

OFFICE OPTIMISATION PROJECT OUTTURN AND REVIEW

1. INTRODUCTION

1.1 This report sets out the achievement of the delivery of the office optimisation project against the original project aims and objectives.

1.2 The Project Board established to oversee the project has met 4 times, with each meeting scheduled to coincide with key stages of the project and to act as formal Gateway Reviews under the Council's project management process, as follows:

20 Oct 2010	Pre Tender (Stage 2)
21 Mar 2011	Tender Evaluation / Award (Stage 3)
5 Oct 2011	Project Progress
6 Feb 2012	Project Completion / Review (Stage 4)

1.3 The main aims and objectives of the project are summarised as follows:

- Refurbishment of the Lymington Town Hall (LTH) building to enable a long term lease to be agreed with the New Forest National Park Authority (NFNPA), with a move-in date of 7th November 2011
- More efficient use of the Council's 2 main office buildings (Appletree Court (ATC) and Lymington Town Hall) through the creation of open plan offices and flexible working practices
- General refurbishment and modernisation of buildings at ATC, LTH and Marsh Lane depot
- Bringing together of services into common office accommodation to enable better working arrangements and operational efficiencies
- Creation of a shared reception area at LTH
- Construction of a modern ICT server room at ATC and migration of key ICT systems and the ICT business unit to ATC
- Creation of additional car parking spaces for public use at LTH
- Adoption of new door access and room booking systems

1.4 Members will recall that the contract for the delivery of this project was awarded to Interserve FM under a JCT Design and Build contract. In addition to the formal JCT contract further works were undertaken directly by NFDC.

2. PROJECT MANAGEMENT

2.1 At a strategic level, the project was overseen by a Project Board, chaired by the Leader of the Council. Reporting to the 2 Executive Directors, the project was directly managed by the Head of Housing, the Head of Property Services and the Head of Planning. This arrangement has worked very well with each individual bringing their own particular skills to the team. A larger project implementation team was also created, to include representatives from key service areas such as Human Resources, ICT, Property and Communications. This implementation team met on a weekly basis and reported monthly to the Executive Directors. Again, this arrangement worked very well and ensured that, as far as possible, all key services were party to key decisions and could feed into the project as a whole.

- 2.2 The contract was formally managed through monthly contract meetings with Interserve. This also included the NFNPA's Director of Strategy and Planning to ensure that the NFNPA requirements were being accommodated.
- 2.3 Importantly, close liaison was maintained with the Employee Side, through monthly scheduled meetings, to ensure progress was being reported and feedback on employee issues or concerns could be received and addressed where appropriate.
- 2.4 Timescales for the overall delivery of the project were very tight. A detailed project timetable was prepared by the contractor as part of the tender submission, but as work commenced it soon became apparent that some elements were unachievable within the timescales allocated. This resulted in a number of revisions to the programme, which unfortunately resulted in some business units having to be decanted to temporary accommodation and having a double move. The refurbishment of occupied buildings while maintaining continuity of service proved challenging at times, however no significant lapses in service delivery occurred and, in the main, the employees affected adopted a positive attitude to the works and were able to see the long term benefits of the project.
- 2.5 The crucial move date of 5-7 November was achieved, enabling the NFNPA to vacate their offices at Efford.
- 2.6 The first movement of staff commenced on 15 April with the last move of staff to permanent accommodation completed on 18 November 2011. External works and snagging items have continued through until January 2012, with the final item of work to be completed being the additional car parking spaces and associated landscaping at LTH.
- 2.7 This complex project was delivered on time and with minimal disruption to Council services.**

3. REFURBISHMENT OF OFFICES

- 3.1 At ATC the south wing has been opened up to provide open plan office accommodation on all 3 floors. This now provides a modern feel to the building and has achieved a much more efficient use of this space. Where possible, other offices have also been opened up to provide an open plan layout.

- 3.2 A small number of unforeseen issues have emerged during the project, resulting in additional costs, and have been managed within the overall budget, as follows:

LTH reception roof structural defects	£45,000
ATC post room additional works	£11,000
Additional roof insulation ATC (South & East wing)	£12,000
Reception counters LTH / ATC	£11,000
Car Park Drainage	£ 5,600

- 3.3 The ICT service has now moved to ATC and has a modern and efficient main server room. In addition, a smaller new server room has been created at LTH, providing backup and resilience in the event of emergency.
- 3.4 The complete replacement of external windows and doors at LTH has also been undertaken. In addition to improving the visual impact of the building, this will greatly improve the thermal efficiency of the building. The roof covering to the 3 storey block has also been replaced. This will also reduce heat loss from the building.

