

Report for: Cabinet

Date of Meeting:	27th May 2021
Subject:	The Council's Accommodation Strategy and the Harrow New Civic Centre
Key Decision:	Yes - this is a key decision because: <ul style="list-style-type: none">i. it will result in the Council incurring expenditure in excess of £1m capitalii. it will be significant in terms of its effects on communities in all wards of the Borough as the decision relates to the Council's Headquarters building.
Responsible Officer:	Sean Harriss - Chief Executive
Portfolio Holder:	Councillor Graham Henson Leader of the Council and Portfolio Holder for Portfolio Holder for Strategy, Regeneration, Partnerships and Devolution Councillor Natasha Proctor – Deputy Leader and Portfolio Holder for Finance and Resources
Exempt:	Appendices 2, 5, 7 and 8 listed below are not for publication by virtue of paragraphs 3 and 5 of Part 1 of Schedule 12 A of the Local Government Act 1972 as they contain information relating to the financial or business affairs of the Council and other parties as well as information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
Decision subject to Call-in:	Yes
Wards affected:	All

Enclosures:

Appendix 1: Council Strategic Brief to Bidders

Appendix 2: Avison Young Reports on Forward Drive and Wealdstone 2020/2021 (Not for publication)

Appendix 2: Avison Young Reports on Forward Drive and Wealdstone 2020/2021 (Public)

Appendix 3: Volterra Economic Study

Appendix 4: Equalities Impact Assessment

Appendix 5: Financial profile (Not for publication)

Appendix 6: Forward Drive Fit -out Design Concept

Appendix 7: Savills - Peel Road (Not for publication)

Appendix 7: Savills - Peel Road (Public)

Appendix 8: Forward Drive Depot Contract Claims (Not for publication)

Appendix 9: Reference from the Overview and Scrutiny Committee (to follow)

Section 1 – Summary and Recommendations

1.1 This report sets out the proposed approach to the Council's future accommodation, outlines the reasons for this and seeks the necessary approvals for carrying out works to the Forward Drive Depot, and incorporating the proposals in the Harrow Strategic Development Partnership Business Plan.

1.2 Cabinet is requested to:

- i. Approve that the Council's accommodation strategy be based on Forward Drive Depot and a new Harrow Civic Centre at Peel Road, Wealdstone

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- ii. Approve that the proposed new Harrow Civic Centre should be at around 20,000 sq. ft floorspace at an estimated cost of £21.899m. This is broken down into £17.073m for the New Civic Centre and £4.826m for 40 units of basement parking. The exact dimensions and costs will be determined following detailed design.
 - i. A further report to agree the final design and costs will be brought back to Cabinet for approval.
 - iii. Agree that the proposal at i. above should be included in the draft business plan for the proposed Harrow Strategic Development Partnership together with the 40 units of basement car parking and the proposed construction of 46 units of affordable housing.
 - iv. Approve the fit out of Forward Drive Depot at an estimated cost of £8.415m (£7.690m capital expenditure and £0.725m revenue requirement).
 - v. Approve the award of the fit out works to Kier, the principal contractors at Forward Drive Depot, by variation to the existing contract with the necessary waiver to the Council's Contract Procedure Rules.
 - vi. Note the estimated financial impact for the Council of the Harrow Strategic Development Financial Viability Model as detailed in the financial implications section of the report.
 - vii. Within the 2021/22 Capital Programme approve a virement of £7.690m in 2021/22 from the 'Poets Corner' scheme to a newly created scheme titled 'Accommodation Strategy' to fund the fit out of the Forward Drive Depot.
 - viii. Within the 2021/22 Capital Programme approve a virement of the balance of £0.429m from the 'Poets Corner' scheme into the 'Investment in 3 core sites' scheme to support the capital requirement for the new HNC and basement parking.
 - ix. Agree to delegate decisions pertaining to procurement and contractual issues, including the approval of further variations to the fit out of the Forward Drive Depot, and the authority to issue further variations to the contract with Kier, to the Chief Executive, following consultation with the Director of Finance and Assurance, the Leader of the Council and the Cabinet Member for Finance & Resources.
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Section 2 – Report

Introductory paragraph

2.1 The Council's ambitions to update its' style and ways of working will be facilitated by new accommodation that will enable a modern agile approach to work. The proposed approach is that the Council's main office space where

staff can hold meetings, collaborate and carry out relevant work will be at Forward Drive Depot, and the Councils Civic Centre with public, community and member space will be at Peel Road. The new Civic Centre will be delivered by the Harrow Strategic Development Partnership which has been procured by the Council for this purpose, among others. This report seeks approval of the strategy so that the new Civic Centre can be included in the HSDP Business Plan and seeks approval for the spending to fit out the Forward Drive Depot for council staff use.

Options considered

2. The following options have been considered:

2.2.1 Build the Harrow New Civic Centre (HNC) at the size specified in the original strategic brief

The strategic brief to bidders is attached at Appendix '1' and covered in detail below. It sought a building of 94,000 sq. ft, gross internal area. It is now clear that taking into account the Council's proposed approach to modern ways of working, together with the completion of Forward Drive Depot and learning from the recent pandemic, the Council would have more office accommodation than it now requires and that this would lead to both inefficient use of space and in all likelihood, to unused office space.

