

Agenda Item No.	
Report No.	

Summary

This paper and enclosure advise Members in relation to the final Strategic Outline Case report prepared in connection with the Inverness and Dingwall Office Accommodation Review.

1. Background

1.1 Resources Committee agreed in December 2009 (*RES 178-09*) that:

1. A **Strategic Outline Case** should be developed that

- a. will identify suitable strategic options that fit with the corporate and operational needs of the organisation
- b. should be brought back to Committee for approval to proceed to the next review stage

2. The office review should be subject to an **Independent Peer Review** at key decision points in the project lifecycle.

2. Final Strategic Outline Case Report

2.1 The final Strategic Outline Case report has been approved by the:

- Asset Management Project Board (20/04/11)
- Senior Management Team - Weekly Business Meeting (09/05/11)

2.2 A copy of the Executive Summary of the Strategic Outline Case is attached as **Appendix A**. The full report is available on the Members Bulletin.

2.3 The Review has explored a range of eight strategic options developed with Senior Management and agreed by the Corporate Improvement Programme Board (17/08/10). These include six progressive reconfiguration options that consider the potential for providing an affordable, consolidated estate solution that is intended to contribute to the Council's overall savings agenda.

2.4 All options have been reviewed under a Best Value approach, adopting a 50:50 financial/non-financial weighting, to determine those options that are likely to deliver the Best Value to the Council.

2.5 The review findings represent an initial view of the options the Council should be considering as part of its office strategy, and recommends that 7 of the 8 options explored (excluding 'Do nothing') are taken forward for further consideration and

development under the Outline Business Case stage.

3. Final Strategic Outline Case Report Conclusions

3.1 The Strategic Outline Case Report concludes that:

- there is a **strong strategic case** for change
- an **opportunity exists** for the Council to **significantly rationalise** the number of office premises it occupies and at the same time **deliver a much improved office estate solution** for Council staff, visitors and customers, and
- recommends that **Council approval** is sought to proceed to **develop an Outline Business Case**

4. Independent Peer Review

4.1 An Independent Peer Review was carried out in April 2011. The main findings of the review include:

- The office review has universal support from all the key stakeholders interviewed
- The project has the potential to offer significant impacts on the Council's future delivery of services and efficiency
- The production of the Strategic Outline Case is a commendable achievement

5. Way Forward

5.1 Members approval is now being sought to progress to the next stage of the review, which will develop an **Outline Business Case** that will:

- include a **more detailed assessment** and **testing** of the options considered under this initial phase of work and are recommended to be taken forward to the next review stage
- include an in-depth **assessment** of the likely **procurement** and **funding routes available**, taking account of **affordability** and **risk**
- seek to determine a **preferred option** alongside a **recommended procurement route**

5.2 This will enable an **informed strategic decision** to be made regarding the **estate solution** considered best able to meet the **Council's objectives** in both Inverness and Dingwall

6. Resource implications

6.1 Resources Committee agreed on 14 April 2010 to a project set up budget of £65,450 (from the existing Corporate Improvement Programme budget) to fund external consultancy fees upto and including the development on an Outline Business Case.

6.2 An initial **outline project plan** for the next review stage has been prepared that identifies that additional Council **resource requirements** will be required to support

the Project Review Team to develop and deliver an Outline Business Case.

- 6.3 These are outlined at **Appendix B** and the Senior Management Team has been requested to note and agree that any Service staff/works costs arising in connection with the development of the Outline Business Case will be met from existing service budgets.
- 6.4 More detailed resource requirements will be determined once a detailed project plan has been developed at the commencement of the Project Gateway 1 Review stage.
- 6.5 The timescale to deliver the Outline Business Case will be confirmed once a detailed project plan has been developed under Project Gateway 1 Review stage. However, it is estimated that a report will be brought back to Committee within 6 months from the commencement of the Project Gateway 1 Review stage.
- 6.6 Additionally, it may be necessary during the latter stages of the Outline Business Case-Project Gateway 1 Review stage to enlist the services of an internal/external Programme Manager for the purposes of developing a detailed programme and resource plan for the post-Project Gateway 1 review stage
- 6.7 No allowance has been included for this within the above plan or review budget, and any such requirement will be the subject of a separate report to Senior Management and Members for consideration in due course.

7. Other Implications

- 7.1 There are no legal, equality, climate change or risk implications arising in connection with this paper.

8. Recommendation

Members are requested to:

- i. **Note** and **agree** the findings and recommendations of the final Strategic Outline Case report developed in connection with the Inverness and Dingwall office review
- ii. **Agree** that the Office Review is now progressed to develop an Outline Business Case under the next Project Gateway 1 Review stage.

