

APPLETREE COURT REFURBISHMENT BUSINESS CASE

1. Introduction and Background

- 1.1 Following the Covid-19 pandemic, NFDC have observed a shift in working patterns and behaviours. With the successful implementation of a hybrid working policy, many teams are now accustomed to working from home, or an alternative NFDC location, for up to 50% of their contracted week.
- 1.2 Appletree Court, in the centre of Lyndhurst, is a large and attractive premises from which many of NFDC's core services are delivered. This includes the Council Chamber, where most Planning and Council meetings are held; and the Information Office, which is the busiest within the District for residents and customers.
- 1.3 Post-pandemic, consideration was given to the future use of Appletree Court, and whether it still meets the needs of the business. There has been a search for alternative premises in the District over several years, but no suitable alternative property or location has been identified. A development appraisal received from leading property consultants in January 2023 showed the sale or redevelopment of Appletree Court for alternative use was unlikely to yield a capital sum sufficient to fund a relocation to alternative premises or the construction of new headquarters premises elsewhere in the District.
- 1.4 Since the introduction of hybrid working, our own utilisation studies have confirmed that Appletree Court has been underoccupied. Consecutive studies have reached a steady state, where approximately 40% of the office is utilised by staff at a weekly peak, equating to around 150 staff. This study did not include parts of Appletree Court which had in the past been used for office staff, being the former "legal corridor" on the North Wing Ground Floor, and the Second Floor of North Wing (the former "leisure corridor"). The real-term utilisation percentage is therefore much less than the 40% as reported.
- 1.5 Without a strong business case to support a relocation, a modernisation of the rest of the building would secure Appletree Court as the Council's principal administrative centre for the medium to long term. A key strand of the Transformation Strategy is ensuring that our staff accommodation is meeting the needs of our staff and visitors. If NFDC offer an attractive, modern, and vibrant workplace, aligned to this aim, then staff retention and wider organisational engagement should increase.
- 1.6 This rationalisation and improvement of existing space will allow NFDC to create lettable space for third party tenants and critically generate income and savings of upto £300k per annum to support the MTFP. This also demonstrates a more efficient and effective use of a property asset which is at the heart of the principles around our Assets and Accommodation strategy within the Transformation programme.

2. Scope

- 2.1 In considering how to achieve best value from Appletree Court, as both a principle administrative centre and a lettable opportunity, Officers sought a budget of £100k to commission third-party feasibility studies. These studies were intended to take a critical view of the layout, usage, and environmental quality of the building, and support a case for change.

- 2.2 Six areas were in scope for the initial retained portion of the building:
- i. North Wing - Ground, First and Second Floors
 - ii. East Wing - Ground, First and Second Floors
- 2.3 The South Wing was excluded from scope in its entirety, due to a refurbishment project in 2018. The look and feel was derived from the corporate branding guidelines, and saw the rollout of height adjustable desks, improved décor and carpeting, energy efficient lighting, and new seating options such as a workspace café and breakout booths.
- 2.4 The feasibility brief required a report detailing the suitability and works required for each of the six areas to create open plan office space, for approximately 200 members of staff at any one time. The brief required a similar standard to that of the offices in the South Wing of the building, containing both standing and seated desking, break out and meeting space, office storage and staff welfare facilities. The target up to 200 staff members allowed for growth of existing teams, and the potential future relocation of services from outlying locations, e.g., Marsh Lane Depot.
- 2.5 From early assessments of the building structure via existing record drawings, it was understood that the East Wing has several long spanning loadbearing walls. Assuming that significant structural alterations would be cost prohibitive, the brief required the consultant to apply creative logic to the existing space.
- 2.6 Peter Marsh Consulting (PMC) were selected to deliver the feasibility works having provided the best overall proposal. The PMC team consisted of Project Managers, Architects, Structural Engineers, M&E Engineer, and a Quantity Surveyor, who all attended Appletree Court to carry out a thorough inspection of the building and existing facilities. At the mid-point of the process PMC joined the NFDC Project Team, which included colleagues from the Estates, Facilities, ICT and Sustainability teams at Appletree Court, to present and 'workshop' their initial findings and proposals prior to finalising their report.

