

Agenda Item	15
Report No	FHR/159/13

Fort William Office Review

Report by the Interim Director of Housing & Property

Summary

This report presents the findings and recommendations of the Fort William Office Review. It seeks Member agreement for the preferred option (the former Fort William Secondary School site), the approach for funding the capital and revenue requirements associated with the preferred option, to negotiate the interim lease arrangements required for the preferred option and for further work to be undertaken to explore the opportunities for purchase of the upper floors of Tweeddale or the surrender of the Council's existing lease.

1. Background

- 1.1 This report advises Members of the findings and recommendations of the Fort William Office Review.
- 1.2 The Highland Council currently leases three properties in Fort William town centre. Two of these, Lochaber House and Fulton House, have lease expiry dates in May and December 2014 respectively. The third, Tweeddale, has a lease until 2071. As a result, a review has been carried out to identify a preferred option for the Council's main office accommodation in Fort William.
- 1.3 A report on the Fort William Office Review Outcomes can be found in **Appendix 1**. Any reference to this appendix will be shown as **A1** followed by section reference e.g. (**A1, 3.2**) refers to section 3.2 in Appendix 1.
- 1.4 As well as the lease expiries the other key drivers for change (**A1, 1**) are:
 - Office estate is larger than it needs to be, therefore is likely to be costing more than it needs to.
 - Strategic approach to property asset management aligned to Corporate aims and objectives and improved service delivery.
- 1.5 The Fort William Office Review supports eight Council Programme commitments in "Working together for the Highlands" in the economy, better infrastructure and empowering our communities themes. It also supports four actions within the Housing & Property Service Plan. (**A1, 3.2**)

2. Review approach

- 2.1 The Fort William Office Review has undertaken strategic and financial whole life appraisals to identify a preferred option.

2.2 This report acknowledges the valuable contributions and support of the key stakeholders during the Fort William Office Review. **(A1, 2)**

2.3 Local key stakeholders have been involved in the review including Members for Wards 12 and 22 and Area Service Managers/local Team Leaders.

3. Strategic appraisal (A1, 3)

3.1 During the strategic appraisal the local key stakeholders:

- Agreed the vision, aims and objectives of the review. **(A1, 3.1, 3.2 and 3.3)**
- Agreed the non-financial evaluation criteria and ranked them in order of relative importance to determine the level of weighting given to each. **(A1, 3.4)**
- Agreed the potential options. **(A1, 3.5)**
- Scored the potential options against the non-financial evaluation criteria. **(A1, 3.6)**

3.2 The vision for the Fort William Office Review, agreed by local stakeholders, is aligned with the vision from the Lochaber Strategic Area Property Review:

“The Council must work collaboratively across Services, with staff and with partners to maximise opportunities and invest responsibly in quality, flexible accommodation which supports service delivery for our staff and customers, permits sharing and retains a local identity. The Council should lead by example to deliver practical, innovative buildings at the heart of our communities that we are proud of.”

3.3 The outcome from the strategic appraisal is that the top two options providing the best strategic fit with the evaluation criteria **(A1, 3.7)** are:

- Option 5 – Former Fort William Secondary School site
- Option 11 – Corpach Moss site

4. Financial whole life appraisal (A1, 4)

4.1 The following options were evaluated in the financial whole life appraisal:

- Top two options from the strategic appraisal – Options 5 and 11.
- Comparison options – Options 1 (Do Nothing) and 2 (Do Minimum), ranked 11th and 10th respectively in the strategic appraisal.
- Option 4 (Tweeddale only) for comparison due to the potential constraint of existing lease, ranked 7th in the strategic appraisal.

4.2 The five options have been appraised financially in terms of their whole life cycle costs. Each option has been evaluated over a 25 year timeframe and discounted at 3.5% in line with HM Treasury Green Book guidance to arrive at a Net Present Value (NPV) enabling a direct comparison between options based on present day values.

4.3 It should be noted that:

- Options 5 and 11 do not require Tweeddale.
- Options 4, 5 and 11 require interim lease arrangements until each can be delivered.

- Options 4, 5 and 11 require capital investment in the first three years.
- Options 2, 4, 5 and 11 require additional revenue expenditure in the first three years.

4.4 The outcome from the financial whole life appraisal is that:

- Option 5 has the lowest value in NPV cash terms (i.e. highest ranked) and is more favourable than Option 1 – Do Nothing. **(A1, 4.1)**
- Option 5 shows a net revenue saving of around £100,000 (after meeting capital financing costs) in Year 4, and on a recurring basis thereafter, when operational compared to Option 1 – Do Nothing. **(A1, 4.2)**

5. Review outcomes (A1, 5)

5.1 Based on the outcomes of both the strategic and financial appraisals, the preferred option is Option 5 as it represents the best strategic and economic fit for the Council's main office in Fort William based on:

- Highest ranked option from strategic appraisal.
- Lowest value (highest ranked) in NPV cash terms.
- Forecast revenue savings (based on Year 4 figures).

5.2 The proposal for Option 5 is to co-locate the Council's main administrative offices, democratic services, Service Point and Registration Offices to a regenerated conversion of the Council owned, listed former Fort William Secondary School site. This has an estimated operational date of October 2016, as the adjoining primary school site is required for access and will not be vacated until 2015 as part of the Fort William Sustainable School Estate Review.

5.3 The achievement of Option 5 will require the Council to negotiate interim lease arrangements until this date.

5.4 The Council's existing leased area in Tweeddale is not required as part of the preferred option for the main office accommodation.

6. Stakeholder feedback (A1, 5.1)

6.1 The outcomes of the review have been shared with the local key stakeholders and there was broad consensus and agreement that Option 5 is the preferred option.

6.2 The outcomes of the review have also been shared with the Senior Management Team, Trade Unions, the Corporate Improvement Programme Asset Management Project Board and the Administration Leaders.

7. Tweeddale

7.1 The Council's existing lease arrangements (part ground/first floor) of Tweeddale are until 2071 with no lease break clause. Part of its first floor lease is currently sub-leased to NHS and will return to the Council in July 2014. Presently, Tweeddale is essentially vacant and therefore surplus to the Council's requirements.

