

REPORT TO: POLICY & RESOURCES COMMITTEE - 12 SEPTEMBER 2005

REPORT ON: REPLACEMENT OF TAYSIDE HOUSE WITH NEW CITY CENTRE OFFICE ACCOMMODATION

REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)

REPORT NO: 565-2005

1 PURPOSE OF REPORT

The purpose of this report is to provide elected members with an appraisal of the Council's long term requirement with new City Centre office accommodation for the replacement of Tayside House and to obtain instructions from the Committee on how to progress the matter.

2 RECOMMENDATIONS

The Committee agree that;

- 2.1 It confirms its previous agreement to relocate from Tayside House to new office accommodation at North Lindsay Street.
- 2.2 the Director of Economic Development be authorised to negotiate the purchase of the premises, comprising 26-36 North Lindsay Street either by agreement or, failing that, to bring forward a report to promote the acquisition of the property by compulsory purchase.
- 2.3 Tayside Police be requested to vacate their premises in the Podium Block at a date to be jointly agreed between Tayside Police and the Council.
- 2.4 a Project Board as proposed in Paragraph 12.2 of this report be established and that representation on the Board be 3 : 2 : 1 from each of the Administration and political groups, plus the Chief Executive, Depute Chief Executive (Finance) and the City Architectural Services officer.
- 2.5 an advert be placed by the Project Board in the Official Journal of the European Union (OJ) inviting tenders for a design team (including Project Manager) to take forward the construction of the new Council offices.
- 2.6 a further report be submitted to the Committee for information advising it of the design proposals and technical costs appraisal obtained by the Project Board.
- 2.7 once the Project Board has appointed the Design Team, the Project Board be authorised to take forward the development of the new council offices to the point where tenders have been invited for the construction contract, and the Project Board are able to recommend the design and actual contractor.
- 2.8 the new offices will be funded as outlined in this report, with the final funding, including its phasing to be agreed when the design and proposed contractor for the construction contract are reported to the Committee.
- 2.9 the timetable as detailed in Appendix G be noted.

- 2.10 the Assistant Chief Executive (Management) be instructed to continue consultation with the Trade Unions on the issues of home-working and hot-desking.

3 FINANCIAL IMPLICATIONS

- 3.1 The financial implications of this report are predominantly of a capital nature. If the recommendations are accepted, the total estimated capital expenditure will be £19.084m excluding the purchase price for the sites at North Lindsay Street (see Appendix D). The total expenditure on the project will be phased over two specific periods, with the purchase of the sites at North Lindsay Street being incurred in the previous and current financial year and being met from the Council's Renewal and Repairs Fund. The balance of the capital expenditure in respect of the various relocations and the construction of the new office accommodation will be incurred in the financial years 2006/07 to 2009/10.

The funding for this expenditure will be a combination of accumulated capital receipts in the intervening 4 to 5 years and held in the Capital Fund, and capital borrowing under the Prudential Framework during the period 2007/08 to 2009/10.

- 3.2 The additional revenue expenditure implications, if the recommendations were approved, would be minimal. It has been estimated by the City Architectural Services Officer, that the annual running costs of the new office accommodation would be £242,000 lower than the current running costs of Tayside House, however this would be partially offset by the loss of rental income for the Podium from Tayside Police of £64,000, leaving a net annual saving of £178,000 (see Appendix E). This sum would be utilised to generate approximately £3m of the Prudential Framework borrowing referred to in Paragraph 3.1 above. In overall terms, the effect on the Council's future Revenue Budgets and Council Taxes should be neutral.

4 LOCAL AGENDA 21 IMPLICATIONS

The optimal use of the Council's City Centre office accommodation would be in line with the following key themes of Local Agenda 21:-

- Resources are used efficiently and waste is minimised (across a wide range of factors, including energy, sustainability, etc).
- Access to facilities, services, goods and people is not achieved at the expense of the environment and is accessible to all.

5 EQUAL OPPORTUNITIES IMPLICATIONS

The Disability Discrimination Act 1995 requires equal access for people with disabilities to all public buildings by the year 2004. The proposals and recommendations contained within this report have been prepared to facilitate compliance with the Act.