Signature:

Designation: Steve Barron, Director of Housing & Property

Date: 30 May 2011

Author: Graham Bull, Property Manager (Asset Management)

Previous Papers: Reports to Resources Committee 2 December 2009 and 14 April 2010
– Review of Office Accommodation – Inverness & Dingwall



Strategic Outline Case

Inverness & Dingwall Office Review

Executive Summary

The Highland Council



April 2011

FINAL

Executive Summary

Introduction

- This Strategic Outline Case (SOC) presents the findings from a strategic review of Highland Council's office estate in Inverness and Dingwall.
- The main purpose of a SOC is to establish the business need and scope for a proposed project and any resulting investment in resources. It provides stakeholders with an overview of key issues that will be addressed in more detail in an Outline Business Case (OBC).
- The report provides an informed assessment of the Council's existing office premises across a range of performance criteria alongside an evaluation of a number of other possible estate solutions that could be pursued as an alternative to continuing to occupy the Council's existing office arrangements.
- The review covers both quantitative and qualitative factors to establish which of the options identified are likely to represent the best overall Value for Money (Best Value) solution for the Council.

Scope and Context

- The Inverness and Dingwall Office Review was commissioned in the context of an environment of significant change within Local Government and the need to achieve efficiencies from all areas of Council operations.
- Given the size and costs associated with the Council's administrative office estate, it is essential that resources are being employed as efficiently and effectively as possible and that every effort is being made to drive best value from the Council's office estate.
- The outcome from this review is intended to inform the Council's strategy in making better use of its office resources and ensuring that these are adequately supporting operational requirements and front line service delivery.

Background & Rationale for the Office Review

- There are currently 30 different sites included within the scope of the Office Review; 12 in Dingwall and 18 in Inverness.
- Historically, the portfolio has grown in a piecemeal manner and includes many buildings that fall below modern space standards. The 30 in-scope premises comprise some 30,141 m² (324,435 ft²) of office space, accommodating around 1,600 FTEs. This equates to 18.85 m² per FTE, a level significantly higher than current modern office standards where typically utilisation levels are around 10-12 m² per FTE.
- Reducing the size of the Council's office portfolio in terms of both total area and number of sites is seen as a key objective of the review. All of the pro-active options considered seek to address these issues, alongside meeting other key Council objectives.
- Alongside the need to ensure that the Council is making best use of resources spent on its office estate, the review is also intended to help facilitate other Council objectives, including its Corporate Improvement Programme (CIP) and in meeting ever increasing environmental standards.

Project Brief

- The *specific* objectives to be achieved from the review itself (covering both this initial SOC stage and the anticipated Outline Business Case stage to follow), are outlined below:
 - To identify suitable strategic and procurement options that fit with the Council's future corporate and operational needs.
 - The identification of the strategic business need, project brief and advising on options to meet the business need, and whether a construction solution is the most appropriate solution to meet the Council's business needs.
 - Identifying, developing and agreeing the specific review aims, objectives and benefits with key stakeholders as part of the Strategic Assessment stage.
 - A 'Vision' or future desirable state that the project seeks to deliver needs to be identified and agreed, and will be a precursor to the development and agreement of the specific review aims; objectives and benefits.
 - A qualitative assessment of the high level options needs to be undertaken (alongside the quantitative assessment) in order to ascertain how well each high level option contributes to achieving the future desirable state and performs against the key benefits/critical success factors.

Overview of Existing Estate

- Highland Council currently occupies 30 separate sites in Inverness and Dingwall totalling 30,141 m² (324,435 ft²). The review provides a brief commentary on each of the following key issues with the existing estate:
 - Geographical Spread
 - Building Suitability
 - Space Efficiency & Utilisation
 - Information Management
 - Running Costs
 - Condition & Backlog Maintenance
 - Environmental Performance
 - Image & Profile

Strategic Fit – Vision & Key Objectives

- The Council's Vision for the Inverness & Dingwall Office Review is:

'To occupy, within 5-10 years, a rationalised office estate that is fit-for-purpose, flexible to accommodate modern working practices and future business change, achieves high environmental standards (in delivering a sustainable estate solution) and maximises collocation and shared service opportunities within the Council and with other public sector partners to facilitate improved service delivery.'