2.2.2 Letting of part of or all the HNC site

The Council's advisers Avison Young have confirmed that office development in Wealdstone without a confirmed occupier is high risk, as a market that was limited and already potentially, significantly dependent on public sector take up, has been damaged by the COVID pandemic. Given the Council's financial position speculative office development would not be a wise step.

2.2.3 Remain in the present Civic Centre

Such an approach would mean that there would be no, or less, possibility of developing much needed housing in Wealdstone, losing the economic benefits and affordable housing that will bring. As detailed later in report, the cost of bringing the offices to a fit for purpose modern office state are extensive and do not represent value for money.

2.2.4 The proposed way forward

Having considered the above alternative options, the proposed way forward set out in this report is the most advantageous option.

Background

2.3 At its meeting of 30th May 2019 Cabinet resolved that a Strategic Development Partnership, established through a Limited Liability Partnership was the preferred delivery approach for the development of Poets Corner, Peel Road and Byron Quarter Phase 1 (the Core Sites) in the Regeneration Programme.

2.4 Cabinet approved the commencement of a procurement process under the Public Contracts Regulations 2015 and agreed a proposition to be put to

the market as part of the procurement process, as set out in the Information Memorandum attached at Appendix 'B' of the Cabinet report. The Cabinet decision of 30th May was subject to a Call-In. The decision was taken back to Cabinet in June 2019, where Cabinet resolved to confirm the decision of 30th May. Specification to bidders of the Council's requirements for the HNC was delegated to the Corporate Director Community and is contained in the Strategic Brief attached at Appendix '1'.

2.5 Subsequently the agreed procurement process was carried out and this resulted in the appointment by Cabinet in September 2020 of Wates Residential as Preferred Bidder for the Harrow Strategic Development Partnership. That report authorised the development of a business plan and the finalisation of contract documents with a view to establishing the Harrow Strategic Development Partnership.

2.6 The Council is adopting a three- stage approach to finalising the agreement of the partnership. The first stage was the appointment of Wates as preferred bidder. This report deals with the Council's Accommodation Strategy with reference to the HNC, which will enable the finalisation of the business plan for the HSDP. The report enabling contract close and completion of the legal documents establishing the partnership is scheduled to be brought to Cabinet in July 2021. This report also includes requests for authorisation to finance the necessary fit out works to Forward Drive depot

The Council's original proposals for the new Civic Centre

2.7 The Council's existing Civic Centre which was built in the 1970s is no longer fit for purpose both in terms of the accommodation being unsuitable for modern working by type, and the prohibitive cost of refurbishment required to bring it to a modern effective office standard, estimated to cost a minimum of £42m. This figure has been estimated by the Council's preferred partner Wates, based on benchmark costs of current and previous work.

2.8 The Council has considered options for a new Civic Centre over some years and has resolved that its' aim is for a new Civic Centre in Wealdstone, providing a focus for and helping provide economic benefit to the town centre.

2.9 In its' procurement for the HSDP the Council expressed a preference for the Peel Road site, but did not direct that this was essential, leaving bidders to suggest the most appropriate site.

2.10 The brief set out that as part of the work of the HSDP the Partnership would construct for the Council a new Civic Centre comprising civic, community and public space with office space. The building was to comprise 94,000 sq. feet gross internal area, 73,000sq ft net (floorspace) of which 16,000 sq. ft was public civic and community space including café and visitor space. The Council sought 60 car parking spaces.

2.11 In their bid Wates residential proposed a 6-storey civic centre meeting these requirements, although they stated that 40 car parking spaces was the maximum achievable on site through basement provision. The proposed

building was estimated at early 2020 prices to cost £42 million including the car parking.

Flexible Futures

2.12 The Council has adopted an approach to modernising the working practices of its staff. The Flexible Futures programme aims to introduce, develop and embed flexible and agile working practices within the Council. It focusses on four areas:

- **Championing agile working** across the Council's programmes and managing the interdependencies;
- The provision of support and guidance for the development of a flexible and agile **mindset** and the development of the **skills and behaviours** as well as the **policies and processes** that enable and enhance the effectiveness of agile and flexible working - including appropriate terms and conditions which will be the subject of a separate report to Cabinet;
- The development of the **technology** that will enable flexible and agile working – this includes cloud-based technology, virtual mobility and collaboration, access to kit including laptops, smart phones etc., and the adoption of flexible print, scanning and mail services;
- Understanding the **accommodation** needs of the services and providing easily bookable collaboration workspaces; flexible use of space depending on need, and clear guidance and advice on how to use the spaces. Managing the move into Forward Drive and – for some teams – a move to alternative sites.

2.13 The Flexible Futures Programme will:

- Continue the flexible working practices that have been implemented during Covid-19 to allow staff to work around their personal commitments and extend them through updating the terms and conditions
- Develop and embed agile remote working practices, including home working, that most office-based officers have operated under during the Covid-19 restrictions, ensuring that officers have the skills, tools and facilities to work effectively remotely
- Support managers to develop the skills to manage an agile team
- Introduce collaboration and touch down spaces in Forward Drive and at other locations around the borough to allow a more balanced split between office and remote working than has been possible under Covid-19 restrictions
- Relocate mainly customer facing services out of the Civic Centre and into the community

2.14 This is not just about home working; it is a more complete working experience than home working. Post Covid working will provide a balance of office based, flexible and home working about which staff are very positive as evidenced through the December 2020 Pulse Survey.

