



<b>Report for:</b> <b>ACTION</b>
<b>Item Number:</b>  7

<b>Contains Confidential or Exempt Information</b>	<b>YES (Part)</b> Appendix 2 – Financial information (pursuant to para 10.4 (3) of the Access to Information Procedure Rules)
<b>Title</b>	The Future of Perceval House
<b>Responsible Officer(s)</b>	Lucy Taylor Director of Regeneration and Planning Alison Reynolds Director of Customer Services
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<b>Portfolio(s)</b>	Regeneration and Property, Finance, Performance and Welfare Leisure, Culture and Customer Services
<b>For Consideration By</b>	Cabinet
<b>Date to be considered</b>	20 <sup>th</sup> October 2015
<b>Implementation Date if Not Called In</b>	3 <sup>rd</sup> November 2015
<b>Affected Wards</b>	All
<b>Keywords/Index</b>	Perceval House, Ealing Broadway, Ealing Central Library, Regeneration, Customer Services

**Purpose of Report:**

This report sets out the recommended approach to the redevelopment of the Perceval House site including the reprovision of the Council’s offices, customer services and library. The report sets out options for the role of the council in the development and it is recommended that the Council is a joint venture partner in the development.

## 1. Recommendations

1.1 That the Director of Regeneration and Planning be authorised to invite and evaluate tenders for the selection of a joint venture partner for redevelopment of the Perceval House site defined on map in appendix 1 using either the Competitive Procedure with negotiation or the Competitive Dialogue Procedure

1.2 That Cabinet agree that the Council’s requirements specified in the procurement process will be:

- Between 121,000 and 133,000 ft<sup>2</sup> for its offices, library and customers services either on the site or in the Ealing Broadway area
- New offices for the Council to be ready to move into prior to the demolition of Perceval House or the partner to provide interim accommodation.
- The council to be a joint venture partner for the development for up to 50% of the sale elements of the scheme.
- The council to have the option to purchase any affordable homes created in the scheme subject to funding being available.

That Broadway Living be invited to act as the council's partner for any market rent homes created as part of the affordable housing requirement.

- 1.3 That the financial implications of this set out in Appendix 2 are noted and it is agreed that a further report will be submitted to Cabinet seeking the required capital investment together with the consequential financial implications.

## **2. Reason for Decision and Options Considered**

- 2.0.1 In October 2014 Cabinet received a report on the redevelopment of Perceval House and agreed that the Director of Business Services Group be authorised to undertake work, including commission further studies to identify the Council's requirements for its future accommodation needs based upon the councils main offices remaining in the Ealing Broadway area and the complete redevelopment of the current Perceval House site. It also agreed that the Director of Regeneration and Planning be authorised to commission further studies to identify the Council's options for the future of Perceval House and its car park and to agree a brief for the site. The principle of the relocation of the Ealing Central library to the redeveloped Perceval House site was agreed and approval was also given to negotiate with the landlord of the current Ealing Library site regarding the potential for an interim location for the Library.

### **2.1 CURRENT POSITION**

#### **Perceval House**

- 2.1.1 Perceval House and car park site is an area of 1.29ha or 3.18 acres. The entire site is in Council freehold ownership and the vast majority of the site is occupied by council uses. The electricity sub-station to the front of the car park is on a very long lease by Scottish and Southern Electricity (SSE).
- 2.1.2 The current building has a gross floor area of 215,000 ft<sup>2</sup> (20,000sqm) over 6 floors. This equates to useable internal floor area of 167,000 ft<sup>2</sup> with approximately 2000 desk spaces. The car park has 114 car spaces of which 90 are general parking spaces, 8 disabled spaces, 8 reserved for Councillors, 6 for City Car Club and 2 other reserved spaces. There is also an area for motorcycling parking and cycle parking. The current building design and floor plan means considerable areas of the site are not used efficiently.
- 2.1.3 The building is over 30 years old and much of its electrical/mechanical services such as air conditioning, lifts, plumbing etc. are coming towards the end of its life and it is also quite energy inefficient. It may require significant expenditure in the next 10-20 years to keep it functioning as an office, although no survey work has been done and the cost is unknown at this stage.
- 2.1.4 The building is relatively fully occupied at present however there is likely to be a reduction in the total numbers of staff working for the council in the next few years and a surplus part of the building is already rented out to the Ealing Clinical commissioning Group. The increased use of online services has significantly reduced the need for the large customer services facility on the ground floor. Changes in IT and working online is enabling more flexible

working and means that less staff will need a permanent desk space in the building. In October 2014 it was estimated that the council office space requirement will fall to 100,000 ft<sup>2</sup> with 1000 work stations and a customer services centre/library could be accommodated within 21,000 ft<sup>2</sup>.

