

SURREY COUNTY COUNCIL**CABINET****DATE: 19 DECEMBER 2023****REPORT OF CABINET MEMBER: DAVID LEWIS, CABINET MEMBER FOR FINANCE AND RESOURCES****LEAD OFFICER: LEIGH WHITEHOUSE, DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR FOR RESOURCES****SUBJECT: ACQUISITION OF CORPORATE OFFICE HUB IN NORTH-WEST SURREY****ORGANISATION STRATEGY PRIORITY AREA: NO ONE LEFT BEHIND / GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT / ENABLING A GREENER FUTURE / EMPOWERED AND THRIVING COMMUNITIES / HIGH PERFORMING COUNCIL**

15

Purpose of the Report:

This report is seeking Cabinet approval for Surrey County Council (the Council) to acquire the freehold interest in a new corporate office building in Woking as the Hub for the north-west quadrant of Surrey, as per the Cabinet approved report of December 2022, [Agile Office Estate – North-West and South-West Corporate Office Workspace](#)¹.

The proposed new corporate Hub is a modern, energy efficient property benefitting from contemporary, flexible environments and workspaces for existing and future employees which will help the Council meet its priority objective of enabling a greener future and ensure we are a high performing Council. This proposal also supports the Council's guiding mission of No One Left Behind by providing appropriate, welcoming spaces for residents visiting the property (Corporate Parenting services for example). The property is in central Woking with good access to public transport networks and nearby car parking.

Recommendations:

It is recommended that Cabinet:

1. Approves the acquisition of the freehold interest in a corporate office building in Woking. The required capital investment to purchase the property and its details are commercially sensitive at this time and are set out in the Part 2 report.

¹ December 2022, Item 203/22

- 15
2. Approves procurement of appropriate supply chain partners to deliver design and fit out of the new corporate office space in accordance with the Council's Procurement and Contract Standing Orders.
 3. Grants delegated authority to the Deputy Chief Executive and the Director of Land and Property to (i) conclude the acquisition terms to purchase the corporate office building, (ii) undertake procurement and associated contract awards and (iii) provide approval to enter into required legal documentation as necessary to complete the purchase and fit out works.
 4. Notes that, regarding the procurement of supply chain partners, the Executive Director for Resources and the Director of Land and Property are authorised to award such contracts up to +10% of the budgetary tolerance level.

Reason for Recommendations:

Following the continued success of the Council's Agile Office Estate (AOE) strategy over the last two years, the purchase of the recommended property is the next step in the AOE programme.

As outlined in the [Agile Office Estate – North-West and South-West Corporate Office Workspace²](#) report (the December 2022 report), the medium to long term costs for the Council to remain in Quadrant Court represent a financial risk to the Council. Quadrant Court would require a high level of investment to achieve desired standards for Services to be delivered in the best way for residents and meet our net zero targets by 2030.

Approving the recommendations in this report will allow the Council to continue its programme of rationalising its corporate estate, drive efficiencies, reduce the Council's carbon footprint, and deliver Services from a modern, agile environment which will better serve residents and employees. Services will be delivered from a central location in Woking, the preferred area in north-west Surrey. The property has good access to public transport and carparking.

Executive Summary:

1. The overarching strategy for the AOE Programme is to deliver a modernised, flexible, interoperable office estate which reduces our corporate footprint (the amount of office space required), consolidating into a reduced number of buildings (to reduce administration and maintenance) whilst driving annual revenue savings.
2. Acquiring the proposed property in Woking delivers on the AOE Programme strategy as well as the objectives for Hubs; to provide multi-purpose, flexible environments which are welcoming and appropriate spaces for residents visiting our buildings and modern, appropriate agile work settings for existing and future employees.

² December 2022, Item 203/22

3. This proposal follows on from the December 2022 report when Cabinet approved further consolidation of the existing corporate estate whilst maximising the use of Hubs; to vacate and dispose of the Council's Quadrant Court corporate office in Woking; and for optioneering to be carried out to deliver corporate office space in the north-west quadrant of Surrey.
4. A robust analysis of demand and property options has been undertaken in line with the Cabinet approval of the December 2022 report to replace Quadrant Court. The search criteria included:
 - A preference for an existing building, ideally in Woking town centre with strong carbon credentials.
 - Development sites in the Woking area but due to long development processes (likely 3-4 years), this approach is of a lower preference than that to acquire an existing building in Woking.
 - Controlling the corporate estate footprint through avoiding committing to more office space than required.
5. As well as providing improved, appropriate public-facing and employee environments, the specific objectives for the new Hub are that it should deliver:
 - A reduction in overall Council corporate office space in Woking.
 - Good public transport links.
 - Access to more carparking spaces than currently available at Quadrant Court (150 spaces) with EV charging stations.
 - Cycle storage.
6. Based on the search criteria and Hub objectives, only four property options in Woking were deemed viable based on the search criteria. Three were discounted as they could not deliver on space requirements, carparking capacity/availability and/or terms of lease agreements already in place with existing tenants. The recommended option, to acquire an existing building in Woking, delivers on all of the search criteria. Cabinet should note that that the proposed building has 60 designated carparking spaces, the Council proposes leasing an additional 150 spaces in an adjacent carpark. Costs to lease the additional carparking spaces are commercially sensitive at this time and are set out in the Part 2 report.
7. Although the recommended building has an existing tenant (due to exit the premises in January 2024) the Council is able to secure the whole asset as a freehold acquisition and has the opportunity to lease some space to generate income to offset some Council costs. Details regarding the market search and analysis are commercially sensitive at this time and are set out in the Part 2 report.
8. In summary, the acquisition of the recommended property in Woking will:

- Allow the Council to achieve its ambitions as laid out in the Property Strategy as agreed by Cabinet in December 2021, [Agile Office Programme](#)³ report.
- Provide long term financial savings in relation to building maintenance costs and space reductions (circa £0.4m pa and circa 20,000sqft respectively).
- Facilitate the realisation of a capital receipt from the disposal of Quadrant Court.
- Improve the environmental efficiency of buildings within the corporate estate and contribute to the Council's 2030 net zero targets.
- Provide a modern, agile workspace environment contributing to a flexible workforce and deliver the ambitions of the Agile Organisation Programme.
- Provide residents and employees with a space with good public transport links and access to car parking for associated Council services.

9. Negotiations with the vendor are ongoing, the parameters of a possible agreement are commercially sensitive at this time and are set out in the Part 2 report.

Consultation:

10. The following have been consulted in the preparation of this report:

- Cllr Tim Oliver, Leader of the Council.
- Cllr David Lewis, Cabinet Member for Finance and Resources.
- Cllr Natalie Bramhall, Cabinet Member for Property and Waste.
- The Council's Corporate Leadership Team.
- Executive Directors and Officers within Council Directorates for Environment, Transport and Infrastructure; Children, Families and Lifelong Learning; Adult Social Care and Integrated Commissioning; Resources; Customer and Communities.
- The Council's Finance and Legal teams.

11. Cabinet Members have been briefed on the proposed acquisition and some have taken the opportunity to visit the proposed new corporate office building.

12. The Resources and Performance Select Committee has been briefed on the overall ambitions, targets and strategy of the Agile Office Estate programme and some members have also visited the proposed new corporate office building.

³ December 2021, Item 242/21

Risk Management and Implications:

13. Key risks associated with the proposal, including financial risks, are commercially sensitive at this time and are set out in the Part 2 report.

Financial and Value for Money Implications:

14. The Cabinet approved Agile Programme forecasts revenue efficiencies of £2.2m from FY2026/27. The forecast efficiency is subject to (i) the final, agreed purchase price, (ii) if purchase of furniture is required, and (iii) the value of the capital receipt from the disposal of Quadrant Court.
15. The latest purchase price proposed by the vendor is a significant reduction to previously proposed amounts from the vendor's side.
16. Further financial and value for money implications, including the capital receipt from the disposal of Quadrant Court, are commercially sensitive at this time and are set out in the Part 2 report.

Section 151 Officer Commentary:

17. Significant progress has been made in recent years to improve the Council's financial resilience and the financial management capabilities across the organisation. Whilst this has built a stronger financial base from which to deliver our services, the increased cost of living, global financial uncertainty, high inflation and government policy changes mean we continue to face challenges to our financial position. This requires an increased focus on financial management to protect service delivery, a continuation of the need to be forward looking in the medium term, as well as the delivery of the efficiencies to achieve a balanced budget position each year.
18. In addition to these immediate challenges, the medium-term financial outlook beyond 2023/24 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term.
19. The recommendation to purchase the recommended building in Woking will have minimal impact of the revenue MTFs, with the exact outcome dependent on the final commercial agreement. The proposal is considerably less than refurbishing Quadrant Court at a cost of borrowing of £1.5m. As such, the Section 151 Officer supports the recommendation.

Legal Implications – Monitoring Officer:

20. This paper seeks approval from Cabinet to acquire the freehold of a new corporate office building in Woking as the Hub for the north-west quadrant of

Surrey. As part of the proposed acquisition, it is intended that a future disposal of Quadrant Court will also take place, to generate income and offset costs of this acquisition.