- 3.5 The most notable changes at LTH are the new reception area and the removal of the 'temporary' buildings to provide space for the provision of additional car parking. The reception now provides a much more spacious area for customers and provides for appropriate interview facilities for customer enquiries. Customers for the National Park are also easily directed to their smaller reception area off the main reception. This achieves the aspirations of the NFNPA.
- 3.6 At both ATC and LTH, employee welfare facilities have been enhanced. Breakout areas are now available throughout the buildings, giving employees somewhere to socialise and eat during breaks. These areas are also being used regularly for informal meetings and are an important feature of the new flexible use of office space. Additional showers have been installed at both LTH and ATC, enabling the more active members of the workforce to refresh themselves whether from cycling to work or running at lunchtime.
- 3.7 The office moves created an amount of surplus furniture. The market for second hand office furniture was very weak so it was not possible to dispose of furniture through this route. Efforts were made to ensure that, where possible, this furniture has been re-used or recycled and a number of partner organisations took up the offer of free furniture. Any remaining furniture was offered to employees before being recycled.
- 3.8 A bid has been included in the capital programme for 2012/13 to decorate any other offices untouched by the optimisation project and in serious need of an upgrade. This is considered important to ensure that, as far as possible, all offices are finished to a similar standard and employees enjoy similar standards of accommodation.
- 3.9 A major improvement to the security of the LTH, ATC and Marsh Lane Depot has been the installation of a new door access system. The new system now provides much better controlled access to all of these buildings by employees, Members, Contractors and Visitors. In addition, the access cards have been combined to act as ID cards, thus removing the need for separate name badges.
- 3.10 The refurbishment of offices has been a success. The Council's 2 main office buildings have been modernised, enabling a more efficient use of space, enhanced customer service, an improvement in employee welfare facilities and more energy efficient premises. This has all been achieved with minimal disruption to services.**

4. NEW FOREST NATIONAL PARK

- 4.1 Good working relationships have been established with the NFNPA during the delivery of this project. The refurbishment of the 3 storey block at LTH has transformed this part of the building. The majority of this office space is now open plan.
- 4.2 As already reported, the crucial move date of 7 November 2011 was achieved, enabling the NFNPA to vacate their offices at Efford for hand back to their landlord at the expiry of their lease.
- 4.3 Since the move, arrangements for the joint occupation of the building have settled down well. The door access system manages the segregation of staff effectively, whilst enabling the joint use of shared facilities such as toilets and showers.

4.4 The lease with the NFNPA commenced on 7 November and provides for a 6 month rent-free period. The £100,000 annual rental will therefore commence from 8 May 2012. The annual service charge of £35,000 and cost of lighting, heat and water are due from the date of occupation.

4.5 The move of the NFNPA to LTH was achieved on time. The good working relationships established throughout the project and the close proximity of the 2 organisations now provides further opportunities for enhanced cooperation and collaboration.

5. FINANCIAL POSITION

5.1 Close financial control has been maintained throughout the project. The contract with Interserve has been subject to a strict change control process ensuring that only approved variations were undertaken and paid for.

5.2 A detailed breakdown of outturn costs against budget is shown at Appendix 1. In summary, a small underspend of £77,000 (2.47%) has been achieved against the revised total project budget of £3,111,000.

5.3 Direct efficiency savings in relation to the release of the 3 storey building were projected at £205,000, arising from rent, service charges, reduction in business rates and energy costs. These savings have been built into the 2012/13 budgets.

5.4 At least £100,000 of savings arising from the optimisation project have also been delivered. These savings arise from the relocation of business units, enabling the more efficient use of resources.

5.5 The project has been delivered under budget with significant ongoing savings of over £300,000 as originally planned.

6. IMPACT ON EMPLOYEES

6.1 Critical to the success of this project has been the involvement of all staff and working closely with them through the change process. For some employees the changes have been significant, with both a move of location (LTH to ATC) and a new office environment. Inevitably some employees have found this process more difficult than others. The HR team supported business unit managers during the moves to ensure that the change process was managed effectively.

6.2 A series of training sessions was run throughout the year with a theme of 'Managing Through Change'. Sessions were tailored for both managers and general employees. In total, 225 employees attended the sessions and feedback was very positive. Further sessions are planned for 2012/13.

6.3 Now that all the moves have been completed, all services will hold focus group sessions to receive feedback from employees about the new office arrangements. A standard agenda will be followed and HR will attend each session. This information will be collated for further consideration by EMT.