- 7.2 During discussions with the local Members about the preferred option, concerns were raised about the potential impact on the town centre in the event that Tweeddale is vacant for an extended period of time.
- 7.3 In view of this feedback and the Council's Programme commitments in the "Working together for better housing" theme, the Council could seek to acquire the upper floors of Tweeddale and converting them into residential units.
- 7.4 A desktop review indicates that it could be converted to 24 units but this would be subject to detailed feasibility including economic viability, structural survey and further discussions with the Planning and Development Service and Transport, Environmental and Community Services.
- 7.5 However, as Tweeddale is not part of the preferred option, the Council could seek to negotiate an early surrender of its existing lease arrangements with its landlord, that would release the Council from its existing lease terms and conditions which are not due to expire until 2071.
- 7.6 Both alternatives for Tweeddale (either purchase or release) would be the subject of negotiation with the landlord of Tweeddale. Indicative costs have been included in the financial whole life appraisal.

8. Funding for the preferred option (A1, 6)

- 8.1 There is a requirement for capital expenditure of around £4.25 million associated with the implementation of the preferred option in the first three years.
- 8.2 This is a property rationalisation project that will be brought forward for approval using the agreed budget allocation in the Capital Programme (HP/2013/01 SAM: Property Rationalisation Review).
- 8.3 In addition to the projected net revenue savings from Year 4 onwards there are additional revenue budget requirements of approximately £1,500,000 associated with the implementation of the preferred option in the first three years.
- 8.4 It is anticipated that this could be funded through the Strategic Change and Development Fund, subject to Member approval of the recommendations of this report. An outline business case detailing the proposal and how it meets the assessment criteria will be submitted for approval to a future meeting of The Highland Council.

9. Benefits (A1, 7)

- 9.1 The implementation of the preferred option is expected to deliver the following benefits:
- Right sized office accommodation
 - Reduces running costs
 - Meets sustainability objectives
 - Modern, flexible working environment
 - Supports Highland's urban centres
 - Supports Corporate Improvement Programme
 - Is accessible for customers and staff

- Enhances the image of the Council
- Supports regeneration and economic development

9.2 These benefits are linked to the vision, aims and objectives of the Fort William Office Review including supporting the delivery of:

- The Council's Programme "Working together for the Highlands" commitments – economy, better infrastructure, empowering our communities.
- The Housing and Property Service Plan.
- The Council's Corporate Property Strategy.

9.3 There may be other benefits linked to supporting the:

- The Council's Programme "Working together for the Highlands" commitments – better housing.
- Town Centre Action Plan – the Scottish Government response to the National Review of Town Centres.

10. Next steps

10.1 Indicative heads of terms for lease surrender/renewals negotiated with the Council's current landlords have been included within the financial appraisal.

10.2 It is proposed that, subject to approval for the preferred option, the Council enters into negotiations with the landlords of the three leased properties in Fort William:

- **Tweeddale** – to seek to agree terms for the purchase of Tweeddale offices and the release from the existing Tweeddale lease.
- **Lochaber House and Fulton House** – to seek to agree the interim lease arrangements required to deliver the preferred option on terms to be agreed by the Director of Finance and the Director of Capital & Development.

10.3 A detailed study to investigate the feasibility of converting the upper floors of Tweeddale into residential units will be carried out. This will include economic viability, structural survey and further discussions with the Planning & Development Service and Transport, Environmental & Community Services.

10.4 A report containing detailed proposals for Tweeddale (based on sections 10.1 and 10.2 above) will be brought to the Finance, Housing and Resources Committee for consideration within approximately six months.

10.5 Subject to Member approval for the preferred option, the next phase will be to develop an implementation plan and communication plan (including staff briefings). The local key stakeholders will continue to be involved in the development of the implementation plan and detailed proposals for the preferred option for the main office accommodation.

10.6 Subject to Member approval for the preferred option, the outcomes of the review will be shared with the Highland Public Sector Property Group partners and joint public sector opportunities will be explored.

11. Resource Implications

- 11.1 There will be staff and financial resource implications as a result of this report relating to the delivery of the preferred option (highlighted in sections 8, 10 and 15).

12. Legal Implications

- 12.1 There will be legal implications relating to the agreement of lease extensions and, where appropriate, lease terminations or acquisitions associated with the preferred option.

13. Equalities Implications

- 13.1 At present there are no additional equality implications from this report as Council staff and services will continue to occupy and be delivered from presently occupied leased premises until the preferred option is implemented.
- 13.2 An equality impact assessment will be carried out for the preferred option.

14. Climate Change/Carbon Clever Implications

- 14.1 Rationalisation of the Council's property is a key objective of the Corporate Property Strategy and it is anticipated this will have a positive contribution to meeting the Council's climate change targets.
- 14.2 An objective of the Fort William Office Review is to achieve the Scottish Sustainable Buildings Gold Standard for any proposed new or refurbished building(s).
- 14.3 Climate change/carbon clever initiatives including sustainable travel will be considered during the detailed design phase for the preferred option.

15. Risk Implications

- 15.1 Risks and assumptions used in the development of the whole life appraisal have been documented (**A1, 8**). These include:
- Lease arrangements
 - High level design proposal assumptions
 - Delivery and programme timescales
 - Costs
 - Commercial confidentiality
- 15.2 The preferred option (Option 5) is based on adopting new ways of working aligned with the Council's Corporate Improvement Programme. Specific change management and Service/business input will be required to prepare business areas for and to implement the change. The costs associated with this have not been quantified or included in the whole life appraisal but would be the same for each progressive option.
- 15.3 The Council will need to agree interim lease arrangements for Lochaber House and Fulton House that will enable it to achieve the preferred option.
- 15.4 If the Council is unable negotiate a purchase or release from Tweeddale at a value that is acceptable, it will have to consider seeking alternative uses for its existing leased premises at Tweeddale that may not fully mitigate its ongoing revenue cost liabilities.