2.15 The Council's instructions to the bidders for the HSDP reflected the approach to flexible futures to some degree, albeit at a conservative ratio of staff to desk and workspaces and assuming a 2:1 desk ratio and 4 days a week in the office.

2.16 It is now clear that a more modern approach to the Council's accommodation can be taken and it can be used more effectively. Assessment of experience elsewhere together with learning from the working over the pandemic period leads to a proposal to provide workspaces at a ratio of 3:1 with an assumption that staff will only visit the office on average 2.5 days a week. The recent Pulse Survey confirms that this is feasible and acceptable to staff.

2.17 To ensure this works well the Council has already made significant investment in Information Technology and is embarking on significant investment in staff training and development to support the new ways of working. There will be extensive engagement with staff and members (via the members working group) from now through to occupation and beyond.

Current situation

2.18 Taking into account the Council's ambitions for changing its methods of working, together with the march of time, it is fair to say that the Council now finds itself in a different situation to that which applied at the beginning of the procurement.

2.19 Firstly, the Category A fit out of Forward Drive Depot is scheduled to complete in September 2021 making available for the Council extensive modern office space, subject to the final Category B or tenant's fit out. The Council had considered letting much of this space but this will not be possible due to the current planning position and the current market which suggest that there is not a significant market for the depot office space particularly at beneficial rates and without long void and rent free periods. Avison Young's report from 2020 is attached as Appendix '2'. The situation has not improved since that time.

2.20 It was originally planned that the Civic Centre at Poets Corner would remain operational until the new Civic Centre opens, scheduled for 2025. However, it would now be difficult and expensive to reopen in full due to a combination of necessary fire safety works, enhancement of COVID protection at least in the early days, and the imperative to remodel the building to allow for new ways of working. Because the Depot will be modern, effective and smaller accommodation, moving in the short term to Forward Drive will also result in reduced costs.

2.21 Moving from Poets Corner early, frees the site for development offering the opportunity for earlier provision of housing both private and affordable, potentially earlier returns to the Council and the social and economic benefits that the regeneration and development will bring.

2.22 Remaining in Forward Drive as the Council's principal office focus removes the additional costs and complexities that would be incurred if two moves were made.

2.23 The COVID emergency has shown that a mix of office working together with homeworking based on a flexible model is both feasible and exciting to staff and this clearly suggests that less office space is required.

2.24 One option that was considered was to build the HNC to the scale and size previously envisaged and to let the spare space to the private sector. However, although Avison Young were optimistic about the Wealdstone lettings market in 2020, in their updated report dated 2021 they are clear that COVID has damaged the lettings market making speculative office investment high risk for the Council. Their earlier view was in any event significantly based on public sector take up, which is unlikely to materialise.

Forward Drive in operation

2.25 The offices at Forward Drive Depot are ultra- modern and of high quality, constituting a considerable improvement on the current civic centre. They comprise

- 5 floors with a range of modern work settings of different types
- 48,500 sq. m net internal area with 38,000 of usable office floorspace
- 813 work settings plus meeting spaces totalling approximately 1000 spaces
- 6 sq. m per work setting
- Welfare facilities and café
- The high -quality modern office will enable staff to be in office accommodation for the estimated amount of time for collaboration with colleagues, team meetings and relevant work.

2.26 The office building has a B1 planning consent for office use and the planning process restricted the two upper floors to public sector use.

2.27 This will be under these proposals, the Council's main collaborative working space and office focus. This is more than acceptable within the planning permission and in planning terms it is appropriate for this to become the Council's main collaborative space.

2.28 The ground floor will house the café and welfare facilities, with the café located at the main entrance playing a crucial role in the arrivals experience and providing an informal, collaborative space. The cafe has been designed with flexibility in mind to enable the area to also provide both formal meeting and auditorium settings, should they be required, with appropriate IT and AV infrastructure in place to support alternate uses of the space.

2.29 Other than the CCTV room on the first floor, which will provide a modern technological hub to support the upgrade of CCTV cameras across the borough, the upper floors will provide a modern space to facilitate the implementation of a new AGILE operating model for the Council, with the fit out, including the specification of all the furniture, designed to create an accessible and easy to use workplace across all floors, that addresses as many mobility and impairment challenges as possible

2.30 The new Forward Drive offices will not have any fixed desks allocated to a person or team in the traditional manner, but will provide around 1000 work settings (including

working and collaboration space in the café) ranging from traditional desks to open plan meeting tables, privacy booths and individual Pods, providing a range of inclusive work settings for all employees. In addition to the various work settings provided in the open plan areas, there are 20 private meeting rooms across the offices to cater for meetings of four to 16 people. The fourth floor also provides a multi faith room for use for meditation, reflection and prayer with a dedicated area for washing, providing a welcoming space for all faiths.