6.4 In general, employees have embraced the changes and have appreciated the significant investment in the buildings and the improvements and modernisation of the workplace.

7. LTH CAR PARKING

- 7.1 The project at LTH included the demolition of the ‘temporary’ buildings and the creation of a new parking area. The additional 46 parking spaces will be used by the NFNPA employees during the normal working week but will be available for public parking at weekends and bank holidays. Eleven new visitor spaces have also been created at the front of the building, providing better parking adjacent to the new reception.
- 7.2 The project has created a surplus of employee parking spaces at LTH and an opportunity now exists to release some of these spaces for permanent pay and display public parking. This will enable the release of 23 spaces to the rear of the car park, to be accessed via the Barfields car park. This will involve the relocation of barriers to segregate the public and employee parking. The system proposed will be flexible, allowing a further 24 spaces to be released at times when operational demand on employee parking is lower.
- 7.3 For this change to work effectively there will be a need to control access to the employee parking area. The cost of installing this controlled access and arranging public access to the additional public spaces will be £20,000. The additional spaces created at the Town Hall were budgeted to cost £150,000 and formed an element within the overall optimisation contract with Interserve. To achieve this car parking improvement, the use of developers’ contributions (approx. £77,000), will be supplemented by a contribution from the optimisation budget, where funds have previously been set aside for this purpose.
- 7.4 The project has enabled the creation of additional public parking in Lymington and goes some way to addressing the shortfall in spaces identified in the Lymington Parking Study 2010.**

8. ENVIRONMENTAL BENEFITS

- 8.1 During the project the opportunity has been taken to improve the environmental qualities of the buildings. The replacement of windows at LTH and ATC with modern highly efficient UPVC double glazed units and the replacement of some roof coverings have made a significant contribution to reducing heat loss.
- 8.2 The installation of solar PV panels at both ATC and LTH was also achieved at the same time and the Council will now benefit from a guaranteed income for 25 years through the Government’s Feed in Tariff scheme, as well as reductions in energy costs and carbon emissions.
- 8.3 The original contract allowed for the replacement of the 2 gas boilers at LTH with a similar system. Early in the contract the prospect of installing an alternative, more sustainable, biomass heating system was seen as an opportunity to further contribute to the Council’s commitment to sustainability. Due to timing and procurement issues it was decided to vary the contract and remove the replacement gas boilers from the main contract and to deal with the biomass proposal as a separate project.
- 8.4 Further work has now been undertaken to assess the viability of installing a biomass system and has reached the stage where a procurement exercise is planned. A report has been prepared, outlining the options available to the Council and will be presented to the Project Board separately.

8.5 Opportunities have been taken during this project to improve the building's environmental impact through reduced energy usage. The investment made will help to reduce CO₂ emissions and demonstrates the Council's commitment to schemes that benefit the environment.

9. EMPLOYEE SIDE COMMENTS

9.1 Considering the size of this project and the amount of planning needed to ensure it was delivered within what many regarded as an ambitious timescale, this project has undoubtedly been a great success.

9.2 The unique complexity of the project and the potential pitfalls that could have arisen have been negated by the professionalism of the Project Management Team, supported by HR. They must take great credit for the success in undertaking a task which is not their normal duties.

9.3 The costs of the project, although extremely high, have been offset by the contribution from NFNPA and further long term savings through rent, car parking charges, energy savings and office efficiencies. Employee Side hope these long-term savings will help offset the reduction in revenue grant and enable NFDC to maintain services and reduce job losses.

9.4 Sharing office accommodation with the NFNPA will hopefully give the opportunity to share some services with NFDC in the future. Already, HR and ICT have made arrangements and this opportunity may be exploited further in the future as stated in para. 4.5.

9.5 It is noted, in para. 3.8, that a bid has been put in place for 2012/ 2013 to decorate other offices untouched by the project. This would be appreciated by those staff who feel they have been overlooked and would offer a consistently fair approach to all staff accommodation.

9.6 The only optimised area that Employee Side believe may need reviewing is the planning area where staff feel that their allocation of space has been cramped and produced difficult working conditions. Credit must be given to the staff that have carried on making the best of the situation in difficult circumstances.

9.7 One of the main criticisms of the open plan offices is that, at certain times of the day, noise levels can irritate members of staff and lead to a break in concentration. This seems to be the main adverse affect of open plan offices but, as stated, appears to be a periodic problem only, in certain areas.