## **2.2 Work undertaken since the October 2014 Cabinet Report**

2.2.1 Since last October a number of steps have been undertaken to move the development proposals forward and provide a clear base for the decisions on which option to explore.

2.2.2 A working design has been commissioned from Asseal Architects to enable the business plan for the site to be based on a realistic design but it's not intended that this design to be the final design used for the development. This working design is based on the following assumptions:

- 360 homes on the site.
- Up to 133,000 ft<sup>2</sup> of space for the council and its partners. With at least 21,000 ft<sup>2</sup> space for the library and customer services centre located at the front of the site in phase 2.
- Sufficient car parking for the council's needs.
- Development in two phases with new council offices located on the current car park in phase 1.
- This would allow for a single move from the current offices and then the demolition of the current Perceval House building. Initial demolition advice has been taken which shows that this is possible.
- Development above, or relocation of, the current electricity substation. We have begun the process of planning that move with Scottish and Southern Electricity (SSE) who have a long leasehold from the council.

2.2.3 Based on this design a business plan has been developed by external advisors to allow the consideration of the options for the council in taking forward the redevelopment.

2.2.4 A review of the current use of the building and the future accommodation needs of the council has been commissioned to look at the office accommodation requirements of the council and the customer services centre in the future.

2.2.5 Further work has been undertaken on the financial returns of council's potential role in the development as a joint venture partner and the potential risk and reward for the Council in doing this.

2.2.6 Further work has been done on the potential financial implications of any open market rent units being retained by the council if they are created.

## **2.3 The Ealing Central Library and Customer Services centre**

2.3.1 The negotiations with the freeholders of the central library site are still ongoing regarding the current location of the library and any possible interim or alternative locations within their wider site. The working design and business plan includes provision for a new library with a customer services centre on the

Perceval House site should that be an option members wish to take forward. When those discussions are concluded a report will be brought back to members as was agreed in the October 2014 Cabinet report.

2.3.2 Research into the usage of the customer services centre has been undertaken and this shows, due to the council's success in developing online and other means of accessing services, that the number of visitors has fallen from its peak of circa 320,000 visitors a year to around 80,000. This is around 300 visitors a day but a proportion of these come in to use online terminals rather than speak face to face with an advisor. The current space was designed for more simple bank style face to face interaction as well as formal interviews. These requirements have changed and now the bulk of the actual customer contacts are where a more detailed and usually prebooked interview is required. Therefore the customer service centre needs a differently designed and significantly smaller space than the current one.

2.3.3 An improved design for the customer services centre could be developed to create space that is more versatile than the current layout. The current space is very difficult to use outside of normal offices due to the design and the reception and security requirements. A more flexible space would allow it to be used outside of office hours and potentially be useable by groups other than the council e.g. meeting space when it's not in use for customer services needs. This will form part of the design brief.

2.3.4 The location of the current customer services centre on the Uxbridge Rd and the wish to retain it in the same location means that a suitable interim location will be required from the demolition of Perceval House until a the new facility is constructed. Locating a suitable space will be the responsibility of the joint venture partner.

## **2.4 Refurbishment of Ealing Town Hall and the redevelopment of Perceval House**

2.4.1 The Council is embarking on both the development of the Perceval House site and refurbishment of Ealing Town Hall. Some of the functions currently operating from Ealing Town Hall will need to be accommodated in Perceval House whilst the Town Hall is refurbished. The timetable of both projects will need to consider this requirement and it is likely that the Council's accommodation in the Town Hall will be completed prior to the need to move Perceval House. The two projects are being closely co-ordinated to ensure the implications of any changes in specification are considered.

2.4.2 There is the potential for both the ground floor customer services and library space and the Council's new offices to provide meeting and function space to supplement that within the refurbished Town Hall.