2.31 The proposed breakdown of work settings across the floors is set out below:

	Ground	Level 1	Level 2	Level 3	Level 4	Total
	Seats	Seats	Seats	Seats	Seats	Seats
Ergonomic Work Positions		47	57	63	57	224
-Reused Linear fixed height desk		20	24	28	20	
-circular sit to stand		16	20	28	20	
-study pods		11	13	7	17	
Alternative Work Settings	8	174	158	151	145	636
<u>Bookable Enclosed meeting</u>	<u>8</u>	<u>44</u>	<u>20</u>	<u>18</u>	<u>40</u>	130
-with 750mm table	8	40	20	10	36	
-with 900mm table		4		4	4	
<u>Bookable Open meeting</u>		<u>12</u>	<u>21</u>	<u>42</u>		75
-with 750mm table		6	6	18		
-with 900mm table			15	24		
-with 1050mm table		6				
<u>Non Bookable Open meeting</u>		<u>112</u>	<u>113</u>	<u>85</u>	<u>105</u>	415
-with coffee (or no) table		12	7	13	34	
-with 750mm table		84	100	58	71	
-with 900mm table		16	6	8		
-with 1050mm table				6		
<u>Non Bookable individual</u>						16
-touchdown bench		6	4	6		
<u>Lockers</u>		36	82	116	106	304
Total seats per floor	8	221	217	214	202	

2.32 The design of the new offices at Forward Drive will promote both vertical and horizontal circulation throughout the building, promoting greater collaboration by allowing employees to move around the workplace and providing a range of work settings to support different tasks

2.33 The completed offices will reflect the evolution in working practices as a result of technological innovation, creating a more efficient asset through the improved utilisation of office space, providing a space which truly augments remote capabilities, and places to work, collaborate and communicate in a way that underpins the move to an AGILE work environment.

Ancillary Spaces and Council Meetings

2.34 Following an initial review, £500,000 revenue has been set aside in the Accommodation Strategy Reserve as the estimate to re-house the

'ancillary services. These include Registrars, Social Care and Homelessness interactions with Residents, and the front-of-house of Access Harrow.

2.35 Since that review, the need for the organisation to focus on Covid-19 and the effect upon Services that the pandemic has brought, has had several effects:

- The detailed review of requirements and possible locations has been delayed.
- There is likely to be a probable surge in resident needs in certain face-to-face services, specifically in People and Homelessness, as lockdown lifts for which we need to plan at least in transition.
- There will be longer term changes in resident requirements, and how we support residents, that has been brought in through changes in behaviours and need driven by Covid-19.

2.36 The detailed further review is near completion and the following picture is emerging:

- A trial of operating front-of-house Access Harrow in libraries will be carried out following extremely promising investigations of the possibility of bringing this area closer to residents for the same costs as incurred today.
- Registrars was initially proposed to move to Headstone Manor, where there are synergies with wedding services and secure archive facilities. This is still a strong possibility although other venues are also being investigated which may be more advantageous to serving clients.
- Planned interactions with Social Care clients will be managed within the estate of Children's Centres and Adult NRCs.
- A location for the clinical space for the Integrated Learning Disabilities Service is still being sought.
- It will be advantageous for our residents if Homelessness and unplanned, emergency Social Care interactions with clients are housed together. A site for this joint arrangement is under investigation.

2.37 Although every endeavour to keep the costs of the changes, outlined above, within the £500,000 that is set aside, it may be that, in order to fully grasp the opportunities the changes can bring to the service we provide to residents, costs may rise beyond that number. If they do, the costs are likely to be capital and existing capital schemes that can be stopped to cover the additional costs will be identified before a proposal is brought forward.

2.38 The roadmap for Council, Cabinet, Committee and panel meetings is as follows:

- Up to September 2021, a mixture of virtual and hybrid meetings has been agreed.
- After September, various options are being considered including using the Civic Centre for some purposes until it is vacated in 2022. External community locations and interactive technology solutions may also be used where social distancing measures require them.
- Between the Civic Centre being vacated and the new Civic Centre being available public meetings will take place in community locations while others may take place at Forward Drive. A technical solution for continued online access to meetings has is being developed.

- The Council will of course continue to comply with applicable regulations in force concerning meetings.
- Once the new Civic Centre is available it will become the focus for democratic activities and meetings will ordinarily take place there.

Fit out

2.39 As the Council is going to occupy Forward Drive itself it now needs to carry out the Category B or 'tenants' fit out to make this ready. The estimated budget for this is £7.690m which includes a provision for extension of time/ loss and expense claims and COVID 19 building requirements.

2.40 It is proposed that this work should be undertaken by Kier, the existing contractor on Forward Drive Depot, through a variation to their existing contract. The basis for doing this is that it will enable the work to proceed smoothly and concurrently with the existing work, allowing timely completion and avoiding any disruption caused by the use of multiple contractors which could lead not only to practical difficulties but also to further delay and costs, including significant additional preliminaries costs for a new contractor.

2.41 Analysis of alternative options has been carried out and there is unlikely to be any significant cost advantages from any of these.

Kier Claims under the existing contract

2.42 The ongoing redevelopment works at Forward Drive being delivered by Kier are being undertaken under a JCT Design and Build Contract 2016.

2.43 The contract entitles the contractor to an extension of time or "Adjustment of Completion Date" where an event has caused a delay to the programme. These matters are defined as "Relevant Events" and the contract is prescriptive in what matters or events entitle the Contractor to claim an extension of time to complete the Works.

