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| Meeting | Public SPA Board Meeting |
| Date | 22 March 2017 |
| Location | Stirling Court Hotel, Stirling |
| Title of Paper | Estates Re-Modelling Proposal within Peterhead Area to Relocate shared accommodation at the Buchan Headquarters of Aberdeenshire Council at Buchan House, Peterhead. |
| Item Number | 13.3 |
| Presented By | ACC Andy Cowie |
| Recommendation to Members | For Approval |
| Appendices Attached : | Yes |

PURPOSE

To invite members to:

1. Agree to the Estates Re-Modelling Proposal within the Peterhead area (including Properties & Land) which includes re-locating into shared accommodation with the Local Authority. Three options are presented for the preferred location and Option 3, which involves capital investment without purchase of the land, is recommended.
2. If the purchase involves the lease of building and / or land, instruct the Head of Estates of PSoS and the Interim Head of Legal Services of PSoS to thereafter obtain the approval of the Scottish Government to the terms of the proposed lease and to then conclude the lease agreement.
3. Agree, subject to approval to develop accommodation at Buchan House, to declare the existing Police Offices at Merchant Street, Peterhead and Golf Road, Cruden Bay surplus to operational requirements.
4. Authorise and instruct Police Scotland Head of Estates and the Interim Head of Legal Services to carry out the marketing of office properties at Merchant Street, Peterhead and Golf Road, Cruden Bay in accordance with the Scottish Public Finance Manual (SPFM).

Public SPA Board

Relocation of the Peterhead Police Office to shared accommodation at the Buchan Headquarters of Aberdeenshire Council at Buchan House, Peterhead.

22 March 2017

1. BACKGROUND

- 1.1. The Scottish Police Authority approved the Police Scotland Estate Strategy in June 2015. That strategy proposes that Police Scotland enhance service delivery by transforming their estate into one which is modern, flexible and fit for future policing across Scotland. The intention is to deliver an estate which is:
- **Demand-led** – visible policing which is responsive to community needs, delivers better outcomes for places, and ensures equity of service and access;
 - **Collaborative** – both internally and externally, works with partners to share resources and take a joined up approach to deliver shared objectives and strengthen the policing presence; and
 - **Modernising** – provides professional and flexible workspace that makes best use of ICT capability and supports agile working, allowing a reduction in floor space, maximises efficiency and reduces the carbon footprint.
- 1.2. Engagement with the Policing 2026 delivery team indicates that these principles are consistent with the emerging future vision. Application of the Estate Strategy will in due course become a building block to enable delivery of Policing 2026.
- 1.3. Whilst an overarching Implementation Plan is being developed to support the Estate Strategy, some locations require more urgent action. The current police office at Peterhead is in a very poor condition and options to address this have been explored.
- 1.4. A Peterhead proposal was previously considered by the Finance and Investment Committee meeting on 7th September 2016, when committee members, supported a report being developed for presentation to the SPA Board.
- 1.5. In line with the Estate Strategy, this proposal recommends a collaborative service delivery model through the co-location of public services, enhancing service provision within the local community. The proposal recommends the relocation of local policing from two locations into one location within a shared local

authority facility. Two Estate locations are subject to change within this proposal:

- Peterhead Police Office
- Cruden Bay Police Office

- 1.6 The existing Peterhead Police Office is located at 2 Merchant Street, Peterhead. The building is the operational base for the Buchan Community Policing Team (CPT) and supports some other divisional functions. Buchan CPT covers the Multi Member Ward (MMW) areas of Peterhead North and Rattray, Peterhead South and Cruden and Central Buchan with a combined population of approximately 40,300 (Aberdeenshire Council Buchan Profile, March 2015). Peterhead has a population of approximately 20,000 and is the largest town in Aberdeenshire.
- 1.7 The existing office has a public counter that operates at evenings and weekends. Since November 2015, the daytime public counter has operated from a shared Service Point facility with Aberdeenshire Council at Buchan House, Peterhead. Buchan House is a modern office (opened July 2015) which has consolidated all local council services within a central hub.
- 1.8 A recent condition survey identified that significant repairs will be required at Peterhead Police Office in the near future. This includes repair to the roof, windows and drainage, urgent action is required to address these. The building does not comply with Equality Act requirements due to poor access and no lift provision, which restricts access for those with impaired mobility. Peterhead Police Office is located within the Peterhead Central Conservation Area and there is no scope to develop the existing premises.
- 1.9 The Buchan CPT has two further offices in the area. These are located in Central Buchan at Mintlaw and Cruden Bay. Cruden Bay Police Office was considered surplus to operational requirements prior to the formation of Police Scotland. Policing for the village is provided from Mintlaw Police Office, which this proposal will not change as that location meets operational requirements and is deemed fit for purpose.
- 1.10 Aberdeenshire Council's Chief Executive, Mr Jim Savage supports the proposal which has been discussed with the senior staff within Aberdeenshire Council. These include The Head of Commercial & Procurement, The Head of Finance and The Monitoring Officer who

have been consulted in the preparation of the proposal and their comments incorporated.