## **2.5 Planning position**

2.5.1 The Longfield Avenue Car Park site is included in the Development sites Development Plan Document which was adopted in 2013. The proposed allocation is residential. The DPD makes reference to the car park site offering

the potential to create a pedestrian and cycle link through to Craven Avenue and development would need to respect the residential street at the western end with the potential to create height at the eastern end towards the increased scale of Dickens Yard. Perceval House itself was not included in that DPD.

2.5.2 The redevelopment of the main Perceval house site in a scheme retaining office accommodation, introducing residential development and increasing density is consistent with current council planning policies for a site in Ealing Broadway Town centre. As its consistent no additional planning policy is required for the site. A planning guidance note will be produced to guide the future development.

## **2.6 Council Accommodation requirements**

2.6.1 Work has been commissioned looking at how we use the current office space in Perceval House. The office refurbishment carried out several years ago was based on an assumption that there would be a ratio of 5 staff for every 4 work stations. This calculation allows for the fact that at any point in time a number of staff will be on leave or posts will be vacant. In practice there is 1 workstation available all day for every member of staff in the building and it does not take account that people will be in meetings or out of the office on site visits, delivering services or interviewing the public. Statistics for the entry systems back this up with circa 1800 people entering the building per day and the building hosts circa 2000 work stations. This suggests further space efficiencies could be gained by factoring in a calculation for actual time needed at a work station as well as measures to further support home working and more flexible working for those whose jobs involve being out and about across the borough. Therefore savings from the more efficient use space could be achieved ahead of any move to a new building. To achieve the full benefits of an improved use of space will require the council's accommodation requirements to be aligned closely with the council's information technology strategy.

2.6.2 The October 2014 Cabinet report set out that the council's current assumption was a 100,000 ft<sup>2</sup> for offices, 21,000 ft<sup>2</sup> for a library and customer services with the equivalent of 50 car parking spaces. As a result of the work undertaken we have raised the allowance in the design to an overall figure of 133,000 ft<sup>2</sup> to give us some flexibility to allow for partners and the council requirements. The council currently rents around 5000 ft<sup>2</sup> to the Ealing Clinical Commissioning Group and other partners have indicated an interest in co-location with council services. It is intended the council will remain the owner of its own offices as well as retain the freehold of the whole site. As reported in October there is no intention to move the civic functions away from the current town hall.

2.6.3 In the October 2014 report it was thought the council would need to move to an interim location. However further design work shows it's possible to develop the site in 2 phases to enable a move from Perceval House directly into a new building on the site. This is a preferable option as it minimises the disruption to council services created by moving however it does constrain the phasing of the scheme and it means no development on the Perceval house site can start until phase 1 is completed. Currently no interim offices were identified as being suitable within the Town Centre however, this option should be kept open as a development partner may identify suitable alternative locations that they could

deliver if they were the Council's development partner and justify the costs in terms of improved development timescales and viability.

- 2.6.4 It may also be possible that a partner could identify a suitable alternative permanent site for new offices in the Ealing Broadway area as an alternative to re-providing on the Perceval House site. Therefore the procurement will keep that option open as it may be financially attractive or allow the scheme to proceed faster than redevelopment on the current site.

## **2.7 Affordable Housing**

- 2.7.1 The current working design and business plan assumes a scheme that is consistent with council planning policies on affordable housing. The business plan assumes a mix of affordable rent and open market rent will make up the affordable element of the scheme.
- 2.7.2 Market rent homes have been chosen instead of shared ownership as at higher property values it is increasingly hard for potential owners to raise the deposit needed to take on shared ownership home and its much harder at higher values for owners to staircase and take on higher proportions of ownership. In effect they have become of a form of market rent. Market rent units should still be in the same band of affordability as shared ownership in terms of income levels. For the council they offer a number of advantages. They cannot be resold and so leave the pool of affordable homes. Compared to private homes they cannot be used as second homes or sold or resold to investors. If operated by an affordable housing provider they may offer more security to occupiers than they achieve in private sector.
- 2.7.3 To ensure they remain as affordable homes in the long term it is preferred that they will be owned by the London Borough of Ealing or a social housing provider if this is not possible. Therefore it is proposed that one of the requirements of the procurement is that the council have the option to purchase these homes. However, this will require the council to fund their purchase if it wishes to be the owner of these homes. The implications and costs of this are set out in section 6 of the confidential appendix. Further consideration of the purchase of the affordable homes and the financial implications of this will need to be considered through the procurement process. In addition the impact of potential changes to the levels of rent and right to buy (such as those proposed in the 2015 budget) need to be assessed when the details are known as this may have an impact on the levels of funding.
- 2.7.4 The council has developed Broadway Living as a wholly owned company to develop and operate market rent homes in the borough and it is proposed that the company is invited to become a partner in either the ownership or just the operation of the homes. However, Broadway Living's Board will need to assess the scheme closer to delivery to agree its participation.
- 2.7.5 The affordable rent units could also be purchased by the London Borough of Ealing within the Housing Revenue Account subject to the funding being available through borrowing, right to buy receipts or grant. The implications and costs of this are set out in section 5 of the confidential appendix 2.