2.44 As with an extension of time entitlement, the contract also sets out the matters which will entitle the Contractor to claim for loss and/or expense. These matters are defined as "Relevant Matters" and entitle Kier to loss and/or expense caused by deferment of giving possession or if "*regular progress of the Works... has been... materially affected by any Relevant Matter*"

2.45 Kier has subsequently submitted two claims for Loss & Expense; the first was submitted in relation to extensions of time already awarded, which resulted in the contract completion date being adjusted to 9 February 2021 for completion of the scheme; the second was issued in respect of delay letters Kier have submitted as a result of Client changes but which have still to be fully assessed and for which no extensions of time have been awarded to date. Full details of the claims for loss and expense are set out in Appendix '8' and the financial implications are included in the financial implications section of this report. Kiers first loss and expense claim has been largely agreed, while the second is still subject to assessment and negotiation. Kier are entitled to claim under the contract, and while the Council

does not accept at this stage the full quantum of their second claim the submission and adjudication of claims is normal contractual practice.

2.46 It is the view of officers and advisers that the benefits of awarding Kier this work are sufficiently significant to continue with the proposed award notwithstanding the ongoing contractual position with the claims.

The new proposal for the HNC

2.47 In response to the Council's current space needs Wates are now proposing a Civic Centre with circa 20,000 sq. ft floorspace including collaborative office space for 100 staff.

2.48 This building will still be the Council's main public focus with Civic space including Mayors Parlour, Council meeting room, and a suite of rooms to host Council, group and community activities. 16,000 sq. ft floorspace will still be devoted to these uses. Collaborative space allows member meetings and interaction between members, staff and the public to continue unchanged. There will also be a café and public space on the ground floor.

2.49 Under this proposal there will be 40 car parking spaces in the basement which will be available for members, staff and the public during the day.

2.50 The cost of this proposal is estimated at £21.899m (£17.073m new HNC and £4.826m for 40 units basement car parking). It should, however, be remembered that this is at an early stage of design and the final figure will be arrived at as the design is refined and incorporated in the HSDP business plan.

Car Parking

2.51 As a result of the development at Peel Road 284 car parking spaces are being built on. The planning context has now changed with the London Plan seeking car free developments in high PTAL areas such as Wealdstone, and car-lite developments in less high areas. Redevelopments are expected to move to car parking at current standards rather than re-provide at previous levels of provision. Nonetheless, in light of the development of spaces, together with additional spaces built on at Poets Corner, officers have carried out a detailed review of opportunities for car parking across the centre of Wealdstone and propose the following way forward.

2.52 As discussed above it is proposed, subject to planning, to provide 40 basement spaces plus 6 surface disabled spaces at Peel Road. At Forward Drive there are 67 spaces available plus a further 70 which are being considered for staff pool cars but will otherwise be ready for use.

2.53 The Pool car scheme which was originally assessed on 70 vehicles needs further consideration in light of the changes to methods of working.

2.54 In addition it is proposed subject to consultation and investigation of the site to refurbish the existing basement car park at Churchill Place which would

give a further 60 spaces, and to revive the expired planning permission at Canning Road allowing for a further 12 spaces.

2.55 Additional provision at Masons Avenue is to be considered, together with a potential further use of daytime spaces at the K P Centre. Following assessment of these options a further report with full costings and financial implications will be brought back to Cabinet for approval.

Affordable housing

2.56 As a result of a revised Civic provision requiring less space, Wates estimate the Peel Road site could accommodate a further 46 affordable housing units at a cost of £15.890mm (£345k per unit). The Building Council Homes for Londoners (BCHFL) model assumes an average of £325k per unit which is affordable within the HRA. Therefore, a robust financial assessment will be undertaken to ensure the final agreed scheme is affordable within the HRA.

Economic Implications

2.57 There is already a significant amount of positive development in Wealdstone that is changing the face of the area for the better. The Origin and Collective housing developments will bring significant spend and economic impact to Wealdstone; some benefit will come from developments further afield such as the Kodak development; and the housing to be built by the HSDP itself will be of considerable economic benefit.

2.58 The HNC development is a smaller but nevertheless important component of this change. Volterra, economic consultants were appointed in February to assess the benefits of the new proposals, and concluded that overall, the new proposal was of positive impact compared to the initial plan. By having the Forward Drive Depot as the Council's principal staff space the resulting economic spend was not lost to the Borough and for Wealdstone centre itself this was partially offset by the additional residential spend from the affordable housing.

2.59 The Volterra report which is attached at Appendix '4' also points to potential additional further benefits such as additional Council tax and non-financial benefits such as health, crime reduction and well-being.

Proposed way forward

2.60 The proposed way forward is to establish Forward Drive Depot as the Council's principal focus for staff, with the new Harrow Civic Centre at circa 20,000 sq. ft as the Council's public, community and civic space. The new Civic Centre will have 40 basement car parking spaces and there is a proposal for building 46 affordable units on the Peel Road site.

2.61 The Council has been advised throughout this process by its commercial advisers Avison Young. They are fully in support of the approach given the circumstances and the market conditions at this time.

2.62 To obtain a further measure of independent advice the Council also sought the views of Savills who as part of their overview talked in detail to Wates, the Council's preferred bidder. Savills concluded that;

- The site is not considered suitable for a speculative office-led development. This, along with revised Council occupational requirements and potentially viable alternative land uses (subject to planning), mean that the proposed strategy is considered appropriate.
- The principle of the proposed change in approach and land-use appears reasonable and affordable housing is likely to be a key priority for any savings that are produced as a result of the reduced civic element. The costs of the affordable housing provided by Wates are not out of kilter with other London schemes we see.