3. Key Findings and Options Appraisal

3.1 Outcome 1

- i. The first outcome report confirmed that within the North and East Wings, there is ample opportunity to accommodate 200 staff via a mixture of workplace styles. It was noted that each of the in-scope areas had differing levels of design restriction, based on the building structure.
- ii. PMC produced a summary RAG assessment, showing the suitability of each zone against the brief:

RAG Metric	(A) North Wing – Ground Floor	(B) North Wing – First Floor	(C) North Wing – Second Floor	(D) East Wing – All Floors
Brief	Area = 252 m2 Provisional Desk Spaces – 44 Semi Open Plan Spaces Possible	Area = 278 m2 Provisional Desk Spaces – 42 Semi Open Plan Spaces Possible	Area = 339 m2 Provisional Desk Spaces – 56 Semi Open Plan Spaces Possible	Area = 1,300 (estimate) m2 Desk Spaces – 174 Central corridor and structural form limits degree of open plan space possible.
Costs	Price per m2 - £2,235	Price per m2 - £2,273	Price per m2 - £2,673	Price per m2 - £2,036
Programme	Modest levels of intervention – deliverable over a 6-10 week programme	Levels of intervention may require a longer programme of 8-12 weeks	The inclusion of a new platform lift would increase the lead time for works on this floor, whilst the onsite delivery period should be 10-12 weeks	Modest levels of intervention – deliverable over a 6-10 week programme
Sustainability	Sustainable heating, cooling and ventilation strategies all deliverable.	As left	As left	As left
Accessibility	Ground floor access near to current reception	Platform lift meets minimum requirements.	Requires platform lift to meet minimum accessibility standards	Lift access provided in stair core that joins South Wing.

- iii. In addition to the structural and architectural works, PMC included allowances for alterations to heating systems, for cooling in areas where required; and for the installation of mechanical ventilation heat recovery units to bring tempered fresh air into each working area to create a more healthier and sustainable working environment.
- iv. Ultimately, the projected cost for the refurbishment of all in-scope areas (including construction, contingency, and professional fees) was within a range of £4.2 to £5.2m, which the Council was not able to justify against the expected level of letting income from the south wing.
- v. Three costed options were also produced, based on a 'mix and match' approach to Wings and Floors. Each of these three options were more than £3m.

3.2 Outcome 2

- i. Accordingly, a revised target was agreed to provide 175 desk spaces, rather than the original target of 200, with a £2m cost cap. Based on accessibility limitations, the North Wing Second Floor was removed from scope. North Wing First Floor was also removed, as it was felt that the focus of the investment should be within the East Wing.
- ii. To meet the revised budget of £1.5m to £2m, PMC removed some recently refurbished areas from the scope of the original proposal and reduced the requirement for MEP. This included taking out some of the proposals for air circulation on the basis that better use of existing windows and trickle vent systems is an acceptable, if less optimal, solution for the Council.
- iii. Two further options were proposed, of which Option 5 (solely focused on the East Wing) offered the most acceptable cost to benefit ratio to the Council. The Project Team asked PMC to apply some additional refinements with a view to reducing the cost further.

3.3 Outcome 3

- i. The Project Team and PMC held a further design workshop at Appletree Court. PMC focused on improvement opportunities in the East Wing, de-risking some of the earlier proposed interventions. They amended their existing Option 5 and developed a new Option 5a, which is proposed as the preferred option.
- ii. The project cost is reduced by removing all previously refurbished areas from scope, recognising that they have already been decorated to a good standard. Initial floor

plan concepts provide adequate space to accommodate 181 desks, at approximately 7sqm per desk. This is above the minimum standard of 4sqm per desk.

- iii. The projected cost of Option 5a (including construction, contingency, and professional fees) is £1.4m to £1.8m. Any further interventions to value engineer or reduce the brief will compromise the purpose of the project and fail to deliver against the objectives.

