

THE HIGHLAND COUNCIL
Resources Committee – 11 June 2008

Agenda Item	
Report No	

Wick Office Rationalisation

Joint Report by Director of Housing & Property and Corporate Manager (CSER)

Summary

This report proposes a change in the approach to office rationalisation in Wick and seeks the Committee's approval to develop detailed design and cost proposals.

1. Background

- 1.1 The provision of new Council offices in Wick, replacing the premises in Market Square, High Street (Social Work) and Rhind House (ECS), is a long-standing Council priority. The Market Square building suffers from significant subsidence and is in very poor condition.
- 1.2 The Capital Programme allocates £2m per annum for the rationalisation of Council office accommodation. For some time, the working assumption has been that Wick would follow on directly behind the Drummie project. In addition to improving accommodation for our staff, this would fit with the Council's Asset Management agenda.

2. Current Position

- 2.1 The economic health of Wick Town Centre is a source of concern locally, and in recognition of this, the Council has been seeking to tie the regeneration proposals for the Market Square site with the new office provision itself. This pre-supposes that the Council's new offices will be in a new location.
- 2.2 The then Director of Property & Architectural Services initiated an OJEU procurement procedure known as Competitive Dialogue. Four contractors emerged from the prequalification stage, and they are effectively waiting for the Council to move to the next stage in the procedure.
- 2.3 The Competitive Dialogue procedure is suited to a situation, where the Council wants to be able to consider different options from different developers. However the procedure can be cumbersome and time consuming. It places heavy tendering demands on bidders and it must be recognised that Wick remains a relatively weak property market, where any speculative economic regeneration option would carry a high degree of commercial risk.

- 2.4 Those now involved in the project have serious doubts about the likelihood of a viable regeneration proposal for Wick town centre emerging from this process. Bidders could be tempted to subsidise the commercial proposal for Market Square from the Council's payment for its office requirements.
- 2.5 Following the prequalification stage, progress to date has been limited to a managers' workshop (facilitated by our legal advisers) which looked in more detail at how the Competitive Dialogue procedure would operate for this project.

3. Review of Current Position

- 3.1 A review of the current position has placed renewed focus on the economic impact that the Council's existing presence has on the Town Centre. Staff in Market Square use local shops, which would lose some/most of this business if the Council moved to an out of town centre location. Visitors to the Council Offices likewise will use local shops which they might not do otherwise. This latter effect would be mitigated by retaining a Service Point in the Town Centre, but overall the effect would still be negative.
- 3.2 Any new regeneration proposal would therefore be handicapped at the outset by trying to replace the lost economic activity before it tried to add something. In the current economic climate, this could be a tall order.
- 3.3 Account has been taken of the HIE Report "Caithness and Sutherland Retail Study" from 2008 and these issues were discussed in a recent meeting involving local members and the Director of Planning and Development. It was noted that there have been a number of significant changes to the retail landscape in Wick which challenge the assumptions behind the original decision to use the Competitive Dialogue process.
- 3.4 This review points to the conclusion that the best answer to the "new office and economic renewal" challenge is to provide a new office building in the Town Centre itself to accommodate all Council staff previously located in Market Square, High St and Rhind House (and possibly others). This would bring a number of potential benefits:-
- Improved Council office accommodation and Service Point
 - Improved appearance of Wick town centre and streetscape
 - Maintain economic activity in Wick town centre
 - Potential for new retail space at ground floor on High St elevation
 - Rationalisation of Council assets by selling surplus buildings for potential commercial development by others
 - Reduced running costs
 - Reduction in Council's carbon footprint
 - Improved working methods and productivity for Council staff
 - Opportunities for joint location/ joint working with partners (NHS seem keen, HIE to be investigated)
 - Simpler and faster project with less risk

- 3.5 It should be noted that a large part of the Market Square office is listed, the listing apparently extending to cover both the 19th century original building and part of the 20th century extension behind it. This will place some constraints on our ability to reshape the accommodation and will add cost.
- 3.6 The Council's legal advisers for the project, Shepherd & Wedderburn advise that the Competitive Dialogue process would not be tenable or appropriate for this revised project scope. The Council would have to issue a notice terminating the procurement and start again, writing off the costs of procurement work to date (£17k). However the procurement costs for the re-scoped project will be significantly lower overall.
- 3.7 This approach would involve a temporary decant of the staff currently working in Market Square but there may be a convenient solution. The former DSS offices in Girnigoe St, Wick are likely to be available for fixed term lease and could serve as decant accommodation for all or most of these staff.
- 3.8 An estimate of Capital costs has yet to be determined and would require a survey and a review of the brief before a report from our QS team could be brought forward. There would be site specific costs of preservation of the listed building, ground stabilisation and working in a constrained town centre site. A budget for the project has not been defined but the Capital programme includes £2m per annum for office rationalisation projects and £1.047m is being carried forward from 2007/08.
- 3.9 This project scope is simpler and better defined than the current approach. Essentially it becomes a construction project rather than a development proposal. It would therefore achieve results significantly faster. Depending on the requirements of Historic Scotland relating to the buildings listing it could be possible to design, procure and build this project within 2 years.
- 3.10 There are no new risks in the proposed approach and we would avoid two major risks:-
- that the Developers are unable to put together a viable commercial proposal for the future use of our town centre buildings
 - that the Developers subsidise a commercial solution by increasing the price of the new Council accommodation

4 The Way Ahead

- 4.1 It is proposed that the Council adopts this new approach and authorises the Corporate Manager (CSER) to form a Project Team to develop a detailed design and a cost plan. The Project Team will
- consult with local members, neighbouring businesses and the local community council
 - engage with the Community Regeneration Partnership
 - consider the impact of the project on town centre parking
 - Initiate discussions with Historic Scotland to define how their requirements will impact on the potential for redesign
 - Develop a design brief and appoint a design team

- 4.2 This stage of the project will include the following:-
- Review of space requirements
 - Full survey of the building and potentially of surrounding properties
 - Production of an outline cost plan
 - Review of asset rationalisation potential
 - Discussions with other public sector organisations to define their interest in sharing accommodation in Wick
 - Explore feasibility and cost of decant accommodation at Girnigoe St
- 4.3 A report will be prepared for consideration by a future Resources Committee. The existing Competitive Dialogue process would be kept live while this work is under way.

Recommendation

It is recommended that the Resources Committee

1. Approves the new approach to the rationalisation of offices in Wick
2. Authorises the Corporate Manager (CSER) to establish a Project Team to take forward the actions set out at 4.1 and 4.2
3. Notes that a detailed report on project design, cost and timetable will come forward to a future Committee

Signature:

Designation Director of Housing and Property

Corporate Manager, Caithness,
Sutherland and Easter Ross

Date: 27 May 2008