- 15.5 If the Council is unable to acquire the whole upper two floors of Tweeddale for conversion to residential units, it may not be able to achieve the local Members' aspirations for finding an alternative, viable use for the whole of the upper floors of the building.
- 15.6 There will be project delivery risks associated with the implementation of the preferred option; however these are out with the scope of this report.

16. Recommendation

The Finance, Housing and Resources Committee is asked to:

- I. **Note** the approach and outcomes of the Fort William Office Review.
- II. **Agree** that Option 5 (Former Fort William Secondary School site) is the preferred option for the Council's main office accommodation.
- III. **Agree** that the Council seeks to negotiate the interim lease arrangements for Lochaber House and Fulton House required to deliver the preferred option on terms to be agreed by the Director of Finance and the Director of Capital & Development.
- IV. **Agree** that a detailed feasibility study to investigate converting Tweeddale into residential units is carried out by the Council.
- V. **Agree** that, in conjunction with recommendation IV above, the Council seeks to agree terms for the purchase of Tweeddale offices and for the release from the existing Tweeddale lease.
- VI. **Agree** that, based on recommendations IV and V above, a report containing detailed proposals for Tweeddale will be brought to the Finance, Housing and Resources Committee within approximately six months.
- VII. **Agree** the capital requirement for the preferred option can be met from the agreed budget allocation in the Capital Programme (HP/2013/01 SAM: Property Rationalisation Review).
- VIII. **Agree** that a proposal to use the Strategic Change and Development Fund to cover the additional revenue requirement for the preferred option will be submitted for approval to a future meeting of The Highland Council.

Designation: Interim Director of Housing & Property

Date: 14th November 2013

Authors: Graham Bull, Corporate Property Asset Manager
Helen Cunningham, Property Manager (Asset Manager)

Background Papers:

Fort William Office Review

Review Outcomes

November 2013



Fort William Office Review Ath-sgrùdadh Oifis a' Ghearasdain

Lochaber

Review Outcomes

November 2013



The Highland
Council
Comhairle na
Gàidhealtachd





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1 BACKGROUND TO THE FORT WILLIAM OFFICE REVIEW

- The Council has agreed to implement a strategic approach to property asset management aligned to Corporate aims and objectives and improved service delivery¹.
- The aim of the Corporate Property Strategy is to develop an effective, efficient and economic property portfolio that:
 - Is managed strategically to support corporate aims and objectives.
 - Supports service delivery.
 - Provides 'value for money' and secures efficiencies for the future.
 - Is procured and managed to minimise the impact on the environment.
 - Supports regeneration of the Highlands.
 - Supports communities and partners.
- The Highland Council currently leases three properties in Fort William town centre. Two of these, Lochaber House and Fulton House, have lease expiry dates in May and December 2014 respectively. The third, Tweeddale, has a lease until 2071. As a result, a review has been carried out to identify a preferred option for the Council's main office accommodation in Fort William.
- The three town centre properties provide 1997.16 m² of office space and 374.27m² of Service Point and chamber/meeting rooms. These figures are based on net internal areas (NIA) and include an area in Tweeddale currently leased out which is due to return to the Council in July 2014.
- There are 91 full time equivalent (FTE) posts (104 staff) working in the three offices. These figures are based on staff information in March 2013 and exclude staff/FTE working in the Service Point.
- Overall this equates to 21.9m² NIA per FTE, a level around 120% greater than current modern office standards where levels around 10m² per FTE are more common. This high level can be attributed to Tweeddale being largely vacant. However, at around 15m² NIA per FTE the office space utilisation within Lochaber House and Fulton House is around 50% greater than the modern standards.
- The Fort William Office Review has adopted the approach used in the Inverness and Dingwall Office Review² and has undertaken strategic and financial whole life appraisals.

¹ [Asset Management – Corporate Property Strategy](#) approved by Resources Committee on 16th February 2011

² [Inverness & Dingwall Office Review – Outline Business Case](#) approved by Finance, Housing & Resources Committee on 3rd October 2012.

2 STAKEHOLDERS

- Local key stakeholders were identified for the review:
 - Members for Wards 12 and 22 (7)
 - Area Service Managers/local Team Leaders (60)
- The local key stakeholders have been involved throughout the Fort William Office Review, specifically:
 - Agreeing the vision, aims and objectives of the review.
 - Agreeing the non-financial evaluation criteria and ranking them in order of relative importance to determine the level of weighting given to each.
 - Agreeing the potential options.
 - Scoring the potential options against the non-financial evaluation criteria.
 - Providing feedback on the outcomes of the review.
- The Council's Senior Management Team has supported:
 - The outcomes of the strategic appraisal and the options to be evaluated in the financial whole life appraisal.
 - The outcomes of the whole life appraisal.
 - The preferred option based on the outcomes of both appraisals.
- Early enquiries with the partners in the Highland Public Sector Property Group revealed little opportunity for a significant joint public sector office rationalisation in Fort William. However despite the limited opportunity for co-location with partners, the outcome of the Council's Fort William Office Review will be discussed at future Highland Public Sector Property Group meetings.
- The trade unions have been briefed throughout the Fort William Office Review at the Corporate Improvement Programme Trade Union Liaison Group and specific meetings.
- The Administration Leaders have been notified about the findings of the review and the preferred option.
- The members of the Corporate Improvement Programme's Asset Management Project have also been involved in the Fort William Office Review.

3 STRATEGIC APPRAISAL

- The Strategic Appraisal was carried out between March and June 2013. It was facilitated by the Corporate Property Asset Management Team and involved the local key stakeholders (section 2). It comprised:
 - High level Service consultation
 - Completion of two questionnaires by the key stakeholders
 - Response to comments received
 - Key stakeholder briefings

3.1 Vision


- The vision for the Fort William Office Review, agreed by local stakeholders, is aligned with the vision from the Lochaber Strategic Area Property Review:

“The Council must work collaboratively across Services, with staff and with partners to maximise opportunities and invest responsibly in quality, flexible accommodation which supports service delivery for our staff and customers, permits sharing and retains a local identity. The Council should lead by example to deliver practical, innovative buildings at the heart of our communities that we are proud of.”

