

STATES OF JERSEY



PIQUET HOUSE: CANCELLATION OF SALE AND FUTURE USE (P.16/2014) – COMMENTS

**Presented to the States on 17th March 2014
by the Minister for Treasury and Resources**

STATES GREFFE

COMMENTS

1. Introduction

Deputy J.H. Young of St. Brelade's Proposition asks the Minister for Treasury and Resources not to proceed with the proposed sale of Piquet House, and requests him to seek alternate uses of the premises before offering it on a leasehold basis only, subject to conditions.

The Minister urges members to reject this Proposition for a number of reasons, but in particular –

- (a) There is no identified need for this building, which simply has no place within a future consolidated, flexible and modernised office portfolio.
- (b) The States Assembly has approved its disposal and due process has been followed to effect the disposal.
- (c) It is not necessary for the States to own a building for its heritage to be protected or to ensure that it is used appropriately in the future.
- (d) The sale will generate a capital receipt in excess of the anticipated sum.

For all the above reasons the disposal should proceed.

2. The reasons why we should sell this building

It has already been agreed for sale

Many members will be aware that the States Assembly has already agreed to the disposal of this building. As part of the Annual Business Plan 2009, it was included in the schedule of properties to be disposed of in that year.

The Assembly approved Proposition P.113/2008 as amended, including, on 22nd September 2008, paragraph (g), which is reproduced below –

“(g) to approve the schedule of properties for disposal in 2009 in the property plan, as detailed in Part Three of the report, Summary Table G, pages 100 to 101 of the report;”

Table G included the following –

“PICQUET HOUSE & 11 ROYAL SQUARE, ST. HELIER (1404)

The building is occupied by the Home Affairs Department and in part by the Parish of St. Helier. It does not provide effective or efficient office accommodation and there are no identified alternative operational uses. Therefore, disposal is recommended subject to the relocation of the existing activities.”

The reasons for this disposal remain, and are indeed strengthened in the light of the current position with our existing office portfolio.

Although the Deputy's Proposition refers to Piquet House only, for the avoidance of doubt, the proposed sale reported to the States on 29th January 2014 under Standing Order 168(3), is for *both* Piquet House and 11 Royal Square. As the 2 buildings are interconnected (see plans in **Appendix 1**) a decision by the Assembly not to proceed with the sale will impact on both buildings.

The disposal has been progressed by Ministerial Decision of the Minister for Treasury and Resources under Standing Order 168(3), following a full marketing process. The States were informed of the proposed sale by report (R.15/2014) in the usual manner.

The Assistant Minister met with Deputies J.H. Young and M. Tadier of St. Brelade to discuss their issues regarding the proposed sale. As a proposition has now been lodged within the 15 working day period provided by Standing Order 168, the confirmation Ministerial Decision has not yet been signed. This is consistent with the practice of allowing Members' concerns to be registered and, if necessary, debated before a final decision is made.

This does not mean that the Minister is in any way swayed by the arguments put forward in Deputy Young's proposition, and remains convinced that the sale of this property is wholly appropriate.

The States' office estate

Previous analysis of the States' office estate undertaken in 2009 identified that buildings had not kept pace with modern standards routinely adopted within the public and private sectors and were no longer fit for purpose. Our existing office buildings are generally old, poorly-configured, under-utilised, expensive to operate and maintain, and represents a poor use of States assets. In addition, with c. 69 separate locations in and around St. Helier, the portfolio is fragmented and does not engender collaborative working within and between different departments.

This work identified that, on average, space occupancy in the office portfolio was c. 70% higher than accepted norms elsewhere (average area per workstation of 173 square feet against accepted norms of c. 100 square feet). The level of use achieved at Piquet House/11 Royal Square is considerably below the current average and far below any industry norms or targets. As part of an assessment in 2009, the building was identified as being utilised at c. 274 square feet per workstation; nearly 3 times worse than can be achieved in more modern buildings. No amount of investment in the building would bring it into an acceptable range for the modern office sought to be delivered.

There is no doubt that there is considerable scope to consolidate and improve the configuration and utilisation of the office estate, something which would support improved ways of working, create greater collaboration across the departments, facilitate the Public Sector Reform process and provide efficiency savings without affecting front-line services.

Public Sector Reform: the Office Modernisation Project

For the above reasons, since 2011 work has been undertaken by the Assistant Minister for Treasury and Resources through Jersey Property Holdings (JPH) on a phased approach to the modernisation of our office portfolio. The most recent phase has recently begun as part of the Public Sector Reform process. The **Office Modernisation Project** began in January 2014, and over the next 6 months aims to deliver a strategic plan for occupying and managing our office property portfolio.