2.63 Savills also recommend further work on the financing and delivery of the affordable housing which will be incorporated in the business plan and refined during the design phase. Savills report is attached as Appendix '7'.

Next steps

2.64 The next step is for the further refinement of costs and then the incorporation of these proposals into the financial model for the HSDP. The financial model with appropriate due diligence and sensitivity testing will be part of the business plan which will come back to Cabinet for approval with the report recommending contract award, close and the launch of the HSDP in May.

Ward Councillors' comments

NA

Financial Implications

2.65 Harrow Strategic Development Partnership (HSDP)

The Financial Viability Model encompasses the financial implications of the Harrow Strategic Development Partnership for the three core sites (Peel Road, Bryon Quarter and Poets Corner) and the new Harrow Civic Centre (HNC) including basement parking. The model is based on the planned activity within the Business Plan which will be recommended for approval at Cabinet in July. The Business Plan will be subject to review which could lead to changes in the model and this will be managed and reported through the governance arrangements supporting the development partnership.

2.66 The model covers an initial 12-year period of the partnership arrangement, from 2021 to 2032. The values quoted for the Councils capital requirements and investment returns are in line with the model at the point of agreeing the Business Plan. The detailed financial profile is detailed in Appendix '5' with the details summarised below:

2.67 The Councils total capital investment over the initial 12-year period will be £48.690m:

£26.790m – Capital investment into the HSDP. This cost includes a 5% developer contingency.

£17.073m – Capital investment to fund the building of the new Harrow Civic Centre. This cost includes a 10% build contingency and the development management fee and will deliver a building to Category B fit out. It is accepted that the Council will incur an additional fit out cost for the HNC, the funding implications of which are held outside the model. This will be required nearer the completion of the project in 2025.

£4.826m – Capital investment to fund the provision of 40 basement car parking spaces at the HNC.

The total capital investment figure of £48.690m is the investment required by the Council and therefore excludes the Council owned land which is required to be transferred into the partnership. The land has been valued at £11.640m for the purposes of the model and the Council will receive a capital receipt to the same value which will be used as a contribution to fund the Capital investment costs.

2.68 The capital investment requirement will be funded by a total of £38.430m capital receipts received from the partnership as properties are completed and sold, as detailed:

£26.790m – capital receipts in repayment for the £26.790m capital investment in the HSDP

£11.640m – capital receipts in repayment for the £11.640m land value

2.69 After accounting for capital receipts, the Council is left with a net borrowing requirement of £10.260m over the initial 12-year period. The Council's peak debt requirement is reached in 2029 at £30.7m (gross of JV dividends). After accounting for JV dividends, the residual debt is in relation to the HNC and parking with the HSDP investment being self-funding.

2.70 In terms of revenue implications, the model calculates interest payments due to the Council at £9.384m:

£1.884m interest on the land draw value of £11.640m

£7.5m interest on the £26.790m investment in the HSDP.

2.71 The Council will hold these interest payments to fund the capital financing implications of the net borrowing requirement of £10.260m.

2.72 In addition, the model calculates that JV dividends of £39.213m will be received over the 12-year period. The first call upon these dividends will be the repayment of borrowing to ensure there is no remaining debt at the end of the partnership which ensures the cost neutrality principle is delivered upon.

2.73 This report is not recommending any amendment to the Revenue Budget or additions to the Capital Programme for 2021/22. Per the model, capital of

£0.350m is required in 2021 for the commencement of the new HNC and basement parking. Within the Capital Programme there is budget of £8.525m for 'Investment in 3 Core Sites' profiled £6.610m in 2021/22 and £1.915m in 2022/23. This report recommends a virement within the Capital Programme, moving the balance of £0.429m from the 'Poets Corner' scheme into the existing 'Investment in 3 Core Sites' scheme which will prove sufficient to fund the year 1 capital implications. Per the model no interest payments are due to the Council until 2023 hence no adjustment required to the 2021/22 Revenue Budget. Budget provision for the Regeneration Team of £2.5m (£1.250m in each 2021/22 and 2022/23) has already been provided for. At the point of writing this report, it is not possible to calculate the impact in the MTFs due to the number of variables. The overarching principle is cost neutrality and action will be taken as information becomes available to ensure the financial implications meet this expectation. Managing the impact on the MTFs is an ongoing process and will be reported to Cabinet quarterly as part of the Revenue Budget update.

At the point of taking the refreshed draft MTFs and Capital Programme to Cabinet in December 2021, the implications over the three years of both plans will be quantified based on the most up to date information.

2.74 As the new HNC is smaller than originally planned this releases space on the Peel Road site for 46 affordable housing units. The council's aspiration is for the affordable housing to be owned by the council within the HRA subject to financial assessment once detailed design is completed, costs confirmed and they are within the assumed estimates within the current Building Council Homes for Londoners (BCHfL) approved model. The BCHfL model assumes an average £325k total development cost /unit inclusive of fees and contingency, which is affordable to the HRA. Please note that this is at an early stage of design and that the final figure will be confirmed as the design is completed and subject to planning. All BCHfL projects will be reviewed at the overall programme level to ensure costs are contained within the overall funding envelope. The revenue related costs associated with financing any related borrowing of the BCHfL programme has been included within the HRA business plan and incorporated within the annual HRA budgets approved by cabinet. The current estimated cost from the HSDP is £345k per affordable unit which will be worked through as part of the financial assessment to ensure the final agreed scheme is affordable within the HRA.

