

Executive Decision Report

Decision maker and date of Leadership Team meeting, Lead Member meeting or (in the case of individual Lead Member decisions) the earliest date the decision will be taken	Date of Leadership Team Meeting: 26 February 2018 Date of decision: (i.e. not before) 5pm 12 January 2018 Forward Plan reference: 05051/17/K/AB	 THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
Report title	CANALSIDE HOUSE - RELOCATION TO UNIT 12, LATIMER ROAD INDUSTRIAL ESTATE, W10	
Reporting officer-	Richard Egan, Director of Corporate Property	
Key decision	Yes	
Access to information classification	Public (Part A) with Confidential/Exempt (Part B) Appendix <i>[Information relating to the financial or business affairs of any particular person (including the authority holding that information)]</i>	

1 EXECUTIVE SUMMARY

- 1.1 This report seeks the Leadership Team's approval to the allocation and amalgamation of two previously approved Capital sums together with an additional capital sum for the refurbishment and reconfiguration of Unit 12, Latimer Road Industrial Estate so as to provide a bespoke venue for the relocation of occupiers from Canalside House together with the creation of additional shared office accommodation for use by both the voluntary and private sectors.
- 1.2 Confidential/exempt information is contained in the exempt part B appendix as it details information relating to the financial or business affairs of any particular person (including the authority holding that information).

2 RECOMMENDATIONS

- 2.1 The Leadership Team is recommended to approve the amalgamation of two previously approved capital sums in order to pursue option 3 as identified in this report.
- 2.2 The Leadership Team is recommended to approve the addition of a further capital sum within the approved capital programme in order to pursue option 3 as identified in this report as detailed in the exempt Part B Appendix.

- 2.3 The Leadership Team is recommended to approve the delegation of authority for the award of all associated contracts and decisions around the target operating model for the building to the Deputy Leader and Lead Member of Grenfell Recovery, Housing and Property.
- 2.4 The Leadership Team is recommended to approve the appointment of Amey Community Ltd to project manage this project on behalf of the Council

3 REASONS FOR DECISION

- 3.1 Delivery of the scheme will facilitate the previously approved release of Canalside House with Tenants relocating into a new, modern and fit for purpose replacement facility for the 3rd sector which will also deliver additional accommodation for use by both the voluntary and private sectors.
- 3.2 This Asset is held in the General Fund.

4 BACKGROUND

- 4.1 Following Cabinet approval in February 2016 to the disposal of three sites (St Mark's Road, Canalside House and 5&6 Acklam Road) a requirement to relocate tenants from Canalside House was clearly identified.
- 4.2 Canalside House offers the current tenants a dated and problematic building. There are continual problems with the windows and window cills which are in a dangerous condition and are at the end of their useful life. The heating and ventilation is extremely dated and breaks down regularly and this creates uncomfortable working conditions. The building offers no disabled access to most parts of the building and the layout of the floorplates provides for an inefficient use of space.
- 4.3 To rectify all of the above issues would require major capital investment and involve a significant amount of demolition and re-building. This is not financially viable.
- 4.4 At its meeting on 17 September 2015, Cabinet approved the acquisition of the freehold interest in Unit 12 Latimer Road Industrial Estate; W10 6RQ. The acquisition was approved on the basis that the building could be utilised for one of the following:
- Relocation of tenants from Canalside House.
 - Relocation of the Youth Offending Team service from 36 Oxford Gardens
 - A stand-alone commercial letting investment
- 4.5 As part of the above approval (4.4) a capital sum for the implementation of additional improvement works was approved. These works have not been progressed.
- 4.6 As part of the approval (4.1) a capital sum for the relocation of Canalside House tenants to alternative premises was secured.

