

NHS Education for Scotland

Board Paper Summary

1. **Title of Paper**

Property Strategy – Glasgow Accommodation Consolidation update

2. **Author(s) of Paper**

Caroline Lamb, Director of Finance and Corporate Resources
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3. **Purpose of Paper**

To present to the Board with an update on progress in taking forward our proposals to consolidate our property holdings in Glasgow.

4. **Key Issues**

The Board has already approved, at its meeting in December 2012 a proposal to seek to rationalise our office holdings in Glasgow by exiting Clifton House and taking additional space in 2 Central Quay.

At its meeting in March 2012 the Board also agreed recommendations relating to the space planning and the phasing of the building contract for these works. The attached paper provides some detail in relation to this background for the information of new Board members.

Since the March Board meeting we have been involved in negotiations with the landlord which have now resulted in our reaching agreement. This paper confirms that we have now been able to announce our plans to staff and are moving forward to establish project governance arrangements.

5. **Educational Implications**

The Property Strategy is designed to support our strategic objectives.

6. **Financial Implications**

The anticipated financial implications are as provided in the approved paper in March. The next stage is preparation of a target price for the fit out works. As there are long lead in times for some of the M&E fittings we will need to be in a position to approve the target price by the end of August to enable an order to be placed in time for us to

commence works in October. There is a meeting of the Finance and Performance Management Committee on 29th August to which a detailed paper will be submitted.

7. Relevance to Strategic Work Plan ‘Pillars’

As at 5

8. Relevance to ‘Better Health, Better Care’

As at 5.

9. Key Risks and Proposals to Mitigate the Risks

A full risk register will be prepared as part of the arrangements for project governance.

10. Equality and Diversity Impact Assessment

A full equality impact assessment of the move to the Westport was undertaken and a similar model will be used in relation to this move. It is anticipated that the issues that may arise will already have been considered in relation to the Westport move.

11. Communications Plan

A Communications Plan has been produced and a copy sent to the Head of Communications for information and retention:

Yes

No

A Communications Plan format template is available in the ‘Meetings’ and ‘Communications’ sections of the NES Intranet.

12. Recommendation(s) for Decision

The Board is requested to note the update provided in this report.

1 Background and Context

1.1 Approval of Acquisition of Additional Space at 2 Central Quay

At its meeting in December 2012 the Board approved a Business Case for NES to seek relevant permissions to enter into a new ten year lease for existing and additional ground floor space at 2 Central Quay to enable us to rationalise our property holdings in Glasgow in line with our Property Strategy. It was noted within the Business Case that the preferred option would result in additional annual rental and service charges in the region of £70,000, but that we were confident that would be able to generate additional efficiencies, through a reduction in running costs, including facilities management and IM&T as a result of improved integration that would more than cover this.

Subsequent to this Board decision we presented our Business Case to Scottish Government who approved the recommendation to enter into a new lease with the landlord at 2 Central Quay (2CQ) .

1.2 Options Appraisal

1.2.1 Space Planning

In March 2013 we brought a further paper to the Board. This presented 3 options to the Board in relation to the space planning for 2CQ:

Option 1 – Full implementation of the workplace strategy, essentially planning assuming complete re-configuration

Option 2 – Retaining some elements of the existing layout, including the large meeting/training rooms and the server room, on the 3rd floor.

Option 3 – Minimal intervention – seeking to implement the workplace strategy retaining the majority of existing partitions.

It was noted that all three options demonstrated that the space could meet our requirements but with compromises (in the form of reduction of the number of meeting rooms) 3.

1.2.2 Scope of Works and Outline Costs

The paper presented to the Board in March also detailed the work that we had done with our NHS Framework Scotland Principal Supply Chain Partner (Laing O Rourke) and our Cost Advisor (Sweett Group) to examine the required scope of works, construction programme options and outline costs for each of the 3 layout options. After developing potential construction phase programmes, we then examined the associated business disruption and need for temporary decanting our operations while works were in progress. The estimated costs for this element was included along with the benefits, issues and risks for each programme option for each layout option.

To assist with the preparation of the scope of works required to achieve our Work place strategy and the layout options, condition and capacity surveys of the existing building fabric and services were commissioned by NES.