The preferred option should maximise value for money for the Council in striking the optimum balance between whole life costs and benefits.'
- The Council's Inverness and Dingwall office strategy has an important role in contributing towards a number of the performance indicators set out in the Corporate Plan, as summarised below:
 - 100% of new major developments are accompanied by a sustainable design statement by 2010.
 - Specify building performance in excess of Building Standards requirements and progress towards BREEAM Excellent ratings for major new Council buildings.
 - Reduce energy use in Council buildings [by 15% by 2011 from 2004/5 – now historic; updated target to be set as part of the Council's Corporate Plan for 2012 and beyond]

- Reduce CO₂ emissions from Council buildings [*by 15% by 2011 from 2004/5 – now historic; updated target to be set as part of the Council's Corporate Plan for 2012 and beyond*]
- Save (or avoid) £3.8m in energy costs from Council buildings
- Increase capacity of renewable energy equipment for Council buildings by a min of 4,000Kw
- Green travel plan produced and operational
- At least 50% of waste from Council offices to be recycled by the end of 2009
- Positive audit reports for Best Value audits and follow up audits (with all current actions completed within times agreed).
- 100% of buildings that are suitable for current use.
- Increase % of operational accommodation that is in satisfactory condition.
- Ward forums to act as a catalyst in ensuring that partner agencies work better together to deliver joined up services.
- 100% of public caller buildings are accessible to people with disabilities by end 2009-10.
- At least maintain or reduce the % days lost through staff sickness for different staff groups
- Demonstrate economy, efficiency and effectiveness.
- Pay regard to equality and sustainability in all areas of Council activity.

Strategic Fit – Vision & Key Objectives

- Taking into account the stated Vision and strategic objectives outlined above, 10 critical success targets have been set as part of this review:
 1. To implement a programme of significant office rationalisation by March 2016 incorporating a clear strategy to deliver an estate that is flexible to accommodate modern working practices and future business change.
 2. Ensure that 100% of retained Council office buildings are fit-for purpose and ensure that the Council occupies the minimum number of buildings to meet its operational requirements.
 3. In parallel to the office rationalisation strategy, implement a clear information management strategy to facilitate the transition to a significantly reduced office footprint.
 4. Fully explore all opportunities to collocate and share office resources with other public sector partners in Inverness and Dingwall.
 5. All surplus office premises are disposed of at open market value.
 6. Any new building(s) proposed should achieve a minimum target of BREEAM Excellent whilst any refurbished building(s) should achieve a minimum target of BREEAM Very Good.
 7. All Council office buildings should be fully accessible by public transport.
 8. A common corporate office standard should be implemented with open plan accommodation predominating and cellular offices only provided where it is deemed essential to the delivery of a specific service.
 9. A successful communication strategy is implemented providing effective consultation and 'buy-in' from all parties affected by the chosen office strategy including staff, stakeholders, partner organisations and customers.
 10. An enhanced image and profile is achieved for the Council as a result of the chosen office strategy and this should also be reflected in the specification and standard of publicly accessible areas.

Operational Requirements

- For the purposes of this review the following headline assumptions have been made:
 - Space allowance of 10 m² (Net Internal Area) per FTE for new accommodation;
 - Space allowance of 12 m² (Net Internal Area) per FTE for refurbished accommodation;
 - A desk:staff ratio of 1:1 (i.e. 1 desk per FTE) across all options - but scope to drive this down further.
 - Member facilities retained in Inverness based on either the existing facilities or replacement under comprehensive new build options.

- Retention of separate front line service hubs in both Inverness and Dingwall, although it is acknowledged that some front of house service delivery facilities may also need to be retained within corporate office buildings.
- Based on a current staff population of 1,600, these assumptions equate to a notional space requirement of 18,414 m², representing a 40% reduction compared with the existing office footprint of 30,141 m².
- As demonstrated as part of the financial options analysis, achieving this level of reduction will be a key contributing factor in identifying a financially viable solution given that the cost of refurbishment or building new accommodation is directly related to the floor area required.
- However there is scope to implement even tighter space standards than indicated above. Similarly whilst an allowance of 1 desk per FTE has been made as part of the working assumptions in this review, it is likely that a more ambitious target of say 9:10 (9 desks for every 10 staff) or 8:10 (8 desks for every 10 staff) *could* be implemented, which would educe the Council's need for space even further. A high level sensitivity analysis has been carried out as part of this review to understand the impact this would have on the Council's space requirements.
- The above assumptions represent a significant reduction in floor area requirements compared to the Council's existing office portfolio. Successfully achieving these space targets (or even more ambitious ones) will only be possible alongside the implementation of other initiatives relating to operational working practices brought in as part of the Council's Corporate Improvement Programme. In particular, Mobile & Flexible Working and Information Management are likely to have the greatest impact on driving space needs down.