3.2 Aims

- The Council’s Fort William Office Review has an important role in contributing towards the delivery of the following Council’s Programme commitments³:
 1. The Council will produce a comprehensive economic recovery & development plan, detailing a strategy for growth.
 2. The Council will prioritise and protect frontline staff, to maintain standards of service delivery and provide stability to the Highland economy. We will do all we can to avoid compulsory redundancies.
 3. The Council will seek to support the development of our urban centres, and put local communities at the forefront of these processes.
 4. Working with partner agencies, the Council will draft a Green Transport Strategy.
 5. The Council will continue to reduce carbon emissions from Council operations, with their associated costs, to achieve the Scottish Government’s target of 42% reduction in emissions by 2020. We will publish a carbon management plan by 2013.
 6. The Council will work in partnership with organisations in the

³ Numbers 1 – 8 extracted from “Working together for the Highlands – A Programme for The Highland Council”. Numbers 9 – 12 extracted from Housing & Property Service Plan (2012 – 2017).




Highlands to improve our use of video conferencing, teleconferencing and web-casting technology – efficiently and effectively reaching every part of the Highlands.

7. The Council will improve public access, including out-of-office-hours access, to the Council and its services, offering members of the public a range of access points including by phone, online and in person.
8. The Council will implement the Fairer Highland Plan, including the duties of the Equalities Act 2010, ensuring that staff and services users are treated fairly and with respect.
9. We will ensure that all of our building projects, for both new and refurbished facilities, will comply with best practice in sustainability such that the Council is seen as an exemplar organisation in the field of sustainable design and facilities management.
10. We will increase the use of renewable micro generation technology sources to provide energy in the Council estate, with appropriate integration of Wind Turbines, Biomass fuel boilers, combined heat and power (CHP) and solar energy, increasing the overall output to 14000kW by 2013. This is to be combined with a drive to reduce energy consumption through Energy Efficiency measures and behavioural change.
11. We aim to reduce water consumption in all Council buildings.
12. We will develop our Asset Management Plan to ensure that the Council owns or occupies only the appropriate number of buildings and that these are fit for purpose.

3.3 Objectives

- The following objectives, identified for the Fort William Office Review, seek to identify a preferred option that:
- Implements a programme of significant office rationalisation to ensure that the Council occupies the appropriate number of buildings to meet its operational and statutory requirements.
 - Delivers a fit for purpose estate that accommodates modern, flexible working practices and business change underpinned by appropriate ICT technology and infrastructure.
 - Delivers a significantly reduced office footprint through the incorporation of the Council's Corporate Office Accommodation Space/Design Principles which is supported by a clear Council information management strategy to facilitate the transition.
 - Explores opportunities to co-locate and share office resources with other public sector partners in Fort William.

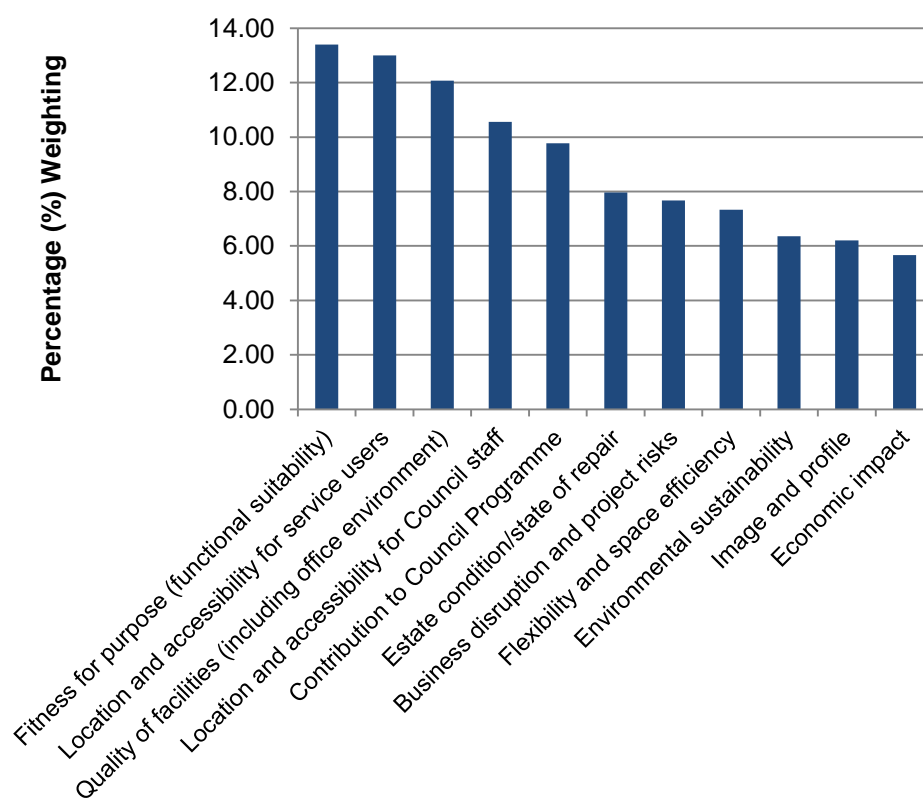
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- Seeks to achieve the Scottish Sustainable Buildings Gold Standard for any proposed new or refurbished building(s).
 - Is fully accessible by public transport.
 - Enhances the image and profile for the Council that is reflected in the specification and standard of publicly accessible areas.
 - Supports the development of Highland's urban centres.
 - Is affordable.

3.4 Non-financial evaluation criteria

- The non-financial evaluation criteria are a key component of the outline business case development and the basis against which potential options are assessed. The non-financial evaluation criteria were agreed by the key stakeholders during the strategic appraisal.
- The key stakeholders were asked to rank the relative importance of the agreed non-financial evaluation criteria to inform the level of weighting given to each.
- The views expressed have been combined to give an overall weighting.