- 1.11 There is already a Police presence within Buchan House together with the Community Wardens and this proposal would further enhance the benefits of partnership working providing improved facilities for the public

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1. To address the shortcomings of the existing Peterhead Police Office and deliver a facility which meets community and staff expectations in line with the Estate Strategy, four approaches were considered:

- ***Refurbish Existing Property*** - To bring the existing property up to an acceptable standard would require significant investment. The 40 year cost projection anticipates maintenance, repair and running costs of over £5.2M. As well as being considerably more expensive than the alternative options, it would not add value to the asset and would still leave an office does not match policing requirements and fails to deliver access to an acceptable standard. The building is too large for current requirements and opportunities to split the accommodation and dispose of or re-let part are minimal.
- ***Commercial Leasing Opportunities*** - The basic policing requirements as regards accommodation type, scale and location were assessed. The availability of lease property in the area was then considered to ascertain if there were any viable opportunities which met this specification. No suitable properties were identified.
- ***Purchase /Build New Property*** - In line with the specification noted above, the availability of locations upon which to build a new office was explored. This found no suitable sites to be available. A plot of land was previously purchased at Catto Way, Peterhead by Grampian Police with the intention of building a replacement police office. Planning permission was initially obtained, but this expired in February 2016. On subsequent review, whilst an office could have been built on this site it was no longer considered an appropriate location, being on the periphery of the town centre. It also failed to maximise

the collaborative opportunities preferred by the Estate Strategy. The plot has since been sold back to Aberdeenshire Council in line with the terms of the initial purchase.

- ***Collaborative Public Sector Opportunities*** - The potential for partner organisations to provide accommodation which met the aforementioned specification were explored. It was recognised that this approach would best fit the Estate Strategy if suitable facilities could be identified. Two such opportunities were found and options were examined which could deliver this preferred approach.
- 2.2. Having identified Collaborative Public Sector Opportunities as the preferred approach, two locations were identified. The first was to co-locate with the Scottish Fire and Rescue Service (SFRS) within their premises at Grange Road, Peterhead. The alternative was to co-locate with Aberdeenshire Council in a new build extension to their Headquarters at Buchan House, Peterhead. The assessment of these options, including different financial approaches, is outlined below.
- 2.3. ***Option 1 - Scottish Fire and Rescue Location.*** This proposal involves the retro-fit of their existing premises to provide accommodation for police. This option provides limited flexibility in use of space. The building is not well located to support service delivery, being on the periphery of the town. Some collaborative working would be achieved, but this is limited to the potential public counter, which itself is not ideal given the location of the premises. The financial proposal (detailed in ***Appendix 1***) would involve initial capital investment of almost £1M to refurbish the property, but SFRS would retain ownership of the property. Overall running and maintenance costs exceed the alternative collaborative options. It is assessed that this option fails to meet the Estate Strategy objectives or deliver best value.
- 2.4. ***Option 2 - Aberdeenshire Council Location (Revenue Investment)***. This proposal involves sharing accommodation with Aberdeenshire Council at Buchan House, St Peter Street, Peterhead. The proposal involves construction of a new extension to the existing Council office. This is in a town centre location about half a kilometre from the existing Police Office. A shared public counter already operates here and the building hosts a range of council services including Housing, Social Work, Education and Children's

Services. These functions offer a substantially greater opportunity for collaborative service working. Indeed, feedback on the shared public counter has already identified improvements to communication, interaction and service delivery. It is assessed that full co-location would further increase overall effectiveness. In addition to the collaborative advantages, a new build maximises the opportunity to create flexible accommodation. Overall, this facility more closely aligns to the Estate Strategy than the SFRS alternative.

