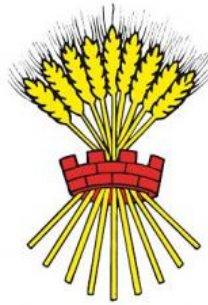


RYEDALE
DISTRICT
COUNCIL



Business Case for a New
Public Service Hub in Ryedale

March 2018

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1. Background

By 2022 it is forecast that Ryedale District Council will need to find additional savings totalling approximately £0.5m. The T2020 transformation programme was launched in 2016 and has achieved savings of £1.5m through to March 2019.

Utilisation of the asset portfolio of the Council has been identified as a key element of the Financial Strategy. With property assets tending to yield between 4.5 per cent and 7 percent this type of investment appears to make economic sense to help offset the impact of funding cuts and help to achieve further savings whilst helping to deliver the Council's stated priorities.

The Medium Term Financial Plan, Council Plan, Ryedale Plan, and the Scrutiny Review of Assets identify clearly that there is a need for further savings, and that efficiency must be driven from the Council's Asset portfolio.

A previous piece of work considered by Members in September 2017 identified suitable locations for a new civic presence, developed initial design, layout and costs analysis of each option and engaged with many local and national partners to further enhance the opportunity for Ryedale to drive growth, raise revenue, improve customer services and establish a flexible location for the future whilst developing tangible approaches to delivering on commitments made by the Council.

In September 2017 the Members of the Council's Policy and Resources Committee requested a business case be prepared and acknowledge the following as the basis for this:

- Ryedale House is no longer fit for purpose and the maintenance costs are prohibitively expensive.
- The preferred option of office accommodation on the site of the current Community House
- To develop proposals for a hub for public sector and voluntary and community sector partners, linked to the OPE programme.
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In November 2017, a bid to the sixth round of the One Public Estate programme, supported by both the LGA and the Cabinet Office, awarded £130,000 to two Ryedale asset development projects as part of the bid covering all of North Yorkshire and submitted by the North Yorkshire Property Partnership (NYPP).

2. Ryedale District Council - The Challenge

Ryedale District Council, like most other authorities in the UK are undergoing significant change and improvement. There is a real opportunity to accommodate some of that much needed change and in turn:

- Improve the medium to long term financial position of the Council.
- Promote inward investment.
- Secure the long term sustainability of the public service provision for the Council.
- Provide the quality of customer access and experience through the creation of a Public Services Hub that offers a combined level of service provision reaching beyond those provisions already in place at Ryedale House.

The Council faces significant challenges in continuing to balance its budget over the next five years and is required to continue to make savings. By 2020 the Council will have saved over £4 million from the revenue budget. The Council Plan emphasises the need to maximise opportunities to achieve efficiencies and meet the needs of customers and communities whilst utilising assets and working in partnership.

3. Ryedale House

There is an opportunity to address the significant underoccupancy of Ryedale House, dramatically reduce the increasing capital maintenance investment requirement and reduce running costs whilst improving efficiency of operations, by relocating.

Relocating from the Ryedale House site would additionally present a development opportunity on the site for a housing-led scheme to help meet local housing needs and provide an ongoing revenue stream to support the operation of the Council. Homes England funding is being utilised through the Accelerated Development Programme to assist delivery of housing elements through project development and technical studies.

Renovation Costs for Ryedale House

Following condition surveys it is understood that Ryedale House requires £1.5m investment over the next 5 years (£900k of which is required in 2018) to maintain the offices to a minimum standard. Should Members preferred option be to continue to occupy Ryedale House, and lease the additional office space, renovation to a high standard would be required to attempt to compete in the market for office accommodation.

Office Space Required by RDC

RDC currently "occupy" 1682 sq metres (18,104 sqft) at Ryedale House. The office requirement from April 2017 has been reduced to 100, with new ways of working increasing mobile working, a further targeted reduction in office space by 30% when the new ways of working are fully implemented is expected, resulting in an office space requirement for 65-70 people. With a more effective office design the office space requirement for RDC office space reduces dramatically to 500 sqm (5382 sqft)

Requirement for Civic Space

RDC has 30 Elected Members who have a requirement for a civic meeting space for Full Council meetings, currently capacity in the Chamber is for 100, to include Members, staff and the public. Members have identified a requirement for a dedicated office for the Leader of Council, should Members vote to have one, and for a dedicated room for use by Members. In September 2017 the Members of the P and R Committee agreed to the principle of holding Council meetings in venues such as the Milton or Assembly Rooms in Malton, Memorial Hall in Pickering and Town Hall in Kirkbymoorside.