- The table and the graph below show the non-financial evaluation criteria that will be considered in scoring each option and the weighting:

Non-financial Evaluation Criteria	Weighting %
Fitness for purpose (functional suitability)	13.38%
Location and accessibility for service users	12.70%
Quality of facilities (including office environment)	12.14%
Location and accessibility for Council staff	10.33%
Contribution to Council Programme & Corporate Objectives	9.60%
Estate condition/state of repair	8.41%
Business disruption and project risks	7.96%
Flexibility and space efficiency	7.17%
Environmental sustainability	6.61%
Image and profile	6.10%
Economic impact	5.59%

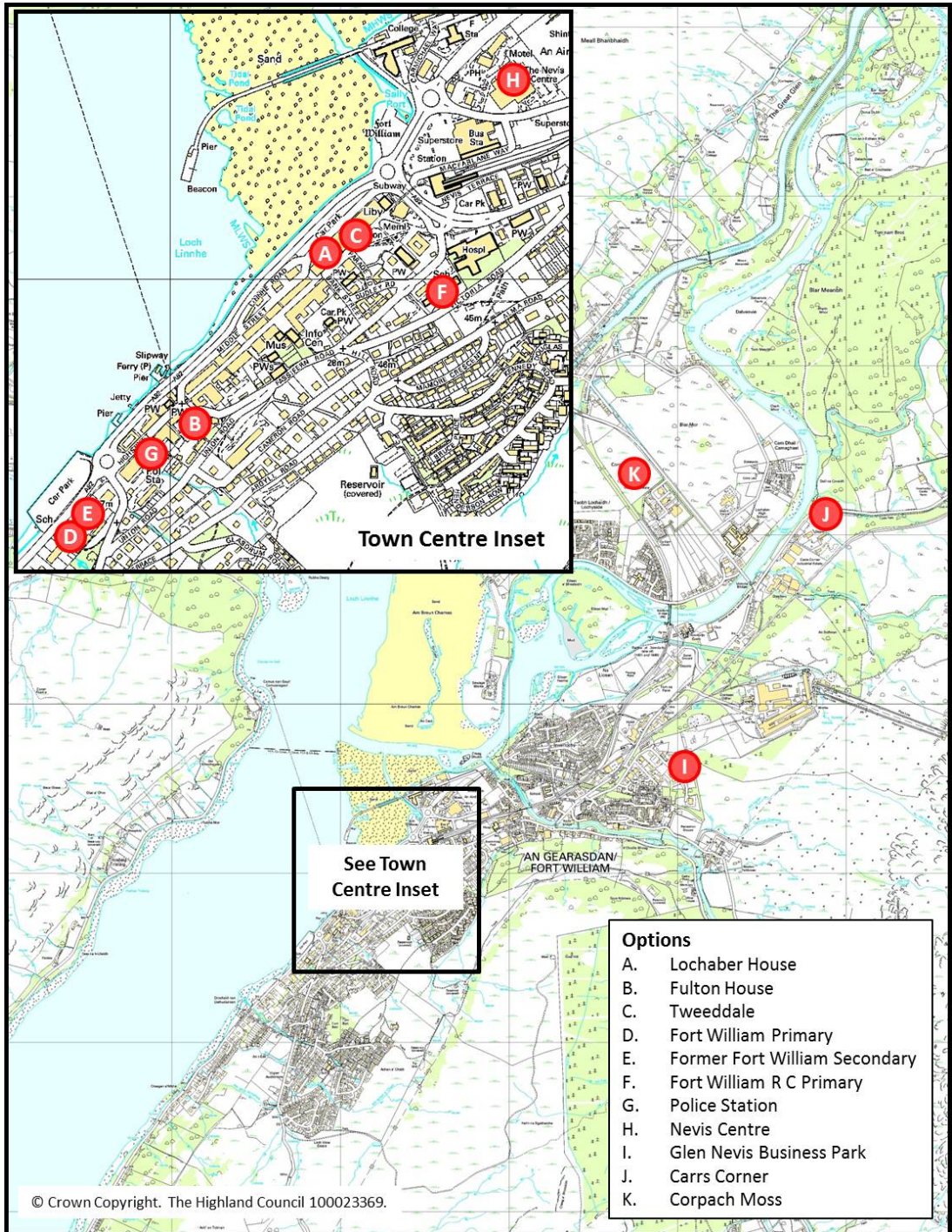


3.5 Options

- The following potential options for the Council's main office accommodation in Fort William were identified and agreed by the key stakeholders for consideration in the strategic appraisal:

Option	Map ref
Option 1 – Do nothing Keep current leased areas (Tweeddale, Fulton House and Lochaber House)	A, B & C
Option 2 – Do minimum Keep current leased areas (Tweeddale, Fulton House and Lochaber House) and address the backlog in maintenance	A, B & C
Option 3 – Reducing existing leased accommodation Combination of existing leased accommodation (Lochaber House & Tweeddale, Lochaber House & Fulton House, Fulton House & Tweeddale)	A, B & C
Option 4 – Tweeddale Tweeddale only (additional office space required)	C
Option 5 – Fort William Primary School and Former Fort William Secondary School Convert surplus schools to office	D & E
Option 6 – Fort William R C School Convert surplus school to office	F
Option 7 – Police Station Convert surplus police station to office	G
Option 8 – Nevis Centre Creation of additional office space within the Nevis Centre	H
Option 9 – Glen Nevis Business Park Available offices	I
Option 10 – Carrs Corner Build new office	J
Option 11 – Corpach Moss Build new office	K

A map showing the locations can be found on the next page.