- 4.7 The requirement for an alternative Youth Offending Team provision has changed and the Latimer Road property is no longer considered to be appropriate.
- 4.8 Unit 12, Latimer Road Industrial Estate comprises a double-storey light industrial unit which has been converted into office space and which is now vacant and is being kept secure via a “Guardian” service.
- 4.9 Following completion of a recent feasibility and capacity study by the Council’s Capital Projects team, and after consultation with the Council’s Community Engagement Team, it has been concluded that Unit 12, Latimer Road Industrial Estate is a suitable relocation option to accommodate the tenants at Canalside House. Any such refurbishment will also be capable of providing additional shared space for letting.
- 4.10 Whilst Unit 12, Latimer Road Industrial Estate is approximately half the size of Canalside House, the gross to net floor area ratio is much more efficient.
- 4.11 One of the larger occupiers at Canalside House have, of their own volition recently served notice to quit and will be relocating their offices elsewhere in the Borough. Another has indicated a desire to re-shape their business model and this may result in a smaller spatial requirement.
- 4.12 Given the above, and following a continued series of stakeholder meetings, it has been identified that if modern working practices were to be adopted the entire requirement for space for Canalside House could be accommodated over one floor of Unit 12, Latimer Road Industrial Estate.
- 4.13 A summary of the respective floor areas is given below.

Building	Gross Internal Area (sqFT)	Net Internal Area (sqFT)	Net to Gross Ratio
Canalside House	9,450	6,393	68%
Unit 12, Latimer Rd Industrial Estate	4,724	4,334	92%

- 4.14 Whilst Canalside House is undoubtedly well placed for access to local bus services and scores a PTAL (Public Transport Accessibility Level) rating of 5 out of 6, Latimer Road is also served by public transport, scores a PTAL rating of 3 out of 6 and is located slightly closer to London Underground services than Canalside House.

5 PROPOSAL AND ISSUES

- 5.1 Corporate Property and the Community Engagement Team believe that Unit 12, Latimer Road Industrial Estate will provide the Council with an opportunity to develop a modern, flexible, state of the art facility for relocated tenants from Canalside House and other users. This building will be able to host and showcase a number of new technologies and working practices both upon completion and in the future for potential adoption elsewhere across the estate. This facility will be capable of opening for extended hours so as to offer

accommodation for multiple uses at different times of the day. This facility could be occupied on a variety of bases including 'pay as you go' so that the cost to occupiers is cheaper than the traditional annual rent model.

- 5.2 This is an opportunity to revolutionise the traditional third sector property model which usually sees voluntary organisations occupying poor quality/sub-standard spaces with little investment and operating in a conventional way.
- 5.3 Third sector tenants usually occupy their office accommodation on an exclusive lease/licence basis where a rent (subsidised or otherwise) is paid for space which is often underutilised and which does not provide any improved value for money for the occupier or the Landlord/3rd party who is subsidising that rental liability.
- 5.4 A modern and flexible facility such as the one proposed can be put to a number of different uses throughout the course of the day and be used by a larger number of different users on a non-exclusive basis. This would provide the Council with an ability to use a part of the property for its own purposes should the need arise in response to a denial of access to any of its main corporate office buildings (because of a major power outage, for instance).
- 5.5 A conceptual design for the building has been commissioned and three potential refurbishment options have been costed.
- 5.6 The costs for each of these options are outlined in Part B. These have been assessed and validated by the Council's Capital Projects team who have made a recommendation to progress with the comprehensive remodelling of the property both internally and externally (option 3).
- 5.7 If the recommended option is approved, this will not be a conventional project and there will be a significant amount of additional work required in transitioning the occupiers of Canalside House into their new accommodation. This will include transfer to new, cloud based I.T, digitisation of paper records, engagement around sharing of spaces and the working up of policies and procedures around methods of occupation, charging and overall management of the building.
- 5.8 Given the above, it is also proposed that if option 3 is approved, rather than appoint the Council's Capital Projects Team to manage the project, the project should instead be delivered on a 'turn-key' basis by the Council's FM provider, Amey PLC, as they have a specialist team who understand the concept of what is proposed, have delivered similar projects in the past and who have a supply chain of companies who will be keen to provide new technologies to site on a showcase basis. This appointment can be made under the existing TFM framework without the need to go out to formal tender.
- 5.9 Amey have provided two initial reference sites which demonstrate their ability to deliver innovative projects such as this. These are the Amey headquarters at Edmund Halley Road, Oxford and the Department for Transport Offices at 76 Marsham St, Westminster, London.