- 2.5. A number of financial approaches to deliver this opportunity were considered. This first option involves Aberdeenshire Council funding the construction through their existing procurement framework. Police Scotland would then repay that investment over 40 years through rent payments that would cover the cost of servicing the debt. Full financial details are explored in **Appendix 1**. With this option, at the end of 40 years, Police Scotland would assume ownership of the building but not the land, which would be subject to a ground rental charge being levied (although purchase of the land could be negotiated at that stage). This option is more expensive than Options 3 and 4, which involve alternative funding mechanisms.
- 2.6. Following discussions with the local authority and consultation with Police Scotland Legal Services, an outline Terms and Conditions of Lease have been negotiated for the revenue investment option. Key clauses include:
- A rent which reflects the cost of servicing the repayment of the capital cost over a 40-year period.
 - No specific break clause within 40 years is incorporated into the proposal, but the ability to assign the lease will be written into it (subject to final agreement).
 - The rent will be fixed for the full term and will not be subject to rent reviews.
 - There will be a separate Service Charge to cover maintenance, utilities, cleaning etc.
- 2.7. **Option 3 - Aberdeenshire Council Location (Capital Investment without land purchase)**. This option provides the same preferred accommodation benefit as Option 2, but provides an alternative funding mechanism. With this option it is proposed that Police Scotland fund the construction cost of £1.3M through capital investment. Aberdeenshire Council have confirmed that no VAT

would be due on this sum due to the procurement approach. The land would not be purchased through this proposal, but a grassum lease at £1 per annum would be provided. Full financial details are explored in **Appendix 1**. The advantage of this option over land purchase (described at Option 4) is the reduced cost (site valued at £238K by Aberdeenshire Council). After 40 years, opportunities can be explored to purchase the land or lease the land at ground rent market value. This is the lowest cost option. Whilst not owning the land might limit future options, as the building will in reality be an extension to the Council building, future options to dispose or re-let the property will already be restricted.

2.8 **Option 4 - Aberdeenshire Council Location (Capital Investment and land purchase)**. This option provides the same preferred accommodation benefit as Options 2 and 3, but provides a further funding mechanism. As with Option 3, it is proposed at Police Scotland fund the construction cost of £1.3M through capital investment. With this variation the land would be purchased at the same time. This would require further negotiation with Aberdeenshire Council, but they have indicated a willingness to sell the land for the £238K cost they incurred to purchase it. Full financial details are explored in **Appendix 1**. By purchasing the land, the police would gain more control over future use of the site, albeit as noted there are restrictions. Whilst still a cheaper proposal overall than Option 2, when Net Present Value costs are considered, this option presents a lesser financial return than that option (albeit with the land now being owned). Given the additional upfront costs and uncertain long term benefit of land ownership, this option is considered less attractive than Option 3.

2.9 **Options Appraisal**. Each of the above options has been considered and assessed in terms of the financial and operational impact to give an overall ranking. Further detail on the rationale for the financial assessment is detailed in Section 3 of this report. The outcome is detailed in the below table.

| Option | Financial Assessment | Operational Assessment | Overall Ranking |
|--|----------------------|------------------------|-----------------|
| Option 1 - Scottish Fire and Rescue Location | 4 | 4 | 4 |
| Option 2 - Aberdeenshire Council Location (Revenue Investment) | 2 | 1 | 2 |

| | | | |
|--|---|---|---|
| Option 3 - Aberdeenshire Council Location (Capital Investment no land purchase) | 1 | 1 | 1 |
| Option 4 - Aberdeenshire Council Location (Capital Investment with land purchase) | 3 | 1 | 3 |

Relocation to the Aberdeenshire Council premises, funded by capital investment without purchase of the land, is therefore recommended. That option was the preferred choice on both operational and financial grounds.

2.10 Subject to formal Scottish Police Authority approval of a Buchan House option, Aberdeenshire Council will seek approval to proceed from the Buchan Area Committee, followed by Aberdeenshire Council Policy and Resources.

2.11 It is considered that this progressing a Buchan House proposal will achieve a number of benefits for Police Scotland and the local community, whilst enhancing the provision of collaborative public service provision:

- Allow the Buchan CPT to substantially enhance service delivery through multi-agency working within a shared location
- Enhance partnership working/training opportunities
- Improve interagency working relationships
- Retain policing from Peterhead town centre, whilst on an arterial route throughout the town
- Improved operational environment and working conditions
- Provide access to shared meeting/interview rooms
- Improved staff morale
- Ensure Equality Act compliance
- Improve health & safety provision for staff

2.12 The proposal for Peterhead Relocation has been through the following governance reviews:

- Police Scotland - Divisional Commander / ACC / DCC Approvals
- Police Scotland – Estate Strategy Tactical Group
- Police Scotland - Estate Strategy Governance Group
- Police Scotland – Corporate Finance & Investment
- Police Scotland – Senior Leadership Board
- SPA Finance & Investment

Public SPA Board

Relocation of the Peterhead Police Office to shared accommodation at the Buchan Headquarters of Aberdeenshire Council at Buchan House, Peterhead.