The main anticipated benefits of this work include –

- Reducing the number of office buildings and space occupied, including associated maintenance, facilities management, administration and running costs.
- Increasing the occupation and usage of space.
- Making it easier for teams and departments to work together (e.g. through better co-location).
- Improved customer facilities and access.
- The provision of a modern, flexible and professional environment for staff.
- The release of assets for disposal and thereby generating capital receipts and/or provision of sites for housing development.
- Improved environmental credentials as a result of improved use of space and more efficient estate.
- Better and more consistent compliance (e.g. disabled access) across the office estate.

These are benefits which have been achieved by countless organisations in the UK public and private sector, and will be achieved by developing space standards, desking allocation arrangements and supporting facilities more in line with modern standards.

The Maritime House 'Modern Office Project'

Members will wish to know that the disposal of Piquet House has formed part of a broader project which has been designed as a 'proof of concept' to test out a number of the benefits identified above (see **Appendix 2**).

As an early phase of the office strategy, during 2013 a series of moves was undertaken involving –

- Jersey Property Holdings from 3 sites (23 Hill Street, d'Hautrée and part of South Hill) into modern, fully open-plan offices at Maritime House.
- Customs and Immigration reducing its occupation of Maritime House, through re-planning of space.

- The move of Home Affairs and town Police from Piquet House to 23 Hill Street.
- The proposed disposal of Piquet House (subject to States approval).
- The use of d'Hautrée by the HR Business Support team.
- The use of South Hill by Planning and Environment/Transport and Technical Services to get people out of old, poor quality portacabins.

This has resulted in key benefits in line with those identified above, including –

- Space occupied by JPH reduced by half to 5,400 square feet.
- Space occupied by Customs reduced by 3,000 square feet.
- The proposed disposal of Piquet House plus reduction in annual revenue and maintenance costs for a net area of c. 3,500 square feet.
- Occupancy of Maritime House increased from c. 110 to 147 people.
- JPH occupancy of per workstation in line with modern standards at c. 102 square feet (modern standards are 80–120 square feet per workstation, and the average across the States in 2009 was 173 square feet).
- Use of vacated property to meet critical business need and additional income c. £17,000 per annum (d'Hautrée).

Piquet House

Piquet House is the perfect example of the kind of building that is no longer suitable for the delivery of a modern, professional and flexible office portfolio to support States Departments and meet customer needs. In particular –

- It is far too small to be used by anything other than a small department or section.
- It is poorly configured space over 3 small floors.
- It does not comply with modern access standards.
- Its configuration means it cannot be utilised effectively.

Paragraph (b) of Deputy Young's proposition discusses alternative uses for community or other groups, but it is worth noting that the author himself admits that his arguments for retaining the building for alternative use are 'speculative and remain to be proven'. No doubt if offered on a substantially low rent or as a 'free good', the building would find a tenant, but that will not provide a 'best value' solution for the Public.

This theme is developed in section 2.3 of the accompanying report and is linked by Deputy Young to the '...inadequacy of States Members' facilities...'. No request has

been received from the Privileges and Procedures Committee to provide additional facilities for States Members, nor has any information been provided that the current facilities are oversubscribed. Even if evidence of need existed, retaining Piquet House for this purpose would be a very inefficient way of meeting such a need.

Members will wish to know that the building has been openly marketed since October 2013. As part of this marketing process, both community groups and the Parish had the opportunity to express an interest in the building. Indeed on 24th October 2013, the Parish of St. Helier formally informed Jersey Property Holdings that it had no interest in the building (see e-mail at **Appendix 3**).

The Deputy speculates on the potential disposal price in his report and comments that this information has not been made available. Assuming the sale progresses, the price will be public knowledge at Court and not before. This is the right and proper process for any such transaction, and the fact that the Public is one party has no relevance.

The price is not the issue: the key decision centres on whether the Public should retain or dispose of the property.

3. The reasons why we do not need to retain this building

The Deputy makes good use of the information provided to him by Jersey Property Holdings to set out the building's history and identify its interesting features.

The disposal of the building to a new owner will not change this history nor will it affect the features of the building that are protected.

The use and physical appearance of a building is a matter for the Planning Department to determine when considering an application. The Deputy's history records that the site was leased to a bank from 1947 to 1995, when