- 5.10 Amey PLC have produced an initial proposal to take this project through to design stage
- 5.11 Given the size and complexity of the project, it is proposed to break Amey's commission into two stages so that the project can be reviewed as a whole after the design stage is completed and, if necessary, project delivery be bought back in-house.
- 5.12 It is suggested that the required decisions around the basis and cost of occupation for the property and the proposed method of day to day management be delegated to the Deputy Leader and Lead Member for Grenfel Recovery, Housing and Property.
- 5.13 The Council has already committed to ensure that none of the Canalside House tenants who move into this new facility will be worse off as a result.

6 OPTIONS AND ANALYSIS

Option 1

- 6.1 Undertake limited works to the existing building so as to enable a simple lift and shift of Tenants from Canalside House to Unit 12, Latimer Road Industrial Estate.

Option 2.

- 6.2 Undertake a more extensive (but limited) refurbishment of the building including the addition of a passenger lift so as to make both floors fully accessible.

Option 3

- 6.3 Undertake a comprehensive internal and external refurbishment of the building and associated infrastructure.

Option 4

- 6.4 A further potential option to create new residential property as part of a refurbishment scheme was suggested following the inclusion of relevant policies in the St Quintin and Woodlands Neighbourhood Plan (Referendum version November 2015) which the Planning Department have confirmed would support such a proposal once that policy is adopted.
- 6.5 It is considered that if this option were to be pursued, it would necessitate the complete demolition and rebuilding of the site to include the new residential provision. Assuming that up to 3 floors of residential property were to be acceptable in planning terms, it is thought that up to 9 residential units could be provided.
- 6.6 However, initial appraisals have been undertaken on this scenario which show that it is not currently financially viable. Further, pursuing this option would further delay the release of the Canalside House building.

6.7 Given the above, option 4 has not been explored further.

6.8 The strengths and weaknesses of options 1 to 3 are set out below. The financial cost and benefit of each option is shown in Part B

Option 1 - Summary

- No roof alteration.
- No internal mezzanine alteration.
- No lift.
- Existing stairs retained.
- Existing facades retained. (However remove shutter door to side elevation).
- Internally decorate.
- New intercom.
- New IT.
- Extend electrics locally.
- Retain existing toilets.
- Minor external landscaping work.
- New bin store.
- New signage.
- Retain/ overhaul existing ventilation and heating system. Assume in a working condition.
- New floor finishes in office area
- Existing internal partitions to be retained

STRENGTHS

- This less complicated option, could be concluded the quickest.
- This option would allow Canalside House to be decanted sooner. The financial gains of the release of Canalside House could be achieved earlier.

WEAKNESSES

- This option will not be DDA compliant.
- The internal environment and infrastructure of the building will not be greatly improved with this option and this will mean that increased maintenance costs will be incurred with further monies being required for the lifecycle replacement of mechanical and electrical equipment in the short to medium term.

Option 2 – Summary

- No roof alterations.
- Replace ceiling to roof space internally.
- No mezzanine alteration.
- New lift.

- Existing stairs retained.
- Existing facades altered in part.
- Internal decoration.
- New intercom.
- New IT.
- Extend existing electric.
- Retain toilets.
- Minor external landscaping works.
- New bin store.
- New cycle racking.
- New signage.
- Retain and overhaul existing A/C.
- New floor finishes in office area.
- Existing internal partitions. Remove ceiling. Repair where necessary.

STRENGTHS

- This option allows for a higher level of improvement to the building than option 1.
- This option has the potential to provide a facility which is 'more modern and appealing' than option 1.
- The more advanced level of refurbishment would make this more of a show case project over option 1 with the ability to introduce some new technologies.
- Running costs and maintenance costs may be reduced by the more extensive works to the buildings existing services (over option 1).
- This option may provide additional space for commercial letting

WEAKNESSES

- This option will not deliver all of the benefits required for the delivery of a facility as envisaged in 5.1
- This option is considerably more expensive than option 1 but does not allow the Council to realise the full potential of the opportunity.

Option 3 – Summary

- New roof.
- New lift.
- New façade cladding.
- New toilet.
- New landscaping.
- New internal finishes.
- New services.

STRENGTHS

- This option allows for a high level of improvement to the building.
- This will provide a more visually appealing building and enhance rental values.