21. The Council is empowered by legislation to pursue the proposals set out in this paper. Under Section 120 of the Local Government Act 1972, local authorities may acquire land for delivery of its services. The proposed freehold acquisition of this new corporate office building will fall under these provisions.
22. This report refers to the proposed building having an existing tenant (due to exit the premises in January 2024). Whilst proposals are for the Council to secure the whole asset as a freehold acquisition and have the opportunity to lease out some space to generate income, it will be necessary to ensure that the required legal advice is sought to ensure that adequate safeguards and consideration to document the terms as per the Council's intended use are met from the outset and without undue delays or costs.
23. Under Section 123 of the Local Government Act 1972 (LGA 1972), local authorities have the power to dispose of land in any manner they wish subject to the disposal being for the best consideration reasonably obtainable. Any future disposal of Quadrant Court will fall within the definition of a disposal under the LGA 1972. The Council will need to ensure that the price for any such disposal is 'market value' to comply with Section 123 of the Act. Further legal comments on any such transaction can be provided when proposals are progressed.
24. In taking a decision on the recommendations in this paper, Cabinet should have regard to its fiduciary duties to local residents in respect of utilising public monies and when considering this paper, Cabinet Members will want to satisfy themselves that the recommendations set out in this paper represents an appropriate use of the Council's resources.

Equalities and Diversity:

25. An Equality Impact Assessment (EIA) is not required to support the recommendations in this report. Accessibility works are planned and included in the capital costs to purchase and fit out the new corporate office building, to ensure it complies with the [1995 Disability Discrimination Act](#) (DDA) regulations regarding provision of reasonable access for disabled people to establishments and services which are open to the public.

Other Implications:

26. The potential implications for the following Council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	The new corporate office will provide more appropriate and welcoming spaces than those currently available at Quadrant Court for those children, families, carers and guardians who visit the premises for meetings with Council officers.
Safeguarding responsibilities for vulnerable children and adults	No direct implications arising from this report.
Environmental sustainability and Compliance against net-zero emissions target and future climate compatibility/resilience	The new facility improves over the energy efficiency of the vacated Quadrant Court building, both in heating systems and building core fabric. Only minor refurbishment will be undertaken, so where suitable. If acquired, a full condition survey, energy management and heat loss survey shall be carried out on the existing building, the existing operational carbon emissions and energy consumption calculated and the energy and carbon saving opportunities identified. This will form the baseline to the project proposals. Refurbishment work will be designed to reduce energy consumption and carbon emissions and assessed via an energy model in accordance with Part L. A full heat loss study following TM54 shall be carried out at Stage 3 and used to optimise the building fabric and heating demand. Heating shall be delivered via high efficiency low carbon heating systems where viable.
Public Health	No direct implications arising from this report.

What Happens Next:

27. Should Cabinet approve the recommendations in this report, the key next steps are as outlined below.

- a. Exchange contracts following Cabinet approval and call-in period.

- 15
- b. By end Jan 2024: procurement and appointment of supply chain partners to deliver design and fit out of the new corporate office space.
 - c. Q4 FY2023/24: commence essential fit out, refurbishment and accessibility works, following exit of the existing tenant (Jan 2024).
 - d. Q3 FY2024/25: commence phased occupation of the new corporate office building, floor by floor, to manage costs and enhance programme efficiency.
 - e. Implementation of strategy and plan to communicate with, inform and engage Council employees who currently operate out of Quadrant Court and residents who visit the building. Timings to be confirmed.
 - f. The disposal of and subsequent capital receipt from Quadrant Court will be presented to Cabinet as a separate report in 2024.
-

Report Authors:

John Morris, Assistant Director - Capital Projects, Land and Property.

John.morris@surreycc.gov.uk

Matthew Pizii, Head of Strategy and Planning - Property Strategy and Management, Land and Property.

Matthew.pizii@surreycc.gov.uk

Brett McKee, Agile Organisation Programme Director, Transformation Portfolios.

Brett.mckee@surreycc.gov.uk

David Mead, Senior Programme Manager, Corporate Portfolio.

David.mead@surreycc.gov.uk

Consulted:

- Cllr Tim Oliver, Leader of the Council
- Cllr David Lewis, Cabinet Member for Finance and Resources
- Cllr Natalie Bramhall, Cabinet Member for Property and Waste
- The Council's Corporate Leadership Team
- Executive Directors and Officers within Council Directorates for Environment, Transport and Infrastructure; Children, Families and Lifelong Learning; HWASC; Resources; Customer and Communities.
- The Council's Finance and Legal teams
- Cabinet Members
- Resources and Performance Select Committee

Annexes:

Part 2 report

Sources/background papers:

Cabinet report December 2022: [Item 203/22: Agile Office Estate – North-West and South-West Corporate Office Workspace](#)

Cabinet report January 2021: [Item 21/21: Agile Office Estate Strategy](#)

This page is intentionally left blank