Key Stakeholders

- The key stakeholders in relation to the Council's future office strategy in Inverness and Dingwall are as follows:
 - Members
 - Council Senior Management Team
 - Staff
 - Trade Unions
 - Customers
 - Other public sector partner organisations (see table below)
- The table below summarises the principal public sector partner organisations that have been contacted as part of this office review and indicates the level of interest expressed in relation to potential collocation opportunities in Inverness and Dingwall:

Highlands Public Sector Partner Organisation	Inverness	Dingwall
Northern Constabulary	✗	✓
Highlands & Islands Fire & Rescue Services	✓	✗
NHS-Highland	?	?
Highlands & Islands Enterprise	?	?
Scottish Environment Protection Agency	✗	✗
Scottish Natural Heritage	✗	✗

Shared Services

- The Scottish Government has identified Shared Services as being a key contributor to driving efficiencies and tackling budget pressures in the current economic climate. Public authorities must challenge themselves to work collaboratively, including engaging in sharing services, as an integral part of their continuous improvement. However, Shared Services is about more than just centralisation or consolidation of similar activities in one location; it is the convergence and streamlining of similar functions within an organisation, or across organisations, to ensure that they are delivered as effectively and efficiently as possible.
- The Scottish Futures Trust is currently undertaking a case study review (Q2-2011) on Joint Premises facilities across Scottish Local Authorities to identify any emerging best practice, lessons learned and critical success factors etc. There are a range of anticipated efficiency gains and benefits that can be derived from public sector joint working (ie. through the delivery of shared services, partnering and collocation).
- The rationalisation of Highland Council's office portfolio in Inverness and Dingwall presents an opportunity to support the Shared Services agenda in delivering a physical solution that facilitates closer working relationships between public sector organisations. However, specific proposals would need to be forthcoming and clearly articulated upfront for these to be adequately accommodated as part of any future office solution. There will also undoubtedly be legal, tenure and timing considerations to bear in mind regarding future accommodation arrangements between different organisations.
- As the shared services and partnering agenda develops, the office review will need to respond to the specific requirements once these have been identified and clarified.

Key Benefits

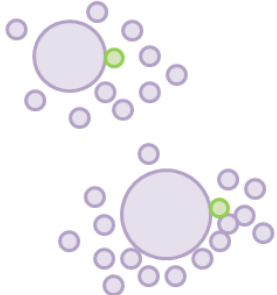
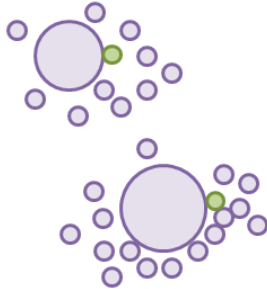
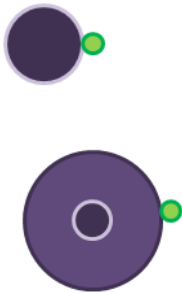
The benefits from pursuing a strategy of rationalisation and improvement to the Council's office estate in Inverness and Dingwall include the following:

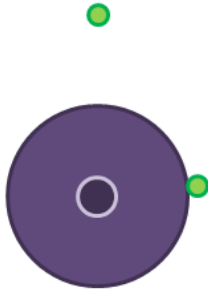
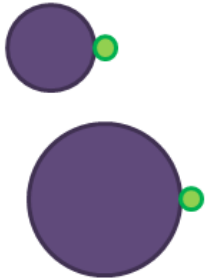
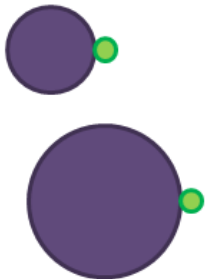
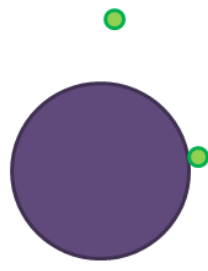
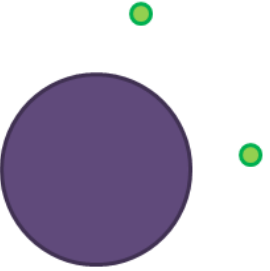
- An estate that is 'right sized' to meet operational needs.
- Improved working environment for staff and visitors that will have a positive impact on productivity and staff morale.
- Modern facilities with a much improved work environment are also expected to have a positive impact on recruitment and retention rates.
- Delivery of accommodation capable of supporting the Council's Corporate Improvement Programme including the introduction of flexible ways of working, improving communication between different service areas and facilitating a positive workstyle change.
- Maximising the efficient and effective use of office accommodation through implementation of flexible working with significantly improved levels of space utilisation.
- Delivering modern office facilities capable of accommodating the necessary technology infrastructure to support flexible working practices.
- Facilitation of cultural change within the Council and encouraging greater use of public transport.
- Potential efficiency savings resulting from pursuing Shared Service initiatives.
- Ensuring that 100% of the Council's office accommodation meets statutory requirements including Health and Safety and DDA legislation.