2.75 The cost estimates are based on the current Business Plan which it is appreciated is at an early stage of design and the final cost estimates will be arrived at as the design is refined. The HSDP Business Plan will be updated and reported back to Cabinet, including the revised financial implications, in accordance with the governance arrangements.

Accommodation Strategy Based at Forward Drive

2.76 The financial implications of the Councils accommodation strategy being based at the Forward Drive depot, including the suitable fit out of an agile workspace for staff, is estimated at £8.415m of which £7.690m is capital

expenditure and £0.725m is a revenue requirement. The cost estimate is broken down over four areas:

Original Depot Project

2.77 This scheme has an agreed capital budget of £33.9m. The current forecast spend against this budget is £33.692m.

Accommodation Strategy

2.78 The estimated cost of fitting out an agile workspace for staff at the Forward Drive depot is £10.217m which includes a provision for the extension of time claims. There is a current capital budget of £2.087m. This is made up of £1.712m which was moved into the scheme as part of the depot redevelopment virement agreed by Cabinet in December 2020. The balance of £0.375m is provision for LAN works which is part of the existing IT capital programme. Therefore, additional budget of £8.130m is required of which £7.405m is capital expenditure to fund Category B fit out works and extension of time claims. A revenue requirement of £0.725m (one off) is required to fund ancillary spaces (£0.500m) and to manage the decant (£0.225m). The Category B fit out estimate includes a contingency provision of £0.315m.

Covid 19 Building Requirements

2.79 These costs are estimated at £0.285k. There is no current provision hence a capital budget of £0.285k is required.

Kier Claims

2.80 An estimated cost for the extension of time claims is included within the above Accommodation Strategy additional capital requirements.

2.81 The financial implications are summarised in the table below:

Financial Implications: Accommodation Strategy

Area	Budget	Forecast	Additional Requirement	
			Capital	Revenue
	£'000	£'000	£'000	£'000
Original Depot Project	33,900	33,692	0	0
Accommodation Strategy	2,087	10,217	7,405	725
Covid 19 Building Requirements	0	285	285	0
Total	35,987	44,194	7,690	725

2.82 The additional capital requirement can be funded from within the existing Capital Programme. There is a budget of £8.119m for the 'Poets Corner' scheme and this report recommends a virement of £7.690m from the 'Poets Corner' scheme to a newly created Capital Programme scheme titled 'Accommodation Strategy'. The balance of £0.429m within the 'Poets Corner' scheme is recommended to be vired into the 'Investment on 3 Core

Sites' Scheme to support the capital requirements of the Financial Viability Model.

2.83 The additional revenue requirement of £0.725m has been provided for as part of the 2020/21 Revenue Budget Outturn and will be held in the Accommodation Strategy Reserve until drawn down. The full details of the 2020/21 Budget Outturn will be reported to Cabinet in June 2021.

2.84 In terms of the annual running costs for Forward Drive, there is a budget of £1.69m to cover the running costs of both the existing Civic Centre and depot. The principle behind funding the running costs of the new Harrow Civic Centre and Forward Drive is that they must be affordable within the existing £1.6m resource.

2.85 The financial implications of the refurbishment of the existing basement car parking at Churchill Place and reviving the expired planning permission at Canning Road allowing for a further 12 spaces are unknown at this stage and will be subject to a separate Cabinet decision.

Procurement Implications

2.86 Following a comprehensive appraisal of the options available to the Council in respect of the delivery of the fit-out work at Forward Drive it was considered to be in the Council's best interest from a procurement as well as operational perspective to award this work to our incumbent contractor.

2.87 The award of fit out to Kier is considered permissible from a procurement regulations perspective. The Public Contract Regulations 2015 (as amended) allow for a variation to the existing contract with Kier under Regulation 72 'Modification of Contracts during their term' This allows for variations up to 50% of the contract value which would be the case here. The proposed contract variation and its associated value will therefore comply with public procurement regulations 2015 (as amended). This will exceed the 10% variation permitted by the Council's Contract Procedure rules (P9) and accordingly approval for a waiver is sought to this.

Legal Implications

2.88 The following legal implications arise from the proposals in this report:

- The planning application and permissions processes will need to be progressed in line with planning law;
- Contract close out and establishment of the Limited Liability Partnership with Wates need to be completed;

2.89 The extension of the existing Kier contract or a direct award of the fit-out contract to Kier must comply with public procurement regulations and the Council's Contract Standing Orders. Under Regulation 72 (1) (b) of the Public Contracts Regulations 2015, variations are permitted to accommodate additional works, services or supplies by the original contractor, which have become necessary but were not included in the initial procurement, where a change of contractor both:

- cannot be made for economic or technical reasons
- would cause significant inconvenience and substantial duplication of costs for the contracting authority.

And any increase in price must also not exceed 50% of the value of the original contract (subject to indexation).

2.90 These conditions appear to be met here and can be relied on to extend the current Kier contract to include the fit out works at the Depot.

Environmental Impact

2.91 The Council's Declaration of Climate Emergency and the current policies pertaining to the environment and sustainability have been made available to bidders during the procurement process and taken into account in their submissions. Wates responded and scored well to this with their submission particularly comprehensive on the HNC.