9.8 The moving of a large number of staff from the Town Hall to ATC has given a greater sense of unity, with more staff now on the one site. This is seen as a positive element of the project, perhaps not anticipated within the overall plan.

9.9 The staff at Lymington believe that the interview rooms and one of the meeting rooms are badly designed and this has limited the effectiveness of their use.

9.10 The staff who work in the Benefits area at the Town Hall have stated for some time that they believe the ladies toilets are not fit for purpose and feel disappointed that the project has not enabled redecoration of this area.

9.11 Employee Side would like to put on record their appreciation on being consulted throughout the progress of the project by the management team. We believe this was helpful and gave the opportunity to raise any staff concerns as they became evident.

10. CONTRACTOR PERFORMANCE

- 10.1 Overall performance of the contractor has to be viewed in the context of the very tight project timescales and the overall project budget. The delivery of a project of this size and complexity was always going to be challenging and should be considered a success in that all of the critical milestones were achieved.
- 10.2 The good working relationships that were established early on were an important factor in ensuring delivery of the project and critically resolving problems jointly as they arose.
- 10.3 Officers have reviewed the delivery of the contract and ensured that any lessons to be learned for future projects are identified and shared with the organisation.
- 10.4 Financially, the process for approval of variations and interim valuations has worked well. Close control and challenge of requests for additional items has minimised the impact of any additional costs.
- 10.5 The in-house health and safety unit maintained a close working relationship with the contractor and attended weekly progress meetings to ensure satisfactory arrangements were in place for each phase of the works. The works were undertaken in a safe manner and there were no reported accidents during the contract.
- 10.6 The Contractor has delivered their part of the project within budget and to the critical milestone dates. Overall performance has been good.**

11. PROJECT BOARD COMMENTS

- 11.1 The Board are pleased to report that this major project has been delivered on time and within budget. The newly refurbished offices now provide modern facilities which can be used more efficiently, deliver better access for our customers and improved working environments. The more efficient use of our office space, through the sharing of Lymington Town Hall with the New Forest National Park and optimisation of some work areas, will deliver significant ongoing financial savings to the Council. At the same time the project has enabled the creation of additional public parking in Lymington and goes some way to addressing the shortfall in spaces identified in the Lymington Parking Study 2010.

12. CONCLUSIONS

- 12.1 Overall, the project should be considered a success. All of the objectives identified at the outset of the project, and more, have been achieved, within budget, and on time.
- 12.2 The refurbished offices at ATC, LTH and Marsh Lane Depot have provided a significant step change in the modernisation of offices. This upgrade has encouraged and enabled services to fundamentally review ways of working and in many cases brought previously dispersed teams together into a single office, thereby enabling longer-term operational efficiencies to be achieved.
- 12.3 The successful co-location of the NFNPA opens up the opportunity for closer partnership working and makes much better use of the LTH asset.

13. RECOMMENDATIONS

- 13.1 That Cabinet note the content of this report and the successful completion of the Office Optimisation Project.

For Further Information Contact:

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Background Papers:

Cabinet Report 2 June 2010
Office Optimisation – Shared
Accommodation Lymington Town
Hall

Appendix 1

PROJECTED OUTTURN

	Original Budget	Agreed Variations	Revised Budget	Outturn 30 January 2012	Variances
	£000's	£000's	£000's	£000's	£000's
Expenditure					
Interserve	2,670	- 133	2,537	2,634	- 97
NFDC Works	382	- 17	365	378	- 13
Feasibility and Legal Fees/ Contingency	115	94	209	22	187
	<u>3,167</u>	<u>- 56</u>	<u>3,111</u>	<u>3,034</u>	<u>77</u>
Financed					
NFDC					
General Fund/HRA/Developer Contribution	2,335	52	2,387	2,310	77
NPA	832	- 108	724	724	-
	<u>3,167</u>	<u>- 56</u>	<u>3,111</u>	<u>3,034</u>	<u>77</u>
Variations					
Interserve					
LTH Roof Extras		24			
Biomass Boiler		- 49			
		- 25			
NPA Earlier Works		- 122			
Variations		14			
		- 133			
NFDC Works to/from Contingency					
Car Parking		20			
Repointing		- 25			
ICT (Room Booking)		- 12			
		- 17			
Council Funding Variations					
Biomass Virement		- 49			
Supplementary Estimate- Roof		24			
Portfolio Holder/ Developer Contribution		77			
		<u>52</u>			
Council Funding					
General Fund				2,183	
HRA				50	
Developers Contribution				<u>77</u>	
				<u>2,310</u>	