption is that we will need to replace items in the event of failure.

Long term

- There will be clear direction on new ways of working e.g., agile working practices, hot desking, meeting room requirements, the level of face-to-face interaction with the public, housing residents and tenants etc.
- There will be clear direction on relocation requirements e.g., size, location, car parking, civic suite, canteen, meeting rooms etc.
- GBC will buy rather than rent or build new premises.

15. What are the strategic risks?

Medium term

- We cannot accommodate Waverley in New Millmead.
- Lack of uptake from prospective tenants and the desired rental income is not generated.

Long term

- Loss of staff in the event of a change to employment terms and conditions.
- SGF requires the site sooner than anticipated and we are not in a position to relocate elsewhere.
- SGF requires the site later than anticipated and the life expired M&E plant and equipment and building fabric start to fail.
- Property market risk and the capital value of Millmead is lower than anticipated.

16. What are the strategic dependencies?

Medium term

- Early and effective communication with Waverley Borough Council.
- Service Leaders specifying the current need of their services including workstation requirements.

Long term

- Early and effective communication with our affected tenants.
- Service Leaders specifying the future need of their services including workstation requirements.
- Availability of capital funds to proceed with an office acquisition – a purchase will either be funded from borrowing or from the capital receipt generated from the sale of Millmead if we sell as part of SGF.
- Availability of office buildings to buy on the market.
- Availability of space in The Burys for Guildford to move into on completion of the project.

17. What are the strategic constraints?

Medium term

- Whether New Millmead can meet both GBC and WBC requirements.

Long term

- Terms and Conditions of employment contracts.
- Terms of the current leases and tenancy agreements in place.
- Legal title covenants.
- Council duties and obligations as an employer of staff.
- Lack of freehold office buildings on the market.
- No available space for GBC to move into at The Burys.

18. What are the strategic opportunities?

Medium term

- Financial – to save revenue and generate income.
- Both Councils can trial joint working.
- Align desk numbers to the agile working policy.
- Maximise the office space in New Millmead.
- Refine our requirements now to speed up the acquisition of a new office premises in the future.
- Provide Waverley with a solution to decanting out of The Burys during the redevelopment phase of the project .

Long term

- Financial – to save revenue.
- Both Councils can potentially work together in the long-term.
- Relocate to more environmentally friendly offices and contribute to the Council's climate change agenda to achieve net zero emissions by 2030. The current EPC rating is C and therefore will not meet the 2030 Minimum Energy Efficiency Standards (MEES) requirements of B or above without significant investment.

Reviewer List

Involved or sighted so far and to be updated on changes:

- Dawn Hudd – Strategic Services Director
- Claire Morris – Finance Director
- Marieke van der Reijden – Head of Asset Management
- Francesca Kosh – Deputy Head of Asset Management
- Victoria Worsfold – Finance Lead Specialist
- Stephen Rix – Legal Lead Specialist
- Adrian Swift – Senior Specialist - Procurement
- Stephen Benbough – Strategy & Communications Manager
- John Armstrong – Democratic Services and Elections Manager
- Francesca Chapman – Lead Specialist HR
- James Beach – ICT Lead Specialist
- Darren Burgess – Senior Building Surveyor
- Mark Appleton – Property & Asset Manager
- Helen Buck – Technical Services Manager
- Peter Gregg – Facilities Team Leader
- Strategy, Performance & PPM Governance Team
- Kelvin Mills – Head of Commercial Services at WBC
- Cllrs Bigmore, Anderson and Rigg
- Corporate Management Team
- Executive Liaison Group

Next to be consulted:

- Executive Advisory Board

CMT Outcome

This mandate was shared with CMT on 30 March 2022.

Outcome – to be presented to the ELG and Strategy & Resources EAB for consideration and informal discussion. To seek financial surety from WBC if decanting into Millmead was an option.

Next steps – to be shared with Waverley Borough Council for review and comment.

Executive Liaison Outcome

This mandate was shared at Executive Liaison on 4 May 2022.

Discussions

- Short-term discussion
 - Officers to ensure the expiry dates for new lettings are in line with the timescales of Shaping Guildford's Future; officers recommend a 2 or 3-year term certain with 12 month rolling breaks thereafter.
- Medium-term discussion
 - GBC require some form of commitment from WBC to occupy space in New Millmead and provide a deadline by when lease terms should be agreed.
 - WBC would need to pay a market rent for their occupation as per the terms in the Inter Authority Agreement.
- Long-term discussion
 - Officers confirmed Millmead House requires significant capital investment to replace M&E plant and equipment and upgrade the building fabric; the recommendation would be to vacate the site as per the timescales of Shaping Guildford's Future rather than spend the required capex and remain in occupation.
 - The impact of relocating staff to an alternative HQ must be considered e.g., contracts of employment, car mileage allowances and accessibility.
 - Chamber facilities and a front-of-house facility would need to remain in Guildford town centre in the event GBC staff relocated to The Burys long-term.
- **Next steps**
 - Officers to meet with Waverley colleagues to clarify deadlines.
 - WBC confirmed they would look to occupy space in New Millmead from April 2024 for a period of 18 months during the redevelopment phase of The Burys.
 - Officers to ascertain the willingness from Members to co-locate.