- Providing an opportunity to place appropriate emphasis on the Council's environmental responsibilities to the wider community including achieving BREEAM Excellent standard building(s) in those options involving new build accommodation or BREEAM Very Good for those involving refurbished accommodation.
- Ensuring that the Council is seen as setting a leading example in relation to achieving high standards of sustainable development.
- Achievement of running cost efficiencies through reduced energy / utilities consumption.
- Corporate identity is enhanced through the modernisation of the Council's office accommodation, portraying the image of a forward thinking organisation.
- The potential to achieve significant economic development benefits in terms of the investment in new or refurbished facilities, but also in releasing surplus sites for redevelopment.

Options Identification

- Below is a summary of the options considered as part of this review.
- The options considered accord with those agreed by the Council's Senior Management Team at a workshop held in July 2010 and documented in the CIP Board briefing paper dated 17 August 2010.

<p>Status Quo (30 site solution)</p> <p>Remain in all existing premises based on current maintenance expenditure.</p> <p><i>Retains current staff levels and apportionment between Inverness and Dingwall. Back-office and service delivery presence maintained in both locations.</i></p>	
<p>Base Case (30 site solution)</p> <p>Remain in all existing premises, but fully address backlog maintenance liabilities.</p> <p><i>Retains current staff levels and apportionment between Inverness and Dingwall. Back-office and service delivery presence maintained in both locations.</i></p>	
<p>Option 1 Refurb & New Build Hybrid (4 site solution)</p> <p>Extensively refurbish core premises in Inverness and Dingwall and consolidate all other staff into these. Retention of Service delivery hubs in both Dingwall and Inverness. New build accommodation for the balance of space requirement at HQ site in Inverness. Disposal of all other assets.</p> <p><i>Retains current staff population and apportionment between Inverness and Dingwall, although may involve some relocation of staff to Inverness due to capacity constraints within refurbished Dingwall office. Back-office and service delivery presence maintained in both locations.</i></p>	

<p>Option 2 Refurb & New Build Hybrid, Inverness Only (3 site solution)</p> <p>Extensively refurbish HQ Main Building in Inverness plus new build on HQ site to accommodate all Council back office staff. Involves relocation of all back office staff from Dingwall to Inverness. Retention of Service delivery hubs in both Dingwall and Inverness. Disposal of all other assets.</p> <p><i>Retains current staff population, but relocation of majority of back office and corporate functions from Dingwall to Inverness. Service delivery presence maintained in both locations.</i></p>	
<p>Option 3 New Build Inverness & Dingwall (4 site solution)</p> <p>Comprehensive re-provision of Council offices in Inverness and Dingwall by way of new build premises. Alternative site in Dingwall proposed due to constrained existing site and limited decant possibilities. New build in Inverness anticipated on existing HQ site. Retention of Service delivery hubs in both Dingwall and Inverness. Disposal of all other assets.</p> <p><i>Retains current staff levels and apportionment between Inverness and Dingwall. Back-office and service delivery presence maintained in both locations.</i></p>	
<p>Option 4 New Build Alternative Site, Inverness & Alternative Site, Dingwall (4 site solution)</p> <p>Comprehensive re-provision of Council offices in Inverness and Dingwall by way of new build premises on alternative sites. Retention of Service Delivery hubs in both Dingwall and Inverness. Disposal of all other assets.</p> <p><i>Retains current staff levels and apportionment between Inverness and Dingwall. Back-office and service delivery presence maintained in both locations.</i></p>	
<p>Option 5 New Build Inverness City Centre (3 site solution)</p> <p>Comprehensive re-provision of Council offices in a single new build in Inverness on the existing Council HQ site. Disposal of all other assets with the exception of Ross House, Dingwall and presence in Inverness city centre, which would be retained as Service Hubs.</p> <p><i>Relocation of all back-office staff from Dingwall to Inverness, but retain Service delivery presence in Dingwall (Ross House) and Inverness city centre.</i></p>	
<p>Option 6 New Build Inverness Out-of-Town (3 site solution)</p> <p>Comprehensive re-provision of Council offices in single new build premises in Inverness on an alternative out-of-town site. Retain Service Delivery Hub in Inverness city centre and Dingwall. Disposal of all other assets.</p> <p><i>Relocation of all back-office staff from Dingwall to Inverness, but retain Service delivery presence in Dingwall (Ross House) and Inverness city centre.</i></p>	