2.92 Environmental implications will be considered in detail during the design process and appropriate environmental assessment and scrutiny will take place in the planning process.

Risk Management Implications

2.93 Risks included on corporate or directorate risk register? **No**

2.94 Separate risk register in place? **No**

2.95 The relevant risks contained in the register are attached/summarised below. **n/a**

2.96 The following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	Mitigations
By not adopting the strategy, the Council will expose itself to the risk of being unable to let or use two floors of Forward Drive This would also require costly and inefficient extra space to be built at the HNC	<ul style="list-style-type: none"> ▪ The mitigation is to agree this proposed strategy
The plans for the HNC and the affordable housing are at concept design stage and as design proceeds there is risk of cost escalation	<ul style="list-style-type: none"> ▪ Clear cost and design management by design team ▪ Value engineering as necessary ▪ Close management of planning processes ▪ Close attention to procurement policy and processes ▪ Council refrain from variations and adhere to principles of agile working
Cost of the 46 affordable housing units is not affordable within the HRA	<ul style="list-style-type: none"> ▪ The Building Council Homes for Londoners (BCHFL) model assumes an average of £325k per unit which is

	<p>affordable within the HRA</p> <ul style="list-style-type: none"> ▪ A robust financial assessment will be undertaken to ensure the final agreed scheme is affordable within the HRA ▪ The current estimated cost from the HSDP is £345k per affordable unit which will be worked through as part of the financial assessment to ensure the final agreed scheme is affordable within the HRA.
Risk of insufficient car parking having a detrimental effect on agile working	<ul style="list-style-type: none"> ▪ Maximise feasible car parking spaces ▪ Monitor car parking usage
Kier linking the costs of the Cat B fit out works with their current Loss & Expense claims	<ul style="list-style-type: none"> ▪ Adherence to contractual procedures ▪ Close scrutiny of claims and costs
Risk of further claims from Kiers if additional work awarded	<ul style="list-style-type: none"> ▪ Strong design management and change control procedures to prevent variations impacting on programme
Potential cost increases of fit out works at Forward Drive	<ul style="list-style-type: none"> ▪ Clear change control measures to prevent variations to design
Estimate cost of £500,000 to re-house the 'ancillary services' is exceeded	<ul style="list-style-type: none"> ▪ Costs are likely to be capital and we will consider what capital schemes can be stopped to cover the additional costs before a proposal is brought forward.
Unable to find suitable locations/sufficient face to face space for 'ancillary services'	<ul style="list-style-type: none"> ▪ Detailed further review is near completion, use of Libraries, Headstone Manor, Children's Centres and Adult NRCs being investigated/piloted as detailed in the report
Limited Liability Partnership with Wates not completed	<ul style="list-style-type: none"> ▪ Contract currently being drafted
Fit out costs of HNC unaffordable	<ul style="list-style-type: none"> ▪ Current capital provision for the three sites ▪ Realistic and approved cost plan for fit out prior to any decisions
Changes to the model for the HSDP increase costs/reduced income increasing in the Council's borrowing requirement making it unaffordable	<ul style="list-style-type: none"> ▪ Professional partner (Wates) employed as Development Manager ▪ Ability to adapt Business Plan to revise scheme and manage costs ▪ Governance structure will be in place to support changes and their implications
Annual running costs of Forward Drive exceed the combined cost of running the Civic Centre and Depot of £1.6m	<ul style="list-style-type: none"> ▪ New building ▪ Smaller and more modern building ▪ Realistic approach to operating model in light of budget envelop
Impact on MTFS is not cost neutral.	<ul style="list-style-type: none"> ▪ Robust management of the cash flows, both capital and revenue alongside existing provision in the Capital Programme ▪ Financial performance reporting to Cabinet quarterly as part of revenue budget update

Equalities implications / Public Sector Equality Duty

2.97 Was an Equality Impact Assessment carried out? Yes

2.98 Equalities Impact Assessment attached as Appendix '4'

Council Priorities

2.99 The Council's Accommodation Strategy, as part of Flexible Futures will help deliver a flexible and agile workforce working in a range of venues, including the Council's principal buildings which will be modern, environmentally efficient buildings. The strategy will help improve performance allowing a flexible approach to service delivery and allowing staff to optimise their working time and practices.

2.100 As detailed above the strategy helps the economy of Wealdstone by bringing a net increase in spend to the Borough, a significant proportion of which is obtained in the Wealdstone area. During the construction period additional spend and opportunities will arise in the area.

The proposal within the strategy to build affordable housing units contributes to the Council's ambition to build homes and this will also bring health and well-being benefits with it.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 13/05/21

Statutory Officer: Hugh Peart

Signed by the Monitoring Officer

Date: 13/05/21

Chief Officer: Sean Harriss

Signed by the Chief Executive

Date: 13/05/21

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 13/05/21

Head of Internal Audit: Susan Dixson

Signed by the Head of Internal Audit

Date: 13/05/2021

Mandatory Checks

Ward Councillors notified: No, as it impacts all wards

EqIA carried out: YES

EqIA cleared by: Shumaila Dar

Section 4 - Contact Details and Background Papers

Contact: Julian Wain, Interim Commercial Director, 020 8736 6149, Julian.Wain@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee

NO