4. Costs

- 4.1 The summary of all options, include high-level indicative cost estimates can be summarised as follows:

Option	Area	Range
Initial Option 300+ desk spaces	North Wing – Ground Floor, First Floor, Second Floor East Wing – Ground Floor, First Floor, Second Floor	£4.3m - £5.2m Payback 18-19 years
Option 1 205 desk spaces	North Wing – Ground Floor, First Floor, Second Floor East Wing – First Floor	£2.2m - £2.7m Payback 9-10 years
Option 2 212 desk spaces	North Wing – Ground Floor, First Floor East Wing – Ground Floor, First Floor	£2.1m - £2.6m Payback 9-10 years
Option 3 142 desk spaces	North Wing - Ground Floor, First Floor, Second Floor East Wing - None	£1.6m - £1.9m Payback 7-8 years
Option 4 164 desk spaces	North Wing – None East Wing - Ground Floor, First Floor, Second Floor	£1.6m - £2.0m Payback 7-8 years
Option 5 192 desk spaces	North Wing – Ground Floor East Wing - Ground Floor, First Floor (some previously refurbished areas removed from scope)	£1.6m - £2.0m Payback 7-8 years
Option 5a* 181 desk spaces	North Wing – None East Wing - Ground Floor, First Floor, Second Floor (all previously refurbished areas removed from scope)	£1.4m - £1.8m Payback 6-7 years

- 4.2 Option 5a is the preferred option, with the recommendation of this report requesting a budget of up to £1.75m to see through the works associated with this option.
- 4.3 The estimated cost for option 5a includes £170,000 of required fees and additional works as follows;

Item	Est. total cost
Feasibility	£30,000
RIBA design fees; pre and post tender	£144,000
Fees contingency at 9%	£14,000
Toilet and Common Areas refurb	£20,000
Minor repair works	£15,000
ICT alterations	£12,000
Access control alterations	£15,000
Power and heating sub-metering	£20,000
TOTAL	£270,000
Approved Feasibility Budget	(£100,000)
Fees and Additional Works	£170,000

5. South Wing – Income/savings opportunities

- 5.1 ATC South Wing comprises three floors of just over 3,000 sq.ft a floor which combine to provide a total space of 9,666 sq.ft of modern office space.
- 5.2 As part of a market assessment, we engaged with a firm of regional office agents and asked them to advise us on the level of market demand for the space and the levels of rent that could be achieved on a furnished and unfurnished basis.
- 5.3 Their report (in February 2024) stated that “the office areas are perfectly acceptable and would be considered good quality in the local market.” Most interest is expected to be from occupiers that are currently located in the New Forest area seeking expansion or seeking to “Right Size” into better quality accommodation.
- 5.4 We have also received direct approaches from other public sector bodies. It would be our intention to start a hard test on the marketing, once the proposal to let the South Wing has received approval at Cabinet.
- 5.5 In terms of rental advice, they advised that this could range from £15.50 per sq.ft for unfurnished space to £18.50 per sq.ft for furnished space. This assumed that the south wing could be separated from the rest of the ATC building in order that tenants could have their own access and defined office areas either over single floors or as a combination. The costs for this split works have been identified in 4.2 above.
- 5.6 The total expected rental income from the space could therefore be in the order of £180k for all 3 floors on a “furnished basis” which would be the basis of our marketing strategy. We would then need to add the expected savings in terms of our rating

liability for the space at £80,000 per annum – so a combined total of £260,000 per annum.

Floor	Area sq.ft	Rent per annum (furnished)	Est. Business Rates liability per annum (£90p/sqm)	Total per annum based on furnished
Ground	3,003	£55,558	£25,110	£80,668
First	3,358	£62,130	£28,080	£90,210
Second	3,305	£61,134	£27,630	£88,764
TOTAL	9,666	£178,822	£80,820	£259,642

- 5.7 In addition, there is likely to be quantifiable savings through the service charge which could deliver between £10,000-£40,000 in further savings but will be subject to further investigation. A target figure of £300,000 across rental income and savings opportunities is therefore the figure being used in the supporting business case.