Financial Appraisals

- Below is a summary of the respective net present costs of the options as described above over a 25 year appraisal period:

Option	Net Present Cost
Status Quo – (30 site solution)	£67,933,383
Base Case – (30 site solution)	£75,887,006
Option 1 Refurb & New Build Hybrid – (4 site solution)	£70,428,009
Option 2 Refurb & New Build Hybrid, Inverness Only – (3 site solution)	£70,278,562
Option 3 New Build on HQ site, Inverness & Alternative Site, Dingwall – (4 site solution):	£78,958,735
Option 4 New Build Alternative Site, Inverness & Alternative Site, Dingwall – (4 site solution)	£79,544,976
Option 5 New Build Inverness City Centre – (3 site solution)	£75,357,312
Option 6 New Build Inverness Out-of-Town – (3 site solution)	£75,943,553

- The conclusions from the financial analysis are significant in that in NPC terms the pro-active options identified are very comparable relative to the Base Case. By significantly reducing its space requirements (and despite significant up-front capital costs), it is possible for the Council to drive sufficient savings in ongoing running costs - alongside not having to meet backlog maintenance liabilities to its existing estate - to transform the quality of its office portfolio.
- This suggests that there is a strong possibility that the Council will be able to financially justify a strategy of significant change and renewal to its office portfolio alongside achieving other efficiency and business transformation initiatives as part of the Corporate Improvement Programme.
- As would be expected all new build options (Options 3 – 6) involve the highest costs relative to the Base Case and those including a hybrid of refurbishment and new build (Options 1 and 2) produce a lower overall NPC than all of the new build options and the Base Case. Clearly there are big differences in the quality of the finished solution between options and these factors are considered separately as part of the qualitative evaluation of options below.
- The financial analysis undertaken as part of this review suggests that there *is* scope to achieve significant change and improvement without it costing significantly more than the Council's existing office portfolio over the long term.

Qualitative Appraisals

- Consideration has also been given to the non-financial evaluation of options in relation to the Council's corporate objectives and priorities in order to produce a balanced assessment of the relative strengths and weaknesses of each option. The ten non-financial criteria used to assess each option are summarised below. These were established based on the full range of factors felt to be important in assessing the relative strengths of one option against another. As part of the consultation undertaken, members of the Council's Senior Management Team were asked to rank the relative importance of these to inform the level of weighting attributed to each. The weightings indicated below are based on the findings received from this consultation.

Non-Financial Evaluation Criteria	Weighting (%)
Contribution to Council Corporate Objectives	16.2
Fitness for Purpose (Functional Suitability)	15.0

Non-Financial Evaluation Criteria	Weighting (%)
Quality of Facilities inc Office Environment	13.7
Location and Accessibility	12.3
Environmental Sustainability	10.4
Flexibility and Space Efficiency	9.9
Estate Condition / State of Repair	8.8
Business Disruption and Project Risks	5.1
Image and Profile	4.4
Economic Impact	4.2
Total	100.0

Conclusions & Value for Money Summary

- The table below summarises the findings from the combined quantitative (financial) and qualitative (non-financial) appraisals, assuming a 50:50 split, to arrive at a VFM score out of 100 for each option.

Option	Non-Financial Score	Financial Score	VFM Score	Rank
Status Quo – (30 site solution)	32.91	100.00	66.45	7
Base Case – (30 site solution)	32.64	89.52	61.08	8
Option 1 Refurb & New Build Hybrid – (4 site solution)	69.75	96.46	83.10	6
Option 2 Refurb & New Build Hybrid, Inverness Only – (3 site solution)	69.70	96.66	83.18	5
Option 3 New Build on HQ site, Inverness & Alternative Site, Dingwall – (4 site solution):	94.68	86.04	90.36	1
Option 4 New Build Alternative Site, Inverness & Alternative Site, Dingwall – (4 site solution)	94.80	85.40	90.10	2
Option 5 New Build Inverness City Centre – (3 site solution)	89.70	90.15	89.92	3
Option 6 New Build Inverness Out-of-Town – (3 site solution)	86.36	89.45	87.91	4

- This analysis is conclusive in finding that all pro-active options represent significantly better value for money than both the Status Quo and Base Case.
- Interestingly it also suggests that the Base Case does not represent good value for money given that investing significant capital in addressing backlog maintenance items on the existing estate does not deliver much in the way of direct benefits to the Council – aside from reducing potential building risks in the future. This money would be better spent on alternative, more fit-for-purpose premises.
- The new build options are considered favourable to the hybrid options involving a combination of both refurbishment and new build, which is perhaps unsurprising given the likely disruption associated with refurbishment and the fact that the quality of the finished solution would be inferior when compared to new build.