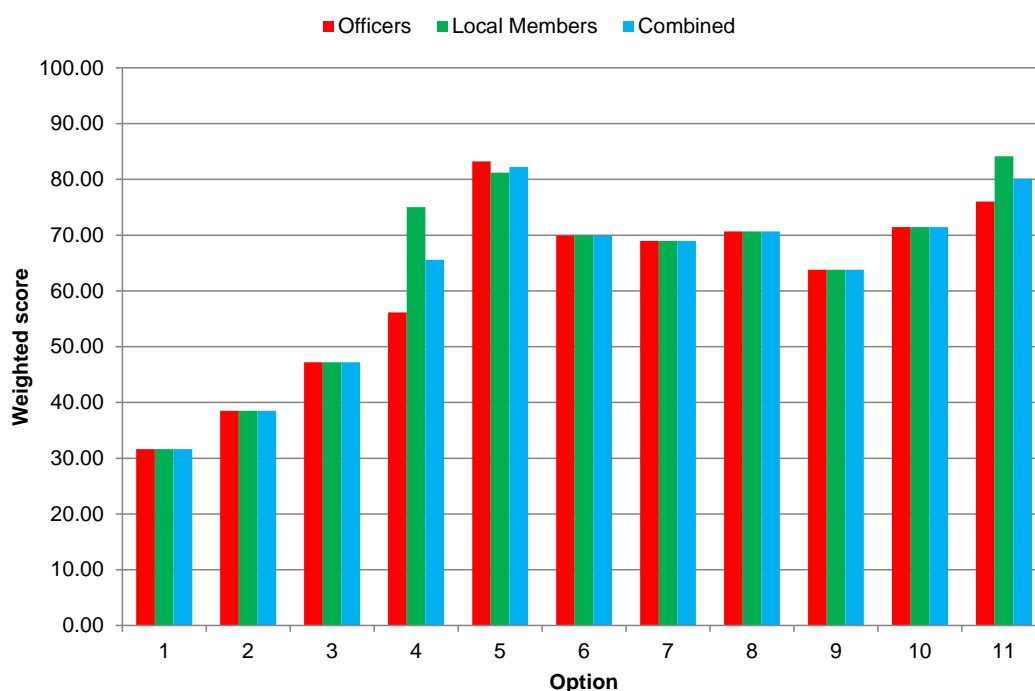


3.6 Options scoring

- Each option (section 3.5) was scored out of 5 to assess how well it fits the non-financial evaluation criteria (section 3.4) where:
 - 1 = Unacceptable
 - 2 = Poor
 - 3 = Satisfactory
 - 4 = Good
 - 5 = Excellent
- The key stakeholders reached a consensus on the scores producing un-weighted scores for each group (Officers and Members).
- The weightings for the eleven non-financial evaluation criteria have been applied to the unweighted scores given to each option to arrive at an overall weighted score for each.
- The table below shows the weighted scores for the individual stakeholder groups and combined:

Option	Description	Officers	Members	Combined
1	Do nothing	31.62	31.62	31.62
2	Do minimum	38.50	38.50	38.50
3	Reducing existing leased accommodation	47.20	47.20	47.20
4	Tweeddale	56.15	75.03	65.59
5	Fort William Primary School and Former Fort William Secondary School	83.24	81.21	82.22
6	Fort William R C School	69.94	69.94	69.94
7	Police Station	68.97	68.97	68.97
8	Nevis Centre	70.66	70.66	70.66
9	Glen Nevis Business Park	63.82	63.82	63.82
10	Carrs Corner	71.43	71.43	71.43
11	Corpach Moss	76.04	84.16	80.10

- The graph below shows the weighted scores for weighted scores for the individual stakeholder groups and combined:



3.7 Strategic appraisal outcomes

- The table below shows that whilst the outcome of the weighted scores from both groups has the same top two preferred progressive options there was a difference in rank order. When the scores of the two groups are combined, Options 5 and 11 are still the top two preferred strategic options.

Option	Officers		Local Members		Combined	
	Rank	Weighted score	Rank	Weighted score	Rank	Weighted score
5	1 st	83.24	2 nd	81.21	1 st	82.22
11	2 nd	76.04	1 st	84.16	2 nd	80.10

4 FINANCIAL WHOLE LIFE APPRAISAL

- Based on the outcomes of the strategic appraisal (section 3.7), the following options were taken forward to be evaluated in the financial whole life appraisal (WLA)⁴:
 - Top two options from the strategic appraisal – Options 5 and 11.
 - Comparison options – Options 1 (Do Nothing) and 2 (Do Minimum), ranked 11th and 10th respectively in the strategic appraisal.
 - Option 4 (Tweeddale only) for comparison due to the potential constraint of existing lease, ranked 7th in the strategic appraisal.

- The WLA was carried out between June and September 2013. It was led by Corporate Property Asset Management team with expert advice from the Construction Consultancy team in Housing & Property and Finance Service.

- The five options have been appraised financially in terms of their whole life cycle costs where each option has been evaluated over a 25 year timeframe and discounted at 3.5%⁵ in line with HM Treasury Green Book guidance to arrive at a Net Present Value (NPV) enabling a direct comparison between options based on present day values.

- The high level design proposals prepared for the progressive options (4, 5 and 11) form the central basis for inputs to the WLA Model. These have been prepared to meet the following requirements:
 - 91 FTE currently located in Lochaber House (excludes Service Point staff), Fulton House and Tweeddale (based on staff information in March 2013).
 - Incorporation of Corporate Improvement Programme Mobile & Flexible Working and Managing Information principles.
 - Chamber/Committee Rooms = 183m² NIA (assumed 20% reduction on current provision).
 - Service Point/Registration office = 117m² NIA (assumed 20% reduction on current provision).

- At this stage, based on the limited opportunity for co-location with partners (section 2), the proposals address the Council's requirements only.

- The WLA has considered two sub-options for Tweeddale in Option 4:
 - A. Option 4A – purchase Tweeddale.
 - B. Options 4B – lease Tweeddale.

- It should be noted that:
 - Options 5 and 11 do not require Tweeddale.
 - Options 4, 5 and 11 require interim lease arrangements until each

⁴ Supported and agreed by the Senior Management Team at the Weekly Business Meeting, 24th June 2013

⁵ Validated by the Finance Service, September 2013

can be delivered.

- Options 4, 5 and 11 require capital investment in the first three years.
- Options 2, 4, 5 and 11 require additional revenue expenditure in the first three years.