Customer Requirements

The Council is working to develop seamless services where customers are able to access everything they need from the Council and its partners in one place. In developing a "One Ryedale" approach to service delivery, which may be 'virtual', the Council will ensure everyone including partners will work towards resolving customers' issues and queries at the first point of contact.

Future service delivery will be focused on simplifying the way customers access services, giving them control over the services they use, listening and responding to feedback. Services which can be delivered digitally will be, thus allowing specialist resources to be focused on complex cases in those service areas which cannot be delivered digitally and with a focus on customers who approach the Council with the most complex needs. Our 'One Ryedale' approach will ensure customers have a seamless and single experience when transacting with the Council an approach which is supported by the Council's public and voluntary sector partners.

Experience of co-location of RDC officers with the DWP at the Job Centre in Norton has been very positive and customers have benefitted from the opportunity to resolve a wider range of issues and complete complex transactions in a single location.

The Case for Change - Investment Opportunities

The Council Business Plan for 2017 to 2022 sets the strategic priorities for the Council and aligns the Business Plan and the Medium Term Financial Strategy to support the delivery of the Council's transformation programme – Towards 2020, and ongoing savings requirements to 2022.

The vision for Ryedale District Council is to continue doing what matters for Ryedale. Under this vision there are three established priorities driving the Council and some objectives which would be delivered by the development of the Public Service Hub and dependent projects:

Sustainable Growth

- Promoting a strong economy with thriving businesses and supporting infrastructure for future generations
- Enabling the provision of housing that meets existing and anticipates future need
- Capitalising on our culture, leisure and tourism opportunities

Customers & Communities

- Making the best use of resources to ensure maximum benefit for all customers and communities across the district, particularly the most vulnerable

One Ryedale

- Utilising assets in supporting the delivery of priorities
- Developing business opportunities for the Council and optimising income
- Building capacity and influencing policy in partnership
- Enabling services through the innovative use of IT
- Delivering the Towards 2020 programme and anticipating further savings required to 2022

RDC have the opportunity considering currently underutilised assets to develop a strategy that provides robust economic development, brings service delivery closer to the community and considers future flexibility of the Council considering public partnerships.

Additionally the Council will have balances in excess of £6m by March 2018 which could be used to invest in the management of the assets portfolio to achieve returns which could support the revenue budget by 2022.

Existing Space utilisation

Ryedale House is currently the Civic Headquarters of Ryedale District Council. The property comprises a 3 storey office building (including Council facilities such as a large reception and council chamber) built in 1978. It extends to a Gross Internal Area of 3,465.7 m² (37,306 sq ft) and a Net Internal Area of 2,586.9 m² (27,846 sq ft). There is surface parking for approximately 140 cars.

The offices have not been substantially refurbished or modernised since being built and the space is therefore dated and inefficient both in energy performance terms (e.g. it is single glazed with concrete floors and there is no air handling system) and in meeting modern office standards. Expenditure of £900k is required imminently to remain in situ in Ryedale House. Feedback from staff is that the current building does not provide an acceptable standard of accommodation and that investment is required if Members decide not to relocate the Council offices. The preference expressed by staff to managers is of a desire to have certainty regarding the future location of the Council operations and to move away from Ryedale House.

RDC currently "occupy" 1682 sq metres at Ryedale House. The office requirement from April 2017 has been reduced to 100, with new ways of working increasing mobile working, a further targeted reduction in office space by 30% when the new ways of working are fully implemented is expected, resulting in an office space requirement for 65-70 people. With a more effective office design the office space requirement for RDC office space reduces dramatically to 500 sqm.

4 Option Appraisal

Members of the Policy and Resources committee have already identified option 2c as their preferred option however other options have been explored as follows:

Option 1: To retain Ryedale House, continuing to occupy part of the building and subletting the unoccupied space to other public sector organisations.

The way to capitalise the rental income would be to sell the freehold having put in place a suitable lease structure for both Ryedale District Council and any other public sector occupiers. The value would be a function of the length of leases, rental levels used and the covenant strength of the Council and other occupiers. A minimum 25 year commitment would be required to generate significant value. If a rent of £7.50 per sq ft was achieved together with an investment yield of 7% then a value of circa £2,800,000 could be generated.

The costs of refurbishment and maintenance over 25 years would be £2,273,800 and so the net gain from the leases would be in the region of £500,000.

This option would prevent the development of the site for housing, as requested by Members in line with their stated priorities. Ryedale House has further been shown to not be the most accessible location for customers or staff utilising public transport to access the Council offices.