2.7.6 The exact mix of units and the balance between affordable rent, market rent and private sale will need to be taken after the selection of a development partner and when a final design has been agreed with its related business plan and been through the planning process

## 2.8 The council's role in the development

2.8.1 The council has a choice in how it approaches the development. It could simply treat it as a land disposal with an obligation for any purchaser to provide the new council offices and customer services space and to meet the council's planning and affordable housing requirements. This would result in a simple land payment of any surplus above the cost of those obligations. The council would also seek an overage agreement if the profits from private sale exceeded the agreed level when the site was sold. The potential financial returns of this option are set out in the table in section 7 of the confidential appendix

2.8.2 The council could choose to play a more active role in the development and by sharing some of the development risks take a share in the development profits. Recent developments in Ealing such as Dickens Yard and the Apex have shown that Ealing Broadway is a very attractive residential area with increasing values. The development profit on private sale schemes is usually between 18 - 20% of the sales revenue after accounting for the cost of the land and construction. Given the increasing restrictions on central government funding the council needs to consider opportunities for increasing both capital and income from new sources. By taking on a development role the council could significantly increase the return compared to a land sale and the confidential financial appendix 2 sets out the potential return for the Council in section 7.

2.8.3 The decision to become a joint venture partner is separate to the decision to purchase any affordable homes or market rent homes and neither decision is contingent upon the other.

2.8.4 Engaging in development does carry risks and the council would have to borrow funds for its share of the development costs. Potentially this does incur the risk that the scheme underperforms due to costs rising and/or sales values not being met and therefore does not make the returns planned and potentially does not recover its full costs. The experience of 2008 does show the housing market can fall and even though it may recover in time this does not help if the units have to be sold during a period of falling prices. However the development of the market rent sector may mean there would be choices to defer sales until the market improved but still service debt which might help mitigate some of those risks. The table below illustrates the risks and rewards.

Potential risks	Potential rewards	Planned mitigation
Effect of possible losses on Council finances	Potential increased return over a land sale approach	Regular monitoring of the financial position.
The council is responsible for the development and the design more than through land sale and may come under public pressure to take a less	Increased control over the site and development	Regular briefings to members and progress reports to cabinet.

commercial approach		
Not achieving the private sales income	Sharing the joint venture partner's profit margin if the value of sales increases	Ongoing expert advice and regular monitoring of the financial position.
Council at risk if the government changes the rules or regulations on council's involvement in development	Increased control over the development	So far as possible, the project will be structured in a way that allows the council to adapt its approach to changing circumstances.
Profit will be reduced by build costs increases and construction delay	Profit will increase if house prices rise and/or construction costs are lower than estimated	Ongoing expert advice and regular monitoring of the financial position.
Ability to attract right partner	Council can control the quality and makeup of the scheme	A thorough and professional marketing campaign will be undertaken, following soft market testing.
The first phase does not generate the expected financial returns	The Council makes a loss but still owns the land for a second phase. A redesigned scheme on the second phases could allow that loss to be recovered	Ongoing expert advice and regular monitoring of the financial position.

2.8.5 The level of reward would be commensurate with the risk and investment. The confidential appendix 2 in section 7 sets out the position if the council took a 50% stake in the private sale homes. These figures indicate the council would gain circa 25%-32% return on its investment as a joint venture partner over the lifetime of the scheme. However, any final decision on being a joint venture partner and to what level would need to be subject to a business plan based upon an agreed design as only then will the full risk and reward be possible to be evaluated.