6 BACKGROUND

- 6.1 The majority of the City Council's non-frontline staff are located within offices situated within the City Centre. The two major City Council office complexes within the City Centre are City Square and Tayside House (including Podium Block).

- 6.2 The offices within the City Square are in reasonable condition and are occupied by a variety of separate Departments, and each Department has actioned refurbishment and redecoration of their offices as and when this was required. One of the main problems within the City Square offices at present is in respect of their optimal utilisation, and in particular the situation whereby elected members offices are located in both City Square and Tayside House. Any review of the long term office requirements of the City Council should take the opportunity of bringing the offices of all the 29 elected members into the City Square office complex.
- 6.3 Tayside House was constructed in 1976 as a purpose built office development for the then new Tayside Regional Council. The property was built for, and owned by Ravenstone Securities and Guardian Royal Exchange, and then leased to Tayside Regional Council. In 1984, Tayside Regional Council purchased Tayside House from Ravenstone Securities and Guardian Royal Exchange for £8.9m, and at the 1996 local government reorganisation the property was deemed by the Scottish Office as a "pooled property". The significance of Tayside House being deemed "pooled property" was that it was owned by all 3 Unitary Councils within Tayside, namely, Angus Council, Perth & Kinross Council and Dundee City Council. In 1997, the 3 Councils agreed that Dundee City Council would purchase the other two Councils share of Tayside House and other "pooled" property within Dundee for £3m, with the payments spread over a 15 year period ending 2011/12.

7 CENTRAL WATERFRONT AND TAYSIDE HOUSE

- 7.1 The City Council submitted to, and had approved by, the Scottish Executive a bid under the Cities Growth Fund for the Dundee Central Waterfront Project. The prime objective of this project is to address the fundamental issue of the dislocation of the centre of Dundee from its historic waterfront. A key element of the Central Waterfront Project is the demolition of a number of the existing 1960/1970's buildings and structures, in order to create new serviced sites for development, with Tayside House (including Podium Block) being one of those buildings.
- 7.2 The Scottish Executive, through the Cities Growth Fund, has provided the Council with grant assistance of £9.3m and further provisional grant of £8.5m towards the development of the Central Waterfront project and the balance of the necessary funding will be sought from the Scottish Executive, other public and private sector bodies already associated with the site, and receipts from the sale of serviced sites or developments on those sites.
- 7.3 Within the overall broad financial plans for the Central Waterfront Project, there is an allowance of £0.65m for the demolition of Tayside House and the Podium Block, and therefore the cost of this demolition would be funded from the Central Waterfront funding, and should not be considered an additional capital expenditure demand on the City Council.
- 7.4 In order to create the Central Waterfront Project, it is essential that Tayside House and the Podium Block are demolished within the next six years, ie by 2011 in order that the full Central Waterfront development site can be available by 2014. Accordingly, if the City Council is to realise its vision on the Central Waterfront, it will need to identify alternative office accommodation for the 850 City Council elected members and staff who currently occupy Tayside House and Podium Block and any other Council staff who essentially should be located in the City Centre. It should also be noted that Tayside Police currently occupy the ground floor of the Podium Block and therefore they would also be required to find alternative accommodation for their staff.

8 CURRENT STATE OF BUILDING SERVICES – TAYSIDE HOUSE

- 8.1 Even if the Central Waterfront Project had not required the demolition of Tayside House, there are still serious question marks over the building's long term operational and financial viability.
- 8.2 Reports were prepared in 1997, by Fairhurst Engineers and in 1999, by Bancroft, Easson Partnership, on the state of the building services at Tayside House. The earlier report indicated a cost in the region of £7m to carry out repairs and a refurbishment of the building, including the replacement of services, in order to provide the building with a useful future lifespan. Whilst the 1999 report from the Bancroft, Easson Partnership advised that the existing services installations are approaching 24 years old and are at the end of their useful economic life. In order to facilitate the use of the building for the next 25 years, the Bancroft Easson Partnership advised that the expenditure required on replacing the services would be in the region of £9m.
- 8.3 In 2003, the Directors of Economic Development and Planning & Transportation engaged W.A. Fairhurst & Partners, Consulting Engineers to update the Comprehensive Building Appraisal of Tayside House and the Podium Block. The conclusion of their report was that, in general terms, the building was in good structural order. The present condition of plant and equipment and its operation and maintenance does not give cause for concern or the necessity for immediate replacement. However, its reliability cannot be guaranteed, and due to the extent of obsolete equipment and components, there could be a considerable amount of shut down time, if there are any major component failures.
- 8.4 The estimated cost at September 2003 of upgrading the mechanical and electrical services at Tayside House, to extend their life by 25 years was estimated at approximately £9m, including provision for meeting the requirements of Disability Discrimination Act 1995. Alternatively, the estimated cost of works to ensure the buildings stable operation until 2010 was estimated to be only £613,000 and this is now the Council's current strategy for Tayside House. The estimated expenditure of £613,000 will be funded from a combination of leasing and the Capital Plan, for which provision has been made in the Council's 3 Year Revenue and Capital Budgets.

It should be noted that carrying out these works will not guarantee the prevention of any breakdown of plant or equipment, but will significantly minimise the risk of major failure and closure of the buildings.

- 8.5 It can be seen from the above analysis that in relative terms, the capital cost of keeping Tayside House operational for the next three to four years of £613,000 is low, compared to the capital cost of extending Tayside House's useful life to 25 years, which is estimated to be £9m.

9 TAYSIDE HOUSE AND AN ANALYSIS OF FUTURE OFFICE REQUIREMENTS

- 9.1 The analysis in Sections 7 and 8 of this report demonstrate that, in respect of the future of Tayside House, the optimal proposal for the Council is to:-
- incur £613,000 in the period 2003 to 2008 and keep Tayside House open till 2010 or earlier.

- identify alternative City Centre office accommodation from 2010 or earlier, for the relocation of the staff currently in Tayside House and other Council officers.
- Demolish Tayside House (including the Podium Block) by 2010, in order to permit the Central Waterfront project to progress.

9.2 The proposal as set out in Paragraph 9.1 is the recommendation of the Council's officers. In order to facilitate this recommendation, if accepted by the Council, would require the identification of alternative City Centre office accommodation for the 842 staff currently located in Tayside House. An analysis of the Departments and staff numbers currently located in Tayside House and the Podium is detailed in Appendix A.

9.3 The opportunity has been taken to consider how home-working and hot-desking may impact on the Council's future office accommodation. The Council are currently investigating pilots for home-working and accept that this option may prove effective in limiting the Council's office accommodation requirement. While home-working and hot-desking would be suitable for certain types of office jobs, there are many jobs for which it would be inappropriate. The assumptions on staff numbers for the proposed new office accommodation have included a reduction of 40 staff who are predicted will work on the basis of hot-desking or home-working. The issue of hot-desking and home-working will require consultation with the Trade Unions and the Assistant Chief Executive (Management) should be instructed to continue this consultation.

9.4 There are a number of possible relocations for elected members and staff currently located within City Square and Tayside House which would assist with the relocation of staff into new office accommodation should the decision be taken to demolish Tayside House.

A summary of these possible relocations are detailed in Appendix B, and if agreed, would increase the staff to be relocated in the new office accommodation to 808.

10 PROPOSED OFFICE ACCOMMODATION EXPENDITURE

10.1 In order to address the staffing accommodation requirements identified in Section 9 of this report, it is necessary to identify office accommodation and the associated capital and revenue expenditure.

10.2 In September 2003, the City Council purchased a site at North Lindsay Street which will be the main site for the offices to replace Tayside House.

10.3 Given the scale of the proposed development it is suggested that it would be prudent for the City Council to also acquire the adjacent premises comprising 26-36 North Lindsay Street. This would facilitate a more comprehensive redevelopment of the whole subjects in relation to the adjacent Overgate Shopping Centre.

10.4 In light of the foregoing it is proposed that Tayside House (including Podium Block) be replaced by development of a 12,375 sq m (133,200 sq ft), or thereby, new office accommodation, at North Lindsay Street. Plans, elevations, sections and specification for the proposed new building are detailed in Appendix C.

- 10.5 The proposed new building would be designed to accommodate 820 people with energy efficiency as a primary consideration. The building will incorporate natural ventilation, which is a sustainable system allowing occupants a greater control over individual environments. Due to the scale of the building, some mechanical ventilation will be required in order to provide adequate environmental conditions, however, extensive mechanical ventilation (air conditioning) will not be incorporated, as this would result in an increase in both capital and revenue costs, as this type of system uses energy to operate. The building has a design life-minimum of 25 years with maintenance.
- 10.6 The total estimated capital cost of the new office accommodation at North Lindsay Street is £22.3m (at current prices) and these costs are detailed in Appendix D. This excludes the purchase price for 26-36 North Lindsay Street. When the capital expenditure of £600,000 associated with the relocations proposed in Paragraph 9.3 and Appendix B is added to this sum, then the total capital expenditure necessary to complete the various relocation moves and the construction of the new office accommodation is £22.9m. The strategy for dealing with the funding of this projected capital expenditure is dealt with in Section 11 of this report.
- 10.7 In terms of the revenue expenditure attributable to the new office accommodation at North Lindsay Street, and the relocations detailed in Appendix B, the position is as follows. There will be no major additional revenue expenditure in respect of the relocations detailed in Appendix B, and if there is any additional revenue expenditure, it will be of such a small magnitude that it can be contained within either the individual Departments or City Council's overall Revenue Budget.
- 10.8 In terms of the estimated revenue expenditure for the new office accommodation at North Lindsay Street, this should stand good comparison with the current revenue expenditure for Tayside House. A comparison of the relative revenue costs has been carried out and is detailed in Appendix E.
- 10.9 The net annual revenue saving of £178,000 identified in Appendix E will, under the new Prudential Framework for capital borrowing be used to finance part of the capital borrowing required to fund the construction of the North Lindsay Street offices. The sum of £178,000 will support additional prudential borrowing of £3.0m.

11 CAPITAL FUNDING FOR OFFICE ACCOMMODATION REQUIREMENTS

- 11.1 The capital funding for the new City Centre Office Accommodation could come from the following sources:
- a Accumulated capital receipts in Capital Fund.
 - b Borrowing at current level of funding from within the Capital Plan.
 - c Additional borrowing through Prudential Framework.

11.2 Accumulated Capital Receipts in Capital Fund

In September 2003 the Policy & Resources Committee approved the setting up of a Capital Fund.

Capital receipts from the sale of surplus Council properties would be paid into the Capital Fund. Thereafter, approximately £1m to £1.5m of monies per annum would be appropriated from this account to part fund the Council's annual Capital Plan and

the remaining accumulated balances would be available for funding in whole or part the City Centre office accommodation projects.

11.3 Borrowing at the Current Level of Funding Within the Capital Plan

The Council's Capital Plan 2005/06 has a total planned capital spend of £45.0m for General Services, however it is recognised that this is a historically high level that will not continue in the future. Within that total, there is presently a provision for office accommodation and improvements, which would be available for City Centre office accommodation. The total value available is not large, at approximately £150,000 per annum, but will assist with part funding the City Centre office accommodation projects.

11.4 Additional Borrowing through the Prudential Framework

The Local Government in Scotland Act 2003 has introduced a new capital funding regime called the Prudential Framework or Prudential Code, and took effect from 1 April 2004. Whereas previously, local authorities' ability to incur capital expenditure was controlled by the Scottish Executive issuing Section 94 Capital Consent, this will not be the case under the Prudential Framework.

The basic principle of the new system is that local authorities will be free to incur capital expenditure, so long as their capital spending plans are affordable, prudent and sustainable. It will be for each local authority to set and abide by prudential indicators specified in the Prudential Code.

An example of how the Prudential Framework could be applied in respect of the City Centre office accommodation would be where there was a rationalisation of Council accommodation, which produces an annual revenue saving. This recurring revenue saving would then be used to fund any additional loan charges and running costs required to facilitate the office rationalisation. In the case of the North Lindsay Street accommodation, the net annual revenue saving is estimated to be £178,000 (See Appendix E), which will support £3.0m of new capital borrowing.

- 11.5 In terms of how the aforementioned methods of capital financing may be applied to fund the new office accommodation at North Lindsay Street, and the other relocations referred to in Appendix B, the following is a suggested funding package.

SOURCES OF FUNDING FOR NEW OFFICE ACCOMMODATION

	<u>£M</u>
Projected Capital Fund at 31 March 2009	12.5
Prudential Framework Borrowing as per Para 11.4	3.0
Capital Plan £150k per annum for 2005/06 to 2008/09 for Tayside House	0.6
Additional Prudential Borrowing to be financed from capital receipts received after 31 March 2009	<u>6.8</u>
PROJECTED CAPITAL FUNDING AVAILABLE	<u>£22.9</u>

The funding of the purchase of 26 - 36 North Lindsay Street would be met from the Council's Renewal and Repair fund.

12 MANAGEMENT OF PROJECT

- 12.1 It is accepted that the construction of a major civic building in the City Centre is a "once in a lifetime" opportunity, and that the management of this project requires to be intensive and consultative. Accordingly it is proposed that the structure for managing and advising on the design and development of this project is comprehensive.
- 12.2 It is proposed that a Project Board be established to be chaired by the Chief Executive on which elected members representing the main political groups and other senior officers would be represented. The remit of the Project Board would be to oversee the policy aspects of the new accommodation and it would not need to become involved in detailed design or construction issues.
- 12.3 The major management focus for the project would be a Project Team established below the Project Board which would be chaired by the Depute Chief Executive (Finance). The Team's main remit would be to ensure that the project met the needs of the wider public and client departments and was delivered on time and to budget. In order to take on board the wider views of clients and the wider public, the Project Team would have two feeder groups who would provide expert advice and opinion. Firstly a Design Panel would be established to provide advice and opinion on the design and its implementation. The second feeder group would be the Client Group and this would be a grouping of end users and client departments, whose remit would be to ensure that the accommodation met the needs of all possible end users.
- 12.4 A diagram of the projects management structure is enclosed as Appendix F.

13 PROCEDURE FOR APPOINTING DESIGN TEAM AND CONTRACTORS

- 13.1 The first important task in the process is to appoint the design team for the delivery of the new office accommodation design. In light of the value of this design contract, it will have to be advertised in the Official Journal of the European Union (OJ) (unless the works were to be done internally without any competition) and this should be commenced and completed by November 2005. A consideration is whether the Council's own Architectural Services and Engineers should be allowed to bid for this job. On balance, the officers are of the opinion that the Section should be given the opportunity and should not be advantaged or disadvantaged from tendering for this prestigious project. It is proposed that a separate properly specialised team will be set up under the control of the DCE (Finance) to administer this tender procedure, and to assist with the evaluation of the bids. This team, in collaboration with the Design Panel, will be involved in the selection and recommendation of the design team and thereafter the ultimate decision would be that of the Project Board. It is also proposed that the evaluation process should be based on a ratio of 50% cost and 50% quality.
- 13.2 After the design team have been appointed, it will be their task to develop a design which meets the clients brief. This brief is critical in ensuring that the needs of clients, both external and internal to the Council, are met fully in the new accommodation. The final design will have been subject to intensive scrutiny by the Design Panel, Client Group and Project Board, before it is finally approved by the Project Board.
- 13.3 Having approved a design, the next important task is the advertising, tendering and appointment of contractors. This exercise will again be managed by the Project

Team, with the ultimate decision being taken by the Project board and Policy & Resources Committee.

- 13.4 A summary timetable for the delivery of the project has been prepared and is detailed in Appendix 5.

14 **CONCLUSION**

- 14.1 The City Council's vision for the Central Waterfront requires the demolition of Tayside House by 2010 and to facilitate this will require the identification of alternative City Centre office accommodation for approximately 860 staff. The Director of Economic Development has purchased a site at North Lindsay Street that is suitable for construction of the new office accommodation. The estimated total cost of relocating staff, purchase and construction of new office accommodation is £22.9m and this and the purchase of 26-36 North Lindsay Street would be funded by the combination of funding sources detailed in paragraph 11.5.

15 **CONSULTATION**

- 15.1 The Chief Executive, Assistance Chief Executive (Management) and the Director of Economic Development have been consulted in the preparation of this report.
- 15.2 The management of the project and the process for appointing the design team and contractor are set out in Paragraphs 12 and 13 and these should help to ensure that a successful project is delivered.

DAVID K DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)

5 AUGUST 2005

APPENDIX A

TAYSIDE HOUSE OCCUPANCY (INCLUDING PODIUM)

<u>Floors</u>	<u>Department</u>	<u>No of Staff</u>
Ground	Economic Development	5
1	Information Technology	9
2	Planning & Transportation	N/A
2	Support Services	8
3,4,5,6 & 10	Finance	331
7	Social Work	62
8 & 9	Education	88
11 & 12	Architectural Services	105
13	Leisure & Arts	49
2, 14, 15 & 16	Planning & Transportation	171
Podium 1	Tayside Police	N/A
Podium 3	Opposition Members/Support	19
		—
		<u>850</u>

APPENDIX B

POSSIBLE RELOCATION OF ELECTED MEMBERS/STAFF

STAFF CURRENTLY LOCATED IN TAYSIDE HOUSE 850

Additions

1	Enquiry Office from 6/7 City Square to new accommodation	15	
2	Move Housing from Shore Terrace to new accommodation	95	
3	Pensions Administration Section to new accommodation	<u>20</u>	130

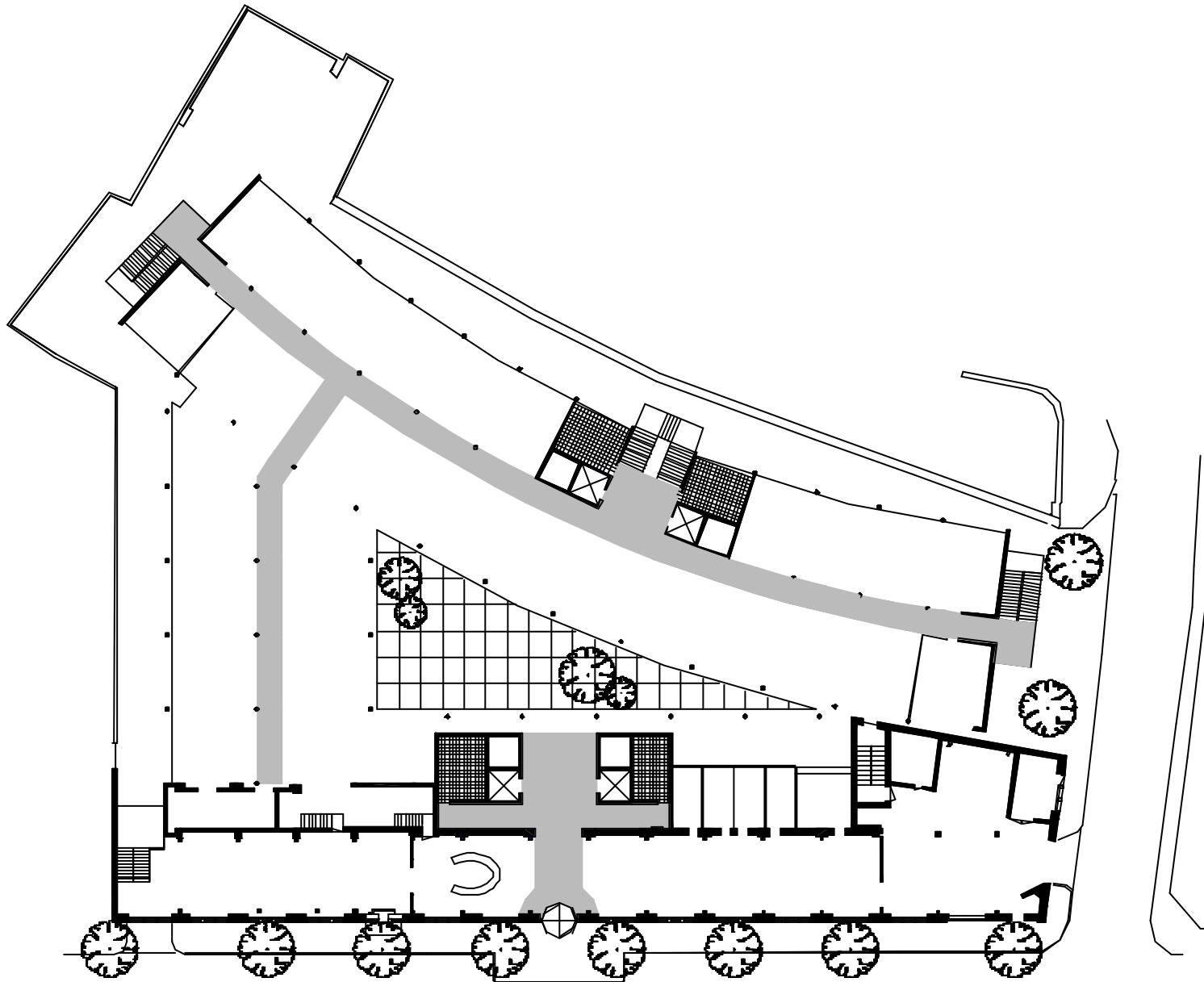
Reductions

1	Move Members/Support from Podium to City Square	19	
2	Move Revenues to City House accommodation	105	
3	General reduction in staff due to home working or hot desking	<u>40</u>	164

ESTIMATED STAFF TO BE LOCATED IN NEW ACCOMMODATION **816**

SAY **820**

APPENDIX C(II)
North Lindsay Street
Proposed Ground Floor Plan



APPENDIX C (iii)
North Lindsay Street
Proposed Front Elevation



APPENDIX D

TAYSIDE HOUSE REPLACEMENT COSTS

UTILISING EXISTING BUILDING IN NORTH LINDSAY STREET AND NEW BUILD

SUMMARY OF ESTIMATED CAPITAL COSTS

	<u>£M</u>
Construction of New Building	18.724
Professional Fees & Contingency	2.060
Retention of store facade	0.750
City Centre location	0.500
Allowance for piling	<u>0.260</u>
TOTAL	22.294
<u>Add</u> Relocation and Capital Expenditure of other associated moves	0.600
	<hr/>
TOTAL ESTIMATED CAPITAL EXPENDITURE	<u>22.894</u>
AT CURRENT PRICES	£22.9M
AT 2006/07 PRICES	£24.9M

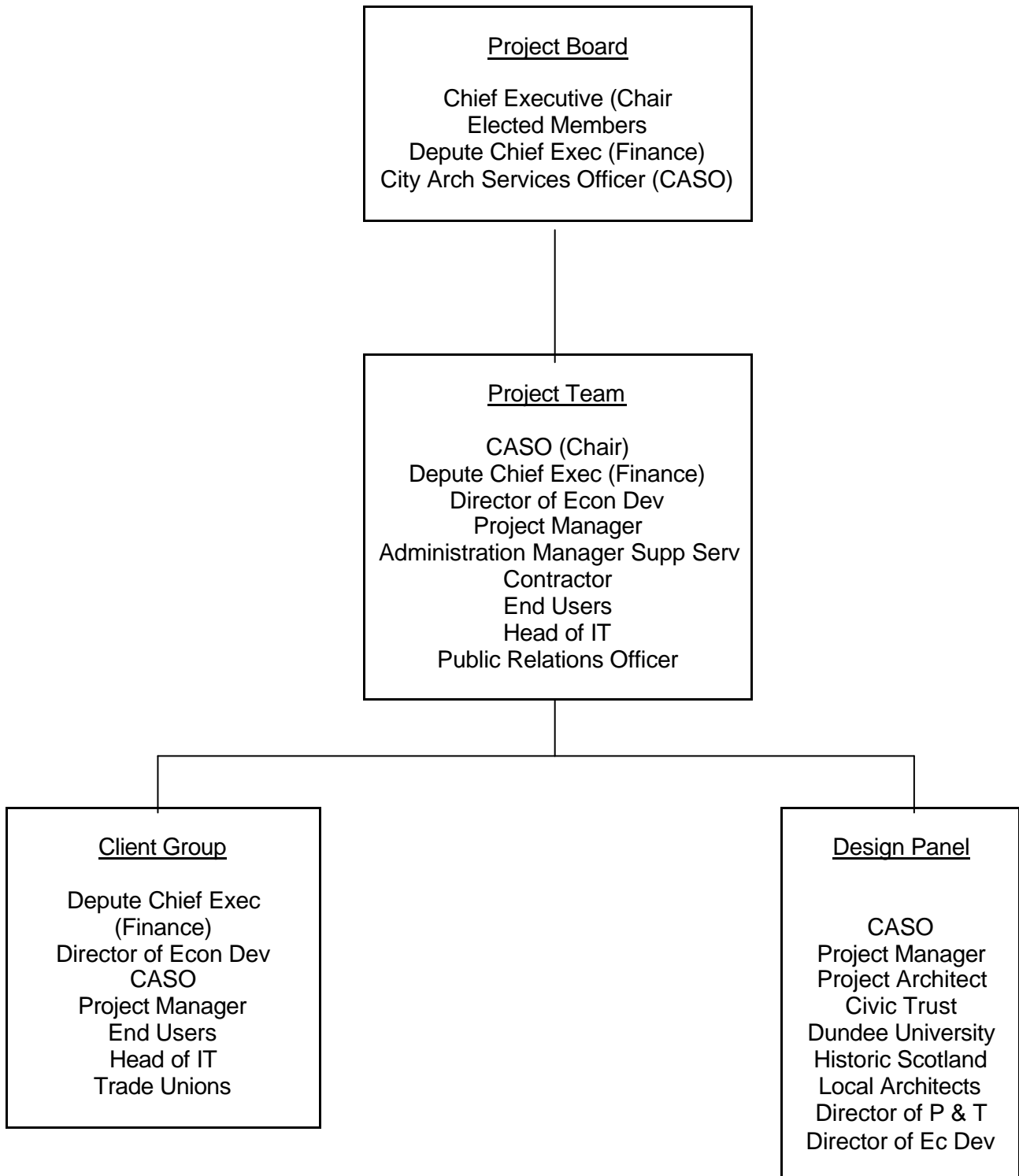
APPENDIX E

**COMPARISON OF TAYSIDE HOUSE & NORTH LINDSAY STREET OFFICE
ACCOMMODATION REVENUE EXPENDITURE**

	<u>Tayside House</u>	<u>North Lindsay Street</u>
	<u>£000</u>	<u>£000</u>
Non-Domestic Rates	491	520
Water Charges	52	52
Property Insurance	22	22
Repairs & Maintenance	234	106
Energy	222	108
Security	60	60
Cleaning and other Accommodation Charges	154	125
	—————	—————
	<u>1,235</u>	<u>993</u>
Gross Annual Revenue Saving in North Lindsay Street		242
<u>Less</u>		
Loss of Rental Income for Podium Block from Tayside Police		64
		—————
Net Annual Revenue Saving in relocating to North Lindsay Street		<u>178</u>

(Source: Revenue Budget Volume 2005/06)

**TAYSIDE HOUSE REPLACEMENT
DESIGN PROCES AND REPORTING PROCEDURES**



TIMETABLE FOR DEVELOPMENT AND CONSTRUCTION OF NEW OFFICES

<u>EVENT</u>	<u>TARGET DATE</u>
Decision by Council on site	September 2005
OJ Advert for Design Team placed	September 2005
OJ Tenders for Design Team received	December 2005
Appointment of Design Team	March 2006
Provisional Design Approved	October 2006
OJ Advert for Contractor	November 2006
Appointment of Contractor	March 2007
Start on Site	April 2007
Construction of New Offices Complete	November 2008
Transfer of Staff to New Offices Complete	January 2009
Demolition of Tayside House	May 2009