22 March 2017

3. FINANCIAL IMPLICATIONS

- 3.1 Costs have been calculated over a 40 year term, with full details in the spreadsheet at **Appendix 1**. Whilst this report does not attempt to provide data to a Green Book standard, those principles have been considered in the financial assessment.
- 3.2 Over a 40-year term, it is assessed that **Option 3** is the best financial option, providing the most positive financial return with the highest net present value. However, if capital funding is not available, members are asked to instead support **Option 2**, which will still deliver significant savings over retention of the existing building.
- 3.3 It is not recommended that the land be purchased as detailed in **Option 4**, as a 40 year grassum lease of £1 per annum is a more favourable option.

4. PERSONNEL IMPLICATIONS

- 4.1 Police personnel stationed throughout these properties are fully aware of the proposals. The new facility will provide improved office and welfare accommodation compared to the ageing current police station. The proposal will see staff either move into the new shared premises, or to other police premises in the Aberdeenshire North Area Command.

5 LEGAL IMPLICATIONS

- 5.1 Outline Terms and Conditions of Lease relative to a revenue investment option were examined by Police Scotland Legal Services and considered to be acceptable. Aberdeenshire Council are willing to adjust these to fit alternative capital or revenue funded options as appropriate, whilst maintaining the key principles. The proposals have been discussed with the Police Scotland Information Security Officer and is compliant with their requirements. Scottish Government approval will be required and sought as appropriate.

6 REPUTATIONAL IMPLICATIONS

- 6.1 There are no reputational implications for Police Scotland from this proposal. The proposal has been the subject of extensive engagement with the local community and key partners. The

proposal delivers a number of benefits for the local community through shared access to police and local authority services from the same location in the heart of the community.

- 6.2 The formal closure and disposal of the Cruden Bay Police Office has been discussed with Elected Members of the Cruden Constituency as well as the Cruden Bay Community Association and Council. Those consulted have supported the proposal.

7 SOCIAL IMPLICATIONS

- 7.1 There are no social implications given that the relocation of property will have no detrimental impact on how service is currently delivered within the community.

8 COMMUNITY IMPACT

- 8.1 Significant community consultation has been completed in relation to the proposal. Members of the public have expressed a desire for the police to retain staff in the heart of Peterhead. This is supported by results from the 'Your View Counts' survey which promotes local police stations that are open and accessible to the public. The central location of Buchan House will meet community demand in respect of response times, visibility and availability.

9. EQUALITIES IMPLICATIONS

- 9.1 This proposal has been assessed in terms of its impact on Equalities and Human Rights for staff, communities and partners and is considered compliant.
- 9.2 Buchan House is a modern, fit for purpose office building that has been designed to make it accessible to members of the public and staff with disabilities. By building an extension onto Buchan House and having access to the facilities throughout it, Police Scotland will have access to lifts, interview rooms, meeting rooms (with built in induction loops) and other facilities that are accessible.

10. ENVIRONMENT IMPLICATIONS

- 10.1 The project will contribute to the force's carbon management plan through the disposal of the existing police station and replacement by a smaller and more modern building, therefore reducing carbon emissions.

Public SPA Board

Relocation of the Peterhead Police Office to shared accommodation at the Buchan Headquarters of Aberdeenshire Council at Buchan House, Peterhead.

22 March 2017

RECOMMENDATIONS

To invite members to: -

1. Agree to the Estates Re-Modelling Proposal within the Peterhead area (including Properties & Land) which includes re-locating into shared accommodation with the Local Authority. Three options are presented for the preferred location and Option 3, which involves capital investment without purchase of the land, is recommended.
2. If the purchase involves the lease of building and / or land, instruct the Head of Estates of PSoS and the Interim Head of Legal Services of PSoS to thereafter obtain the approval of the Scottish Government to the terms of the proposed lease and to then conclude the lease agreement.
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APPENDIX 1

Financial Business Case

Costs have been calculated over a 40 year term, with full details in the attached spreadsheets. Whilst this assessment does not attempt to provide data to a Green Book standard, those principles have been considered in its development.