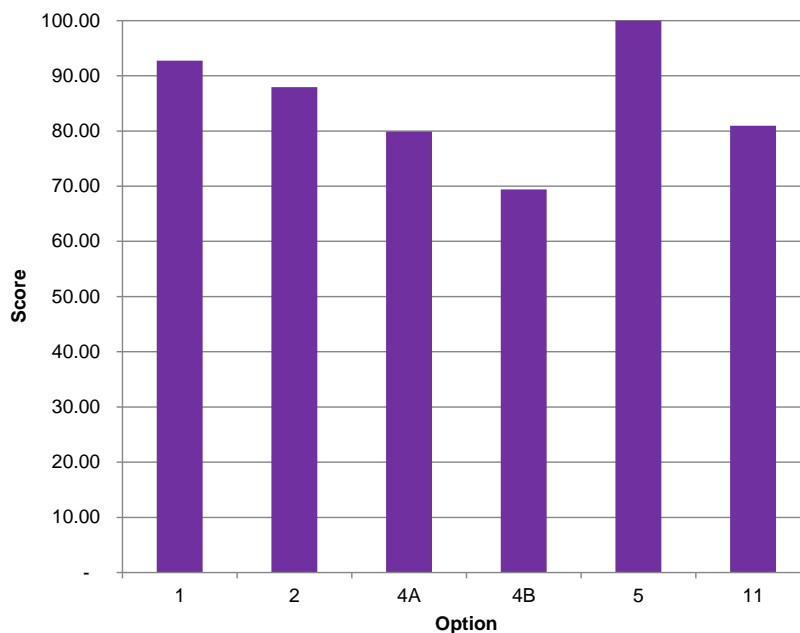
➤ The high level assumptions and risks associated with the options in the WLA are in section 8.

4.1 Net present values

➤ The NPVs over the 25 year appraisal period (cash) for each option in the WLA have been converted to a score (out of 100). The highest ranked option (that is the one with the lowest NPV) is scored 100 and the other scores are relative.

➤ The table and graph below show the relative scores in NPV (cash) terms:

Option	Description	Score	Rank
1	Do nothing	92.76	2
2	Do minimum	87.95	3
4A	Tweeddale (purchase)	79.89	5
4B	Tweeddale (lease)	69.40	6
5	Fort William Primary School and Former Fort William Secondary School	100.00	1
11	Corpach Moss	80.97	4



➤ Option 5 has the lowest value in NPV cash terms (i.e. highest ranked) and is more favourable than Option 1 – Do Nothing.

4.2 Running costs

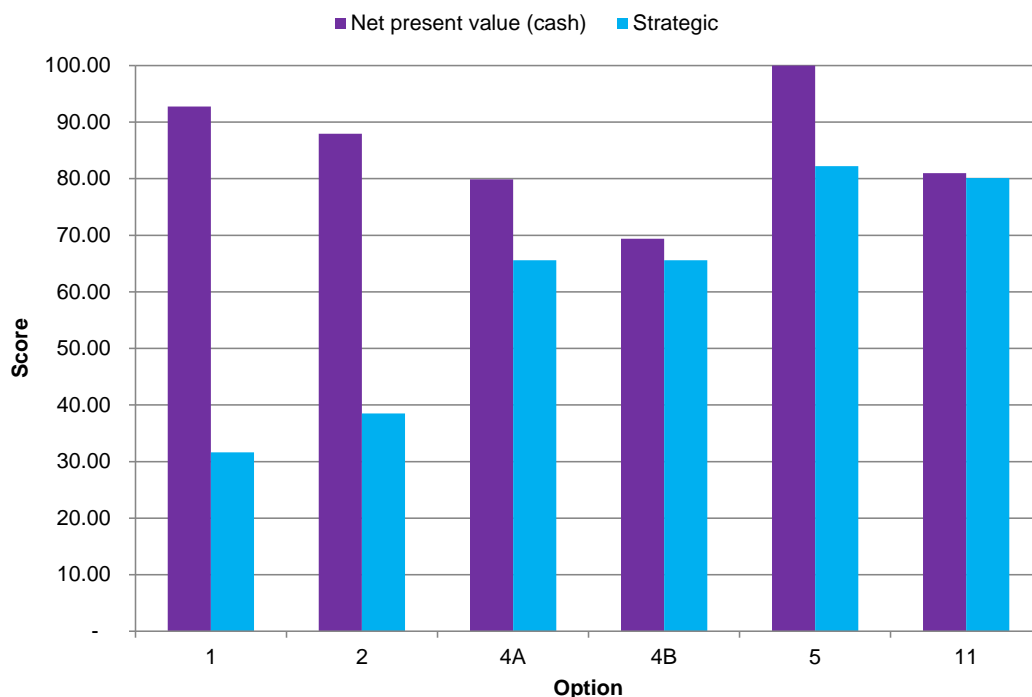
- Year 4 is the first year that all the options in the WLA will be fully operational.
- In Year 4 (on a cash basis) Options 4A, 5 and 11 show a significant reduction in forecast revenue costs compared to Option 1 – Do Nothing as there are no revenue costs associated with leases.
- From Year 4, Option 5 shows a gross annual revenue saving of around £395,000 (before meeting capital financing costs) compared to Option 1 – Do Nothing.
- Option 11 demonstrates a similar level of forecast revenue savings, 0.6% greater than Option 5.
- When the costs of financing the capital requirement (section 6) are taken into account only Options 2 and 5 show forecast revenue savings in Year 4 compared to Option 1.
- From Year 4, Option 5 shows a net annual revenue saving of around £100,000 (after meeting capital financing costs) compared to Option 1 – Do Nothing.

4.3 Whole life appraisal outcomes

- The outcome from the WLA show that:
 - Option 5 has the lowest value in NPV cash terms (i.e. highest ranked) and is more favourable than Option 1 – Do Nothing.
 - Option 5 shows a net revenue saving of around £100,000 (after meeting capital financing costs) in Year 4, and on a recurring basis thereafter, when operational compared to Option 1 – Do Nothing.