Option 2: To develop a Public Service Hub on the site of Community House, Malton

There is an opportunity to develop a purpose built Public Sector Hub that shares vital community services, is located close to the town centre and infrastructure that dramatically reduces running costs across the public services. The Council will need to invest in the refurbishment of Ryedale House in the near future and so the development on the site of one to enable the relocation from another would deliver value for money. The Public Services Hub will enable the Council to offer better customer service and maximise staff efficiency by reducing duplication, sharing resources and streamlining processes - all of which will result in efficiency savings for the Council.

There is a real benefit in considering other stakeholders as potential co-location tenants in the new public services hub. These may include but not be limited to the Department for Work and Pensions, North Yorkshire County Council and North Yorkshire Police, North Yorkshire Fire and Rescue Service and Yorkshire Ambulance Service, and potentially health care providers and community and voluntary sector services. Through the OPE funding and the NYPP the requirements of the potential partners are being assessed, in terms of location, service provision and space requirements.

The likely delivery model for the Public Service Hub for Ryedale will be that of self delivery by RDC supported by the NYPP and funding from OPE to support programme management and some professional fees.

Partners will contribute into the scheme either through rent or Capital investment. These terms would be negotiated following any approval for the project from RDC.

The existing Community House is presently home to the Town Council with some space being used for storage. The building is set within its own site and has access from two levels. It is in relatively good condition with access to the lower level currently being from a large car park. The upper level is accessed via a bridge from street level and across the road is a garage. Initial feasibility analysis undertaken to date has identified that the building could easily be extended with opportunities to adapt the internal spaces. The split level configuration could accommodate separate uses for each floor and linked by a lift. The site has been identified as having great potential either through the reconfiguration and extension of the existing Community House and associated properties, or a complete new build, to provide a Public Service Hub for Ryedale.

Three options for the development of a new location for RDC utilising Community House and its site have been the subject of high level feasibility and design. These are as follows:

- a. Refurbishment of existing building
- b. Extension and refurbishment of existing building
- c. New build on the site of the existing building.

The largest and most expensive of the options is the third, new build. Further design work will be undertaken with partners and including public consultation to design the optimum building to house a Public Service Hub. The recommendation to proceed being supported in this report allow for the most expensive option, but the only one which can accommodate the public service hub. The first option 2a would not provide sufficient space to meet the needs of the partners already identified for co-location in the hub or the meeting spaces required by partners or members. Option 2b, to extend and refurbish the existing building, does not provide any space for partners. Option 2c would provide a new building which would accommodate all of the needs identified for the Council and partners.

OPTION	OFFICE DESKS No.	CIVIC/MEETING m2	PUBLIC m2	PARTNER SPACE	COST ESTIMATE
2a	16	-	141	-	£200,000
2b	65	276	152	-	£1,500,000
2c	122	300	150	Yes	£2,500,000

Option 3: Do nothing

The condition of Ryedale House building is poor and is getting worse. An investment of £1.5 million is required in the next 5 years, with £900k in 2018/19 in order for the continued use of the building as the civic centre and offices to be viable. There is no funding currently identified to meet this requirement and additional funding would need to be raised through either borrowing, with a revenue implication of £70,000 pa for every £1million borrowed over a term of 50 years, or through the disposal of assets which, in turn, could reduce the revenue available to the Council through rental income, or from reserves.

Preferred Option 2c - A Public Service Hub for Ryedale

Option 2c, new build on the site of Community House is the preferred option.

There has already been strong and positive engagement with organisations interested in the development of a Public Sector Hub including, North Yorkshire County Council, Department for Work and Pensions, North Yorkshire Police and other organisations delivering public health and community sector services, in the development of a Public Services Hub for Ryedale in Malton town centre. All parties have demonstrated a willingness to explore the opportunity and now need to see the Council making a commitment to the development of the project. There is an opportunity to develop a purpose built Public Sector Hub that shares vital community services, is located close to the town centre and infrastructure that dramatically reduces running costs across the public services. The Council will need to invest in the refurbishment of Community House and Ryedale House in the near future and so the development on the site of one to enable the relocation from another would make financial sense. The costs of refurbishing these two assets are not included in the Financial Strategy to 2022 and would be in excess of £1.5m

Co-location with Partners

NYCC currently collocate with Ryedale District Council in the existing offices leasing space to accommodate the Registrar Services, Childrens & Families offices, Health and Adult Services Offices and offices accommodating the Living Well service. The Living Well Service is a NYCC department which aims to improve the health, wellbeing and independence of adults within North Yorkshire. The team works closely with other departments such as public health and Stronger Communities, and in partnership with the NHS Clinical Commissioning Groups, district councils and voluntary, community and social enterprise organisations.