For all layout options, it was essential for us to significantly enhance the mechanical services providing the heating, ventilation and air conditioning to ensure it would align with our layout and occupancy levels. Currently, the system is not designed or installed to meet the occupancy levels on the 3rd floor and does not align with the current layout leading to the thermal comfort issues experienced at 2CQ. We therefore advised the Board that for all options additional plant would be required to meet the demands from the training/meeting rooms and the server room.

In view of the above, the costs and programmes were not significantly different for the 3 options.

In addition, the options appraisal development for the mechanical building services and the associated outline design had revealed that there would be difficulties in achieving the option 2 and 3 layouts which both retained the meeting/training rooms on the 3rd floor. To meet current building regulations (and obtain the necessary building warrant for the works), it will be necessary to install additional plant to provide the required fresh air changes (ventilation) and cooling needs to support our occupancy levels in the meeting/training rooms. The existing roof level plant locations have minimal available space for additional plant. For option 1 however which has the meeting/training rooms on the ground floor there was the opportunity to install the required major plant within the car parking area and enable the minimal supplementary plant required for the 3rd floor space to be located in the available roof level space.

Taking all of the above into account the Board approved the recommendation that we seek to develop the space at 2CQ on the 3rd and Ground floors in line with Option 1.

1.2.3 Phasing of Works

The paper presented to the Board in March also offered 3 options in relation to phasing of the programme.

- Complete handover of the building – requiring decant of all staff currently based in 2CQ
- A two phase programme, starting on the ground floor and half of the third floor, requiring decant of some staff out of 2CQ
- A three phase programme, allowing for the work to the ground floor to be done first, followed by one half, and then the other half of the 3rd floor.

The Board agreed that the three phase programme represented the lowest risk to business continuity and reduced costs as this was the only option that would not require us to access additional accommodation for decant.

2 Update on Proposals

Since the approvals received from the Board in March we have been progressing negotiations with the landlord at 2CQ.

The principal heads of terms regarding the rental value, the lease term and incentives relating to rent free periods were established for the business case in December and remain agreed.

We commissioned pre-acquisition surveys for both the part ground floor and our existing third floor space, with a view to reviewing the current condition, identifying any maintenance issues requiring to be addressed and to assist us in negotiations in relation to the repair and maintenance liability clauses within the lease. Our existing lease conditions are fairly onerous on NES and we are sought as part of the negotiation to seek a rewrite in relation to some of these.

We also progressed discussions regarding the base build specification/condition to be provided by the landlord in relation to the ground floor space. Agreement of this was reliant on the condition of those premises as vacated by the existing tenant whose expiry date was not until mid July 2013, this negotiation was therefore complicated by the requirement for the landlord to understand the dilapidations settlement they were likely to reach with that tenant. All of this has had an impact on the time it has taken to reach agreement. It should be noted that throughout the negotiations with the landlord we have attempted to maintain confidentiality and to indicate that we are considering a range of options, in order to preserve our negotiating position. Particularly as we became aware during this period that there was an interest from another tenant in 2CQ in the ground floor space.

We have now reached a position where we have reached an agreement and are moving into the final formalities of concluding legal documentation. As a result we have announced to Glasgow based staff that we will be taking more space in 2CQ and exiting Clifton House in line with our lease expiry there, in November 2014.

We expect to take occupancy of the additional space on 1st October 2013 and anticipate to be in a position to commence works on that date. We plan to prepare business case for the fit out and details in relation to the target price for submission to the Finance & Performance Management Committee at the end of August, and approval by the Board in September.

3 Project Board and Project Team

We have established a Project Board chaired by Caroline Lamb, Director of Finance and Corporate Resources. The Project Board will be responsible for delivering the building to an appropriate quality, on budget and ensuring that the facilities and technology provided are in line with the workplace strategy, taking account of feedback from the Westport post occupancy evaluation. The Project Board will meet in Glasgow and included in its membership are two senior local 'Users' – RoseMarie Parr, and the Postgraduate Medical Dean/GP Director.

We have also established a Project Team bringing together senior staff who are based in 2CQ and Clifton House. The role of this group will be to provide leadership and support for staff through the change and to detail with elements of local planning, such as establishing local adjacencies and providing advice and support with regard to the decant programme.

4 Recommendation

The Board is recommended to note the progress in relation to the implementation of the Property and the Workplace strategies to NES accommodation in Glasgow.