- In Value for Money terms there is only a small difference between the overall scores for Option 3 – 6. However, those options that retain a 4 site configuration in Inverness and Dingwall (Options 3 and 4) are considered marginally favourable to those involving 3 site solutions where all back office functions are relocated from Dingwall to Inverness.
- Based on this analysis Option 3 is considered the best overall solution involving the redevelopment of the Council's current HQ site in Inverness alongside the development of new back office premises on an alternative site in Dingwall and retention of Service Hubs in both locations.
- A VFM sensitivity analysis has also been undertaken to test the impact on the relative ranking of options based on a 40:60 split and a 60:40 split between financial and non-financial elements. Varying the balance in favour of non-financial elements does not alter the ranking of options when compared to the default 50:50 split. Where the financial elements are given precedence over non-financial, this marginally alters the ranking of options 3-6 but in terms of overall VFM at this stage all four of these options are very closely matched.

Recommendations

- The findings from this Strategic Outline Case represent an initial view on the options the Council should be considering as part of its office strategy and also those likely to offer Best Value.
- Nevertheless the findings at this early stage indicate that those options involving new build offices in both Inverness and Dingwall are likely to offer the best overall solution. However, the closeness of the final VFM scores means that these other options should not be excluded from the next stage of work and likewise the Base Case should also be carried forward as a comparator.
- Further work is needed to test the non-financial benefits and constraints of all of the options at OBC stage alongside a more detailed appraisal of the cost implications and risks to inform a decision around which option is preferred.
- Based on the findings from this review, it is recommended that the following options are taken forward to the Outline Business Case stage:
 - Base Case – (30 site solution)
 - Option 1 Refurb & New Build Hybrid – (4 site solution)
 - Option 2 Refurb & New Build Hybrid, Inverness Only – (3 site solution)
 - Option 3 New Build on HQ site, Inverness & Alternative Site, Dingwall – (4 site solution)
 - Option 4 New Build Alternative Site, Inverness & Alternative Site, Dingwall – (4 site solution)
 - Option 5 New Build Inverness City Centre – (3 site solution)
 - Option 6 New Build Inverness Out-of-Town – (3 site solution)
- Ultimately the Council should make its decision based on the strategy it feels will best meet future service requirements, whilst balancing the need to achieve Best Value for local residents and taxpayers.

Delivery Strategy, Procurement & Funding

- There are numerous ways in which a project of this nature can be funded, but the focus at SOC stage has been to establish which option(s) are likely to deliver the best overall value to the Council. Given that all pro-active options will require funding, the decision as to which funding route is selected is not needed at this stage. Clearly the route selected will need to take account of the Council's financial position, its ability to borrow and also its attitude towards risk. The preferred funding arrangements will also have an impact on the procurement route selected.
- Given the broad range of factors that need to be taken into account in relation to funding *any* of the pro-active options (including Base Case), it is premature to consider these various funding and

delivery routes until a clearer picture has emerged in terms of the Council's preferred strategy going forward. This is expected to be forthcoming at OBC stage where each of the funding routes available will be assessed in terms of their individual merits.

- By way of an overview, the funding routes considered at OBC stage are likely to include the following:
 1. Capital funding using Prudential Borrowing (from the Public Works Loans Board) where the Council borrows the funds necessary to undertake the capital works and then owns these on a feuhold basis. Various contracting routes will be available under this scenario.
 2. Traditional institutional lease via a Private Developer Scheme where the Council enters into a pre-let agreement with a developer who then undertakes the capital works.
 3. Public Private Partnership (PPP) that could also include other services in addition to the provision of a physical asset(s).
 4. Local Asset Backed Vehicles (LABV) are a variation on theme where the public and private sectors enter into a partnership often where public sector land and private sector cash is used to fund regeneration schemes. Like PPP schemes LABVs tend to be relatively long term in nature.