A move to the Malton Public Sector Hub is in line with NYCC's commitment to deliver services differently and work more effectively with communities to help them provide for themselves. In addition to accommodating those functions already in place at Ryedale House, there is an opportunity to combine and better coordinate the Stronger Communities Programme and Living Well Service with services provided by NYCC, North Yorkshire Police, DWP and Ryedale District Council, in addition to any other potential tenants that would add value to the Malton Public Services Hub. Discussions between RDC, NHS CCG's, NHS Health and the North Yorkshire Police has identified real opportunities to combine some of the customer service provisions and outreach programmes to better reach those individuals with the greatest needs for assistance within the area. The Public Services Hub would be a vessel to best accommodate such efforts and achieve a "One-Ryedale" approach to achieving Council Priorities.

The Department for Work and Pensions (DWP) currently occupy expensive leased space by Malton station, less than half a mile from the proposed site. In line with its estates rationalisation programme the DWP has expressed a strong interest in collocating with RDC in a Malton Town centre location and in a Public Service Hub. Nationally efforts will continue to save in excess of £90million a year as the DWP continue to look for further opportunities including co-location with other organisations. Nationally 68 smaller job centres are to be merged into larger or underused ones nearby. A further 40 jobcentres will be co-located within local authorities or other community services to provide joined-up services for the local community with all services in one place.

There has also been encouraging conversations with North Yorkshire Police, who are currently looking for suitable space in the centre of Malton to relocate response services that currently do not meet the needs of the community. The Blue Light Strategy, combining efforts of the YAS, Fire and Police, promotes the need to achieve a single approach to community safety across Police and Fire and Rescue and the roll out of community safety hubs. In line with this objective North Yorkshire Police will seek to explore collaborative opportunities with other blue light services, local authorities and public bodies by sharing premises and support functions with the aim of reducing both capital & revenue costs.

Efforts are also being explored with NHS and the Clinical Commissioning Groups in identifying any opportunities afforded to accommodating the overall strategic and local objectives regarding transformation work. The aim being for RDC, NYCC, Blue Light, Community and Voluntary sectors to assist the CCG's in facilitating the transformation work intended to create sustainability in primary and secondary care. Working together to achieve the redesigning of community-based pathways to enable people to receive health and social care within their communities and by reviewing services delivered over a wider foot print.

Project Delivery Timetable – Indicative for Option 2c

A summary of target milestones for delivery is as follows:

Design brief development and consultation	-	January to June 2018
Design development Outline design	-	June to December 2018
Planning application, submission & decision	-	October 2018 to April 2019
Technical Design & contractor procurement	-	January to May 2019
Construction period	-	May 2019 to July 2020
Occupation	-	July 2020

6. Dependencies

Public Sector Partners

The successful delivery of the preferred option of Public Service Hub, as previously identified by the Members of the P and R committee in September 2017, is dependent on the participation of partners. Partner engagement has been undertaken and indicates strong support for both the principle and the location as the site of Community House.

Car Park Strategy

Initial high level design considerations indicate that the hub can be accommodated without incursion onto the existing car park adjacent to site of Community House. A car park strategy for Ryedale would include Wentworth Street Car Park, its configuration and capacity, with the aim of maintaining the current levels of parking provision.

Milton and Assembly Rooms

Members have expressed a preference for holding meetings of Council and larger committee meetings in the Assembly Rooms or Milton Rooms. The successful development of the Milton and Assembly Rooms is therefore significant in achieving this ambition. As members have already committed to making a capital contribution to the development project in the sum of £321,000 (20% match funding for the scheme), there is an opportunity to work in partnership with the Committee in ensuring the Council meets both its obligations as leaseholder for the complex, but also to ensure the successful delivery of the improvements to ensure value for money and achievement of a stated priority of the council for sustainable growth.

Ryedale House Site

Relocation from Ryedale House to a Public Service Hub in Malton would release the Ryedale House site for housing development, which has the potential to deliver significant levels of affordable housing and provide a revenue funding stream to the Council to support a sustainable financial position for the delivery of services for the communities of Ryedale beyond 2022.

Further the opportunity is created to co-ordinate a structured land assembly amalgamating NYCC, Ryedale District Council, North Yorkshire Police and Yorkshire Ambulance Service land. All current assets are underperforming, surplus to requirements and in need of investment. This presents an opportunity to develop a co-ordinated development approach to build housing and care services across the site, accelerating housing delivery and improving public services in response to the need for accelerated Extra Care opportunities in North Yorkshire.