5 REVIEW OUTCOMES

- The scores for each option for the strategic and whole life appraisal are shown on the graph below:



- Based on the outcomes of both the strategic and financial appraisals, the preferred option is Option 5 as it represents the best strategic and economic fit for the Council's main office in Fort William based on⁶:
- Highest ranked option from strategic appraisal.
 - Lowest value (highest ranked) in NPV cash terms.
 - Forecast revenue savings (based on Year 4 figures).
- The proposal for Option 5 is to co-locate the Council's main administrative offices, democratic services, Service Point and Registration Offices to a regenerated conversion of the Council owned, listed former Fort William Secondary School site. This has an estimated operational date of October 2016, as the adjoining primary school site is required for access and will not be vacated until 2015 as part of the Fort William Sustainable School Estate Review.
- The achievement of Option 5 will require the Council to negotiate interim lease arrangements until this date.

⁶ Supported and agreed by the Senior Management Team at the Weekly Business Meeting, 7th October 2013

- The photograph below shows the site of the former Fort William Secondary School:



5.1 Stakeholder feedback

- The outcomes of the review have been shared with the local key stakeholders⁷ and there was broad consensus and agreement that Option 5 is the preferred option.
- The outcomes of the review have also been shared with the Senior Management Team, Trade Unions, the Corporate Improvement Programme Asset Management Project Board and the Administration Leaders.

⁷ Key stakeholder briefings, 4th November 2013

6 FUNDING FOR THE PREFERRED OPTION

- There is a requirement for capital expenditure of around £4.25 million associated with the implementation of the preferred option in the first three years.
- This is a property rationalisation project that will be brought forward for approval using the agreed budget allocation in the Capital Programme (HP/2013/01 SAM: Property Rationalisation Review)⁸.
- The Council will finance and deliver the preferred option from its own resources or from borrowing. It will retain ownership of the completed asset.
- In this appraisal the funding costs have been calculated using current projections of the average loan funds borrowing rate.
- In addition to the projected net revenue savings from Year 4 onwards there are additional revenue budget requirements of approximately £1,500,000 associated with the implementation of the preferred option in the first three years.
- This is over and above the costs already budgeted for the three leased properties and is associated with the implementation of the preferred option including interim leases, property exit costs, dilapidations and office moves.
- It is anticipated that this could be funded, subject to Member agreement, through the Strategic Change and Development Fund as the purpose of the fund is to provide on-going financial investment to support the development of services or facilitate change.
- Sections 3, 4, 6 & 7 show how the Fort William Office Review demonstrates a clear link to the Council's Programme and addresses the following criteria:
 - Evidence how the proposal will deliver the Council's strategic objectives.
 - Demonstrate how the proposal will deliver service enhancement and improvement.
 - Demonstrate how the proposal will change outcomes.
 - Evidence how the proposal will deliver financial savings.
- An outline business case detailing the proposal will be submitted for approval to a future meeting of The Highland Council.
- The capital and additional revenue requirements for the preferred option will allow the Council to achieve revenue savings compared to Option 1 – Do Nothing.

⁸ [Capital Programme Review: 10 year programme 2013/14 to 2022/23](#) approved by Highland Council Committee on 27th June 2013

7 BENEFITS


- The diagram below summarises the benefits that are expected as a result of the implementation of the Fort William Office Review.



- These benefits are linked to the vision, aims and objectives of the Fort William Office Review including supporting the delivery of:
- The Council's Programme "Working together for the Highlands" commitments – economy, better infrastructure, empowering our communities.
 - The Housing and Property Service Plan.
 - The Council's Corporate Property Strategy.

8 WHOLE LIFE APPRAISAL ASSUMPTIONS AND RISKS

- The order of cost estimates have been prepared based on the high level proposals (as at 3rd quarter 2014) and are commensurate with this stage in the design proposal.
- Allowances have been made for risk and have been set at levels proportionate to the current project stage.
- As well as the design requirements highlighted in section 4, the following assumptions have also informed the development of the whole life appraisal:
 - Costs associated with lease renewals are based on indicative heads of terms from the landlords.
 - Appropriate lease breaks for Options 4, 5 and 11 can be negotiated.
 - School site for Option 5 is available in 2015.
 - Land for Option 11 at Corpach Moss can be purchased.
 - Running costs are based on appropriate industry standard figures.
 - Costs for office moves and office fit outs are based on recent office moves.
 - Service Point in Options 5 and 11 is contained within design
 - Service Point in Options 1, 2 and 4 remains in current location (ground floor of Lochaber House).
 - Lease for ground floor of Lochaber House can be negotiated (Options 4A and 4B).
 - Rates for Options 4, 5 and 11 are based on rateable values.
 - Stamp Duty Land Tax costs are based on lease costs and length or purchase price and have been calculated using the HM Revenue & Customs calculator.
 - Premises insurance for Options 5 and 11 is based on valuation price.
 - ICT costs are based on provision of Pathfinder, chamber set up, wireless.
 - Cabling and power costs are included in capital projects.
 - Lease for Option 4B is reduced from 2071 to 25 years.
 - There will be no Pathfinder termination costs - notification will be given in time.
 - Demand is based on known staff numbers at March 2013.
 - Revenue costs for currently occupied leases (Lochaber House, Fulton House and Tweeddale) have been verified by Finance.
 - Dilapidations will be carried out in advance of lease expiry.
 - Costs for capital works include relevant fees.
 - Area per workstation is 10m² Net Internal Area.
 - Costs for change management to adopt new ways of working for Options 4, 5 and 11 are not included but are the same for each option.
 - Procurement costs are excluded.
 - Inflation is not included.

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- The following specific risks associated with the options were identified during the development of the WLA:
- Ability to agree interim or long term lease arrangements with landlords of Lochaber House and Fulton House.
 - Maintaining confidentiality to protect the Council's commercial interests.
 - Programme is based on approval of a preferred option at Finance, Housing & Resources Committee in November 2013.
 - Costs for dilapidations and backlog maintenance are estimates and may be subject to change.
 - Delays in programme e.g. availability of site, time taken to achieve statutory consents.
 - Costs associated with capital projects e.g. new build or refurbishment (see also earlier statements on risk and high level stage).
 - Outcome for Tweeddale.