2.8.6 Based on the current business plan figures it is recommended that the council proceed into the procurement of a partner on the basis that it wishes to consider being a joint venture partner. The council will then agree terms and the conditions precedent, including the level of risk and reward, of the Joint Venture development agreement with the development partner once selected. However, the final decision to participate as a joint venture partner can only occur after a business plan based on a planning approved scheme has been drawn up to ensure it meets the conditions precedent.

## 2.9 Procurement Requirements

2.9.1 It is recommended that the council proceed with the procurement on an OJEU compliant approach on the following basis.

- The council will require between 121,000 and 133,000 ft<sup>2</sup> for its offices, library and customers services either on the site or in the Ealing Broadway area
- The council will either seek the new offices to be ready to move into prior to the demolition of Perceval House or the partner to provide the interim accommodation.
- The council will wish to be a joint venture partner for the development for up to 50% of the sale elements of the scheme.
- The council wishes to have the option to purchase any affordable homes created on the scheme, including market rent.

## **2.10 Timescale and approach**

2.10.1 Once a development partner has been selected it will be at least 46 months before new offices are ready to move into and the demolition of the current building could commence. If relocation of the current substation is needed then SSE will need to agree a suitable timetable for that work to take place. The indicative timeline is set out below

- January 2016 procurement opens
- July 2016 selection of the development partner takes place
- January 2017 the development agreement is finalised with a development partner
- December 2017 the design receives planning approval
- February 2018 the council enters into the development agreement
- June 2018 development of phase one commences
- June 2020 the council's new offices are ready for occupation

2.10.2 Given the project requires a partner to deliver the new council offices, new customer services and the library we will need to ensure the procurement process is OJEU compliant.

2.10.3 As stated earlier the final decision to join as a joint venture partner and whether to acquire some or all of the affordable and market rent homes can only be made when a business plan based on actual design with planning permission is available.

2.10.4 The project will need to be resourced appropriately for a scheme of this scale and the council has a number of clear roles around which a management structure must be based. Ensuring the strong management of the project is the single most important step in mitigating the risk identified in the project. The costs of these functions will be recovered from the development and are set out below.

- The council's role as an owner and occupier of the new office building, customer service centre and potentially a library. This includes setting the specification for the space required, ensuring it's constructed to the specification required and the introduction of working practises and infrastructure to allow it to happen.
- The council as a manager/owner of affordable housing including any market rent – ensuring the correct specification is set and that it is built to

the required standard and determining the most appropriate management arrangements.

- The council as a landowner/joint venture partner. Ensuring the council achieves the best return for its investment and minimises development risks as far as possible. This includes procuring the right development partner, negotiating the development agreement and monitoring the development of the scheme.

2.10.5 In addition to these the council has its normal statutory role to approve and oversee major planning applications to ensure they are consistent with council policies.

### **3. Key Implications**

- 3.1 If the redevelopment takes place on the basis set out in the report it will require the council to invest in the development and the implications of that are set out in the confidential financial appendix.
- 3.2 The redevelopment of Perceval House will reduce the financial investment needed in the medium and long term to maintain the current building in a suitable condition.
- 3.3 The redevelopment of Perceval House will increase the supply of homes and affordable homes in Ealing

### **4. Financial implications**

- 4.1 The report and the confidential financial appendix 2 set out the potential need for Council investment if it wishes to take a more active role in the redevelopment of the Perceval House site. The body of the report shows that this funding can be repaid but clearly all development does carry some degree of risk.
- 4.2 There are already a number of revenue commitments through the MTFs to deliver sizable savings of £4m by reducing the facilities and maintenance costs of Perceval house, the achievability of these in terms of timing and overall value will be dependent on the progress of the Perceval House redevelopment project and the option accepted. However the original savings were not based on the redevelopment of the site but more efficient use of the current building. There will be further investigation into the wider costs and benefits derived from the outlined options in terms of ongoing revenue streams in relation to council tax, new homes bonus, and business rates etc.
- 4.3 The development of the scheme will require the council to engage in prudential borrowing and the indicative levels required are set out in the confidential appendix but the final amounts and decision cannot be made until a more detailed scheme has been agreed following the selection of partner. The decision on whether or not to lend the capital required to enable Broadway Living to participate in the project as a partner would be the council's alone.