7. Project Delivery Fees – Indicative

The table below illustrates the standard core professional fees as percentages of construction cost indicating a split per stage of overall fee. This information is intended to provide an indication of potential fee requirements to inform a decision to proceed by Members. The fees are included in the cost estimate for the new build option 2c.

From OPE there is a contribution to the cost of the development of the Public Service Hub in Ryedale in the sum of £50,000

	Construction Cost		£1.5m to £3m
	(ex contingencies and VAT)		
	Architect		7.0%
	Cost Consultant		2.0%
	Services Engineer		1.8%
	Structural Engineer		1.8%
	Project Manager		2.5%
	Total Core Services Fees		15.1%
	Indicative core fee at upper threshold of each stage		£453,000.00

Expenditure by Stage

RIBA 1			
RIBA 2	Up to Planning	40%	£181,200.00
RIBA 3			
RIBA 4	Tender	20%	£90,600.00
RIBA 5	Construction	38%	£172,140.00
RIBA 6			
RIBA 7	Handover	2%	£9,060.00
			£453,000.00

8 The Financial Case

The Council anticipates a gap in the revenue requirement for the Council by 2022/23 requiring further savings of £535k and will have balances in excess of £6m by March 2018 which could be used to invest in the management of the assets portfolio to achieve returns of between 4.5% and 7% (a return of between £270k and £420K pa)

The asset within the Council's current portfolio, which has the potential to achieve the delivery of both housing and a return on investment is Ryedale House. In order to release this site for development the Council must relocate. Ryedale House could be retained and continue to be occupied by the Council, but an investment of £1.5m is required, the market for this type of office accommodation is limited. The budget to refurbish Ryedale House and Community House are not current included in the Financial Strategy.

Relocating to a new office building would reduce the running costs of the Council from 2020/21. Currently these are £130,000 (inclusive of R&R, Elec, Gas, water and sewerage). A reduction of 10-15 % in running costs is anticipated and of 40% in energy costs.

Partners will contribute into the scheme either through rent or Capital investment. These terms would be negotiated following any approval for the project from RDC

Capital Considerations

The capital strategy is the key vehicle for the Council to develop long term change to deliver the key priorities and corporate objectives.

Cost consultancy advice is that a new building for a Public Service Hub on the site of Community House will cost £2.5 m including fees. The development of a new build public Service Hub in Malton on the site of Community House would require the allocation of £2.5m from reserves.

The liability of Ryedale House in its current condition is considerable and 'do nothing' brings the requirement for £1.5m to be transferred to the capital programme from reserves.

The opportunity presented by the site as a refurbished office building does remain but is not recommended. The market for this type of serviced office accommodation is not strong in Malton. The cost of refurbishing the building to a standard where the accommodation would be attractive within the market would be at least £1.5m. If a rent of £7.50 per sq ft was achieved together with an investment yield of 7% then a value of circa £2,800,000 could be generated from the building. The costs of refurbishment and maintenance over 25 years would be £2,273,800 and so the net gain from the leases would be in the region of £500,000

9 The North Yorkshire Authorities Property Partnership – OPE

One Public Estate (OPE) Partners, consisting of 14 local authorities and public bodies, were recently informed of the success of receiving £220,000 of bid funding which includes supporting a collective push by North Yorkshire Authorities Property Partnership (NY APP OPE) to achieve stronger partnerships and a greater understanding of existing assets. Collectively the OPE Programme provides the platform to strengthen how we work together and communicate more effectively through the mapping of our assets. Identifying additional opportunities to working together in efforts to co-locate, rationalise property usage and achieve potentially substantial expenditure savings across North Yorkshire mirrors efforts already being made by all of the OPE Partners in key strategic, corporate, council plans and collaboration programme efforts. Common themes running throughout all of the documents which tie into the OPE Programme objectives for North Yorkshire include:

- Strengthening partnerships;
- Improving service delivery;
- Supporting economic growth;
- Transforming ways to deliver services to improve quality and reduce costs;
- Investing in partnerships that support local economies;
- Maximise council assets - improving council income;
- Providing fit for purpose council;
- Working with all public-sector bodies to get the most from collective public expenditure;
- Driving economic vitality - working to deliver community needs through partnerships; and
- Improving the integration of services and offering single point access;

Commitments to achieving the programmes included in the funded NYAPP OPE programme will provide the drive and coordination to assist each OPE Partner in achieving Corporate, Council and Strategic Objectives.