- This option will provide additional lettable space
- This option will allow the Council to use part/all of the building for disaster recovery purposes should the need arise
- This option would enable the building to act as a show case project.
- With the associated investment into the mechanical and electrical systems, running costs and maintenance requirements for the building will be greatly reduced over the other two options.

WEAKNESSES

- This option is the most expensive and will take the longest to deliver.
- A glass frontage could reduce the buildings sound and thermal insulation properties.

7 CONSULTATION

- 7.1 The Deputy Leader and Lead Member for Grenfell Recovery, Housing and Property has been consulted and concurs with the recommendations in this report.
- 7.2 The St Helens and Dalgarno ward members have been consulted. Cllr Allison has commented that whatever option is chosen should be done in the spirit of enhancing an area that could do with a beneficial lift.
- 7.3 The former Cabinet Member for Civil Society was consulted and commented “I have been fully consulted on the proposal to relocate tenants of Canalside House in refurbished office accommodation at Unit 12 Latimer Road. It is my view that this presents an excellent opportunity for the third sector organisations to move into modern and flexible office accommodation that would support new and more effective ways of working. The Council recognises that Canalside House tenants are likely to require some support in adapting to new ways of working and will continue to work with the Kensington and Chelsea Social Council to ensure the organisations receive the support that they need”
- 7.4 The Canalside House Tenants have been consulted on this proposal. There has been a mix of feedback which whilst generally positive, has underlined the need for the Council to work closely with occupiers to make sure that their requirements are met and for some concerns about the location of the Latimer Road property to be addressed. Updates are provided at the regular steering group meetings and each tenant has been consulted individually in separate meetings. This process of engagement will continue as the project progresses.
- 7.5 Kensington and Chelsea Social Council have been consulted on this proposal and have commented “Kensington & Chelsea Social Council are committed to supporting voluntary organisations at Canalside House as they go through this transition. We have been members of the Canalside House Steering group for a number of years. We have worked with and would like to continue to work with the Council to ensure that they maintain their continued commitment to fulfil the voluntary sector’s need for affordable office accommodation and facilities”

8 EQUALITY IMPLICATIONS

- 8.1 An equalities impact assessment and associated action plan have been completed in respect of this proposal. Whilst a concern had been raised regarding the convenience of the Latimer Road location, the consultation work undertaken with the building users indicates that there are no real complaints in this respect at this time.

9 INFORMATION, COMMUNICATIONS AND TECHNOLOGY (ICT) IMPLICATIONS

- 9.1 There are no such implications.

10 PROCUREMENT PROCESS

- 10.1 The Corporate Property Procurement Officer has been consulted and has no further comments.

11 PLANNING IMPLICATIONS

- 11.1 It is anticipated that the scheme will require formal planning consent. The appropriate application will be submitted as required when appropriate.

12 LEGAL IMPLICATIONS

- 12.1 The Director of Law has been consulted and comments that the legal Implications are set out in the report. *Legal comments provided by David Walker, Principal Solicitor (0207 361 2211)*

13 FINANCIAL AND RESOURCES IMPLICATIONS

- 13.1 Corporate Finance has been consulted and comments that this proposal has previously been submitted to the Capital Strategy and Asset Management Board for review of the proposal's effectiveness against the Council's priorities and received a total score of 18 out of 30. There is existing budgetary provision within the Council's Capital Programme as detailed in the exempt Part B Appendix to this report. If the recommendation to pursue option 3 is approved the additional capital sum requested will constitute growth to the Council's existing approved Capital Programme.
- 13.2 The Group Finance Manager, Corporate Services, has been consulted and comments that the financial implications of this decision are explained in the above report and in the confidential part B annex. The financial details provided in exempt part B have been checked accordingly.
- 13.3 As mentioned in the report, two projects currently exist in the capital programme (refs: 903 and 904) with expenditure scheduled for the 2017-18 financial year. These sums have been confirmed. The proposal to merge these into one project is noted.

13.4 The requirement for additional funds was presented to the Capital Strategy and Asset Management Board meeting (CSAMB) on 2 May 2017 for the revised total project sum shown in annex B. This was agreed by CSAMB. Approval of this report will confirm the additional sum and the merger of projects into one.

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Director of Corporate Property

Local Government Act 1972 (as amended)

Background papers used in the preparation of this report: none

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