Next Steps

- At the next stage of the review (Outline Business Case), a number of other considerations will need to be explored including the practical implications associated with specific options.
- Alongside the practical aspects of delivering the preferred option, there will be a need to consider funding and procurement routes to establish those which best satisfy Council requirements in terms of resource availability (capital vs. revenue) and its attitude towards risk.
- Once a preferred option has been identified there are a number of procurement routes available and these will each need to be considered in order to select the most appropriate to deliver the preferred option selected.
- Work in developing the OBC will also need to involve testing the assumptions made at this stage of the review, particularly in relation to those options scoring highest against the VFM appraisal.

Approvals & Way Forward

- **This report provides a strong case for change and underlines that continuing to occupy the Council's existing office portfolio in Inverness and Dingwall is not a viable option for a number of reasons including the fact that the current office footprint is approximately 40% larger than it needs to be.**
- **An opportunity exists for the Council to significantly rationalise the number of office premises it occupies and at the same time deliver an estate solution that will provide a much improved office environment for Council staff, visitors and customers.**
- **Council approval is now required to proceed to the next stage of the review to develop an Outline Business Case, which will involve a more detailed assessment of the options considered in this initial phase of work alongside an in-depth analysis of the likely delivery routes available. It is intended that this will then enable a clear strategic decision to be made regarding the estate solution considered best able to meet the Council's interests in Inverness and Dingwall and importantly those of the residents it serves.**

Inverness and Dingwall Office Review Outline Business Case Development – Outline of Stakeholder/Resource Requirements	Timescale
<p>Services – All</p> <p>Service Management lead to be nominated as ‘Service Representative’:</p> <ul style="list-style-type: none"> ○ for engagement with/membership of Project Review Team (developing Outline Business Case) ○ to co-ordinate and represent Service & Service User requirements within scope of the project, inc <ul style="list-style-type: none"> ▪ to confirm & validate ‘in-scope’ sites, staff FTE ▪ to confirm & validate ‘in-scope’ staff ‘workstyles’ (mobile & flexible working) ▪ to articulate future service changes/requirements & update service site, staff data 	<p>July-Oct 2011</p> <p>July-Aug 2011</p> <p>July-Aug 2011</p>
<p>Finance Service</p> <p>Provide Project Review Team with overview (ie. ‘state of the nation’) with respect to:</p> <ul style="list-style-type: none"> ○ the Council’s existing/future financial position ○ the current & forecast financial challenges facing the Council <p>Service lead to be nominated as ‘Service Representative’:</p> <ul style="list-style-type: none"> ○ to co-ordinate, confirm and agree the Council’s existing baseline revenue costs (property operating & running costs; staff costs etc) for in-scope sites, staff etc ○ for engagement with/membership of Project Review Team (developing Outline Business Case) in respect of: <ul style="list-style-type: none"> ▪ risk & optimism bias assessment ▪ funding & affordability assessment ▪ procurement strategy/options consideration & testing 	<p>July 2011</p> <p>July-Oct 2011</p>
<p>HaPS</p> <p>Head of Construction – Identify Capital & Planned Maintenance Programme for in-scope properties</p>	<p>July-Aug 2011</p>

<p>Head of Housing Development & Estates – To work with Project Team in respect of provision of Estates Management advice in relation to existing portfolio and potential development sites etc</p>	<p>July-Oct 2011</p>
<p>Planning & Development</p> <p>Service lead(s)/representatives to:</p> <ul style="list-style-type: none"> ○ work with Project Review Team in terms of provision of economic and development advice & information relating to development plans/briefs; regeneration initiatives; land searches potential development site acquisitions/disposals; major applications etc 	<p>July-Oct 2011</p>
<p>Corporate Improvement Programme Team</p> <p>Re-assess & validate Corporate Improvement Programme Aims & Objectives</p> <p>CIP Project Managers – to assist & support Services in development & defining outline Service User requirements (in relation to Mobile & Flexible Working; Business Support; Information Management; Customer Engagement & Assessment</p> <p>CIP Project (Shared Services) – Close working & active engagement between Project Review Team & new CIP Project (when set up)</p>	<p>July-Aug 2011</p> <p>July-Aug 2011</p> <p>Jul –Oct 2011</p>
<p>Senior Management Team/Members</p> <p>Re-assess, validate & agree Corporate Aims & Objectives relevant to review</p> <p>Re-validate & agree:</p> <ul style="list-style-type: none"> ○ Vision ○ Key Benefits ○ Critical Success Factors ○ Non Financial Evaluation criteria <p>Review progress of OBC development</p>	<p>July-Aug 2011</p> <p>July-Aug 2011</p> <p>July-Oct 2011</p>