6. SWOT Analysis

Strengths:	Weaknesses:
<p>Aligns to transformation strategy and delivers against the Assets and Accommodation theme.</p> <p>Addresses the ongoing under-utilisation without disposing of a critical asset.</p> <p>Allows stronger networking within the District with an opportunity for third party tenants, of NFDC choosing.</p> <p>Opportunity for long-term income generation.</p>	<p>The original project brief was holistic in its approach and offered a significant impact. Due to the cost, the scheme has been scaled back with several compromises.</p> <p>Project no longer encompasses the North Wing Ground Floor, which would have directly addressed staff comments around a lack of suitable meeting space.</p> <p>There are negligible environmental improvements (within the building) due to the scaled back approach to cost savings. The project therefore does little to deliver against NFDC's approved Climate Action Plan.</p> <p>The introduction of third-party tenants creates an additional administrative task (preparing Heads of Terms, leases, management function etc).</p>

Opportunities:	Threats:
<p>The scheme allows NFDC to promote an enhanced offer to staff, to aid attraction and retention.</p> <p>A planned installation (24/25) of Electric Vehicle Charging Points (EVCPs) will further boost our staff and visitor benefits.</p> <p>The project has already highlighted the 'Phase 2' potential of the North Wing Ground Floor as a mixed-use break out hub.</p> <p>Common areas will require refurbishment to balance the location of toilet facilities, i.e. make all toilets gender neutral cubicles.</p> <p>A "Do Nothing" or minimal intervention approach will reinforce current habits and not encourage change or release a financial contribution in support of the MTFP.</p>	<p>If approved, the project will need to be appropriately resourced, as delivering to time and budget will be imperative.</p> <p>Due to the scale of the work, staff will need to be temporarily relocated to alternative workplaces (or home).</p> <p>Critical services in the in-scope areas, e.g. ICT Server Rooms, must have minimal disruption.</p> <p>Interest in the South Wing has not yet been fully canvassed with preferred third parties.</p> <p>Some teams have specialist requirements that will need to be relocated appropriately (e.g. Revs and Bens 'glass box').</p>

7. Preferred Option

- 7.1 The preferred option, based on the extensive data and advice that the Project Team have received, is to take Option 5a through to detailed design, at an estimated total project cost of £1.4m to £1.8m.
- 7.2 This option meets the original spatial brief and offers an enhancement of existing facilities to staff. It will create a cohesive look and feel, that can in turn be aligned to the objectives of the wider transformation agenda.
- 7.3 Further added value could be achieved later with a standalone refurbishment of the North Wing Ground Floor. Early concept designs indicate that the area can be significantly opened, to create modular and flexible spaces. This area would lend itself to a mixed-use hub, with a training suite, enhanced interview rooms, collaboration spaces and touch-down zones. Large internal meetings (that are currently held in the Council Chamber due to lack of appropriate space) could be relocated into this area.
- 7.4 Should option 5a be approved as a concept, Officers estimate that it will take up to 26 weeks for the design team to prepare a package of works for the tender of construction. In tandem with this, a robust stakeholder engagement strategy will ensure that Staff and Cllrs are involved in the journey, through interactive feedback sessions, user groups and appropriate communication.

8. Success Factors

- 8.1 The effective implementation of this new way of working would require mapping of a staff engagement strategy to the on-site activity, from pre-construction through to operational handover.
- 8.2 In particular, it should be noted that the most common 'team day' is currently a Thursday. All directorates will need to work together to agree appropriate team days, taking into account non-working days. This will help to ensure that the correct balance of collaboration and utilisation is achieved.
- 8.3 Careful consideration must be given when onboarding the existing users of the South Wing. Messaging needs to reflect that the project is a significant change for those teams, and a top-down approach will help to promote the benefits and opportunities that will be delivered.
- 8.4 Due to the scale of the works and the potential disruption, it is recommended that the East Wing is refurbished in successive phases. This allows for a soft launch of the new working arrangements and ensures that troubleshooting can be managed effectively through each stage as a step-change.
- 8.5 To support team adjacencies and promote impactful working, it is proposed that each floor of the East Wing accommodates a directorate. Layout planning will be a critical element of the design stage, to ensure this works in practise.