- 4.4 The purchase of the affordable rent units by the council will require the funding to be available in the housing revenue account or external funding or the use of other resources such as external grant.
- 4.5 Detailed risk and reward information in relation to the various options, returns on investment, and tax implications are set out in Appendix 2.
- 4.6 Provision has been made for approximately £500,000 from existing revenue resources to fund the initial cost of the scheme.

## 5. Legal implications

- 5.1 As a general principle of procurement law, the acquisition and disposal of land is not subject to OJEU requirements (i.e. the Regulations). The acquisition of land is expressly excluded by the Regulations, whereas the disposal of land is implicitly not caught at all. Therefore, a transaction involving a pure sale agreement will fall entirely outside the ambit of the Regulations (but will be subject to other public law requirements, notably the obligation to obtain best consideration under Section 123 of the Local Government Act 1972).
- 5.2 By contrast, where a proposed contract involves a requirement to carry out works, the Regulations may apply. Case law has established that agreements with significant public realm elements and/or where works are to be carried out (in essence) for the contracting authority, will constitute contracts for works, and are subject to the application of the Regulations. The general principle is that development agreements which specify works to be carried out for the “economic benefit” of the contracting authority will be subject to the application of the Regulations. One important test, for there to be a contract for works, is that there is an enforceable legal obligation on the joint venture partner to carry out the works. For that reason obligations imposed by planning agreements (e.g. a Section 106 Agreement) would not be caught by the Regulations (i.e. the Section 106 Agreement is not caught, and nor will be any associated sale agreement).
- 5.3 The Council will be requiring the development partner to carry out works which it is specifying and from which it is expecting to receive economic benefit (particularly if the joint venture option is chosen). Therefore the Regulations apply to the selection of a joint venture partner and also apply to the proposal set out in paragraph 2.8.1.
- 5.4 Given the complexity of the procurement either Competitive Dialogue Procedure (CDP) or the Competitive Procedure with Negotiation (CPN) are suitable routes.
- 5.5 Either of the procedures can be used where:
  - a) The needs of the council cannot be met without adaptation of readily available solutions;
  - b) The procurement include designs or innovative solutions;
  - c) The contract cannot be awarded without prior negotiation because of specific circumstances related to the nature, the complexity or the legal and financial make up (of the deal) or because of risks attaching to them;

- d) The technical specifications cannot be established with sufficient precision with reference to standard specifications.

5.6 As a degree of prior negotiation will be required given the specific circumstances related to the nature, complexity, legal and financial make up etc. of the scheme the procurement would appear to fall within grounds c) and d).

## 6. Value For Money

6.1 The existing Perceval House office complex and Ealing Central Library are both expensive to run, albeit for different reasons. The Perceval House and car park site redevelopment option should avoid the council becoming liable to carry out major structural repairs to its ageing office building, reduce the running costs of both the central offices and library, provide additional affordable homes and generate a capital receipt and potential on-going income stream.

## 7. Sustainability Impact Appraisal

7.1 Perceval House is over 30 years old and has all the problems of an older office building in terms of energy use. The current building's impact could be improved through a programme of refurbishment but only newly constructed buildings would be capable of meeting the higher standards of sustainability. The improved sustainability would also have a major cost benefit to the council due to reduced energy use.

## 8. Risk Management

8.1 This is a major project and there will need to be a risk management plan. The table below sets out the principle risks and the mitigation approach.

Risk	Implication	Mitigation
Interim library location	If the council decide to move from the current location then it will need a temporary location	Potential interim locations are currently available and currently under discussion
Poor project management means the council is not ready to decant the building or changes its requirements	The project is delayed or costs rise and this means it becomes an unviable project	The project will need to be properly managed and resourced. A clear specification for the council requirement must be established prior to selection of any development partner.
A fall in residential values reducing the cross subsidy or the final design cannot achieve the projected number homes	The project does not generate the surplus needed to cover the cost of the reprovision of the council offices and other benefits	There is scope for a change in mix of the residential units if the scheme becomes unviable. The development agreement will set the cross subsidy and if it is not viable then the council would not proceed.  If values fall during a development phase then either a lower return is accepted or the council could operate the homes as market units until values recover and then sell them.