A **Net Present Value (NPV)** calculation has been completed over a 40 year period to reflect the period of lease discussed with the local authority for Options 2 - 4. This analysis seeks to compare the potential outturns for each option over the selected period expressed in today's money. To produce this analysis, spend profiles for capital and revenue costs and incomes have been collated indicating when spend and incomes will be incurred / realised. Optimism bias has been included on capital spend at 15% to allow for contingency for underestimates in capital spend / delays in construction. **Affordability** has also been considered and details are provided which set out the cash need in the initial years of the project so the impact on the budgetary process can be considered. These figures take into account factors such as VAT and inflation.

Net Present Value. Each option has been assessed, with each option producing a net present value which demonstrates an overall positive financial return when compared to retention and refurbishment of the existing premises. These are detailed and ranked in the table below. This also demonstrates that each of the Buchan House options (Options 2 - 4) represent better value than the SFRS option.

| Option | Net Present Value | Financial Ranking |
|---|-------------------|-------------------|
| Option 1 - Scottish Fire and Rescue Location | 397,650 | 4 |
| Option 2 - Aberdeenshire Council Location (Revenue Investment) | 876,706 | 2 |
| Option 3 - Aberdeenshire Council Location (Capital Investment no land purchase) | 966,334 | 1 |
| Option 4 - Aberdeenshire Council Location (Capital Investment with land purchase) | 796,495 | 3 |

Affordability. The cash needs for this investment in the initial years are detailed in the tables below for each option. The first table details costs

Public SPA Board

Relocation of the Peterhead Police Office to shared accommodation at the Buchan Headquarters of Aberdeenshire Council at Buchan House, Peterhead.

22 March 2017

NOT PROTECTIVELY MARKED

when projected capital receipts are included, the second table excludes those receipts. Where there is an additional cost, this is represented in red in parenthesis. Figures in black represent a surplus in those years. Anticipated expenditure in the recommended option is highlighted. Whilst these provide the immediate financial needs, full requirements over the 40 year period are set out in the attached spreadsheets:

Cash Needs including Capital Receipt

| | Year 0 | Year 1 | Year 2 | Year 3 |
|----------|--------|-------------|---------|--------|
| Option 1 | 0 | (1,050,625) | 240,883 | 54,499 |
| Option 2 | 0 | 128,125 | 201,800 | 14,439 |
| Option 3 | 0 | (1,204,375) | 285,009 | 99,728 |
| Option 4 | 0 | (1,165,925) | 285,009 | 99,728 |

Cash Needs Assuming No Capital Receipt

| | Year 0 | Year 1 | Year 2 | Year 3 |
|----------|--------|-------------|----------|--------|
| Option 1 | 0 | (1,178,750) | 4,492 | 54,499 |
| Option 2 | 0 | 0 | (34,591) | 14,439 |
| Option 3 | 0 | (1,332,500) | 48,619 | 99,728 |
| Option 4 | 0 | (1,294,050) | 48,619 | 99,728 |

Risk Assessment. Three areas of potential risk will be noted:

- Increased construction cost - The local authority have indicated a willingness to absorb any increased construction costs.
- Reduced sale receipt - Disposal of the existing property may not realise the assessed market value. Certainty in this assessment is not possible, but the valuation provided here is considered a conservative estimate.
- Timing - Progress relies upon final agreements through local authority governance processes, which could impact on the described spend and benefit profile. This risk will be minimised by effective management of wider estate expenditure.

MONETARY ASSESSMENT RESULTS

| | NPV | Rank |
|----------|-----------|------|
| Option 1 | (397,650) | 4 |
| Option 2 | (876,706) | 2 |
| Option 3 | (966,334) | 1 |
| Option 4 | (796,495) | 3 |

AFFORDABILITY

The cash needs for this investment in the initial years are outlined below

| | Year 0 | Year 1 | Year 2 | Year 3 |
|----------|--------|-------------|---------|--------|
| Option 1 | 0 | (1,050,625) | 240,883 | 54,499 |
| Option 2 | 0 | 128,125 | 201,800 | 14,439 |
| Option 3 | 0 | (1,204,375) | 285,009 | 99,728 |
| Option 4 | 0 | (1,165,925) | 285,009 | 99,728 |

AFFORDABILITY (EXCLUDING CAPITAL RECEIPTS)

The cash needs for this investment in the initial years are outlined below assuming that capital receipts are not received

| | Year 0 | Year 1 | Year 2 | Year 3 |
|----------|--------|-------------|----------|--------|
| Option 1 | 0 | (1,178,750) | 4,492 | 54,499 |
| Option 2 | 0 | 0 | (34,591) | 14,439 |
| Option 3 | 0 | (1,332,500) | 48,619 | 99,728 |
| Option 4 | 0 | (1,294,050) | 48,619 | 99,728 |