		It is also important to select a partner with strong private sales experience
Availability of prudential borrowing and the cost of the borrowing changes	The viability of the market rent units changes and the risks of the joint venture approach increases	This would be assessed in the final business plan. If the scheme is not viable then the council would proceed on a different basis or defer the scheme until it was viable.  The current business plan is based on commercial borrowing rates not the preferential rates available to local authorities  The council could choose to proceed on a land sale basis if a joint venture approach was no longer an option
Impediments on title	This may impact on the scope of development that can be achieved; cause delays and increase project cost	To explore various options available including appropriation of the land for planning purposes and obtaining indemnity insurance if considered necessary

## 9. Community Safety

9.1 There are no direct implications

## 10. Links to the 6 Priorities for the Borough

10.1 The project will help achieve the 6 priorities in the following ways

- Increase the supply of homes, especially affordable homes
- Reduce operating costs allow more funding to be directed at front line services
- Improve the accessibility of public services to the public
- Create more sustainable environmentally friendly office accommodation that reduces our impact upon the environment

## 11. Equalities, Human Rights and Community Cohesion

11.1 Placing the existing functions into a new single location will improve the accessibility of council services to the public.

## 12. Staffing/Workforce and Accommodation implications:

12.1 The success of the project will be linked to other projects that reduce the need for the current level of operational accommodation. A major goal of the project is to develop better more modern offices which should improve the working conditions of the staff in the new building. There will need to be a process of consultation and engagement with staff in the design of the new offices if the decision is made to proceed with the project.

### 13. Property and Assets

13.1 Perceval House is an existing asset owned by the council and has a book value. The impact of redevelopment needs to take account of this. The initial appraisal shows that the capital value of the new offices will offset any loss of book value. The property is not currently on the planned list of property disposals.

### 14. Any other implications:

15.1 None

### 15. Consultation

16.1 No external consultation has been undertaken at this initial stage of the project

### 16. Timetable for Implementation

16.1 It is intended that market testing would commence in January 2016. A six month process is anticipated for the marketing and selection of a shortlist and this would be presented to members by July 2016 to agree the selection of development partner.

16.2 If at that point members decide to proceed with the project then the finalisation of a planning application and a development agreement will mean that it's unlikely that any physical start on the development would occur before 2018.

### 17. Appendices

Appendix 1 – map of Perceval House and its car park

Appendix 2 confidential – Financial Assessment of the Redevelopment of Perceval House

### 18. Background Information

October 2014 Cabinet report – The future of Perceval House

### Consultation

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
<b>Internal</b>				
Lucy Taylor	Director, Regeneration and Planning	25 <sup>th</sup> September 2015	1 <sup>st</sup> October 2015	
Helen Harris	Director of Legal and Democratic Services	25 <sup>th</sup> September 2015	1 <sup>st</sup> October 2015	

Julian Bell	Leader of the Council	1 <sup>st</sup> October 2015	6 <sup>th</sup> October 2015	
Yvonne Johnson	Lead Member for Finance, Performance and Welfare	1 <sup>st</sup> October 2015	6 <sup>th</sup> October 2015	
Patricia Walker	Lead Member for Leisure, Culture and Customer Services	1 <sup>st</sup> October 2015	6 <sup>th</sup> October 2015	
Pat Hayes	Executive Director for Regeneration and Housing	25 <sup>th</sup> September 2015	1 <sup>st</sup> October 2015	
Maria Christofi	Director of Finance	25 <sup>th</sup> September 2015	1 <sup>st</sup> October 2015	
Tim Smith	Head of Procurement Operations, Commercial & Procurement Partner	25 <sup>th</sup> September 2015	1 <sup>st</sup> October 2015	
Tamara Quinn	Finance Business Partner	25 <sup>th</sup> September 2015	1 <sup>st</sup> October 2015	
Alison Reynolds	Director of Customer Services	25 <sup>th</sup> September 2015	1 <sup>st</sup> October 2015	
<b>External</b>				

### **Report History**

<b>Decision type:</b>	<b>Urgency item?</b>
Key decision	No
<b>Report no:</b>	<b>Report author and contact for queries: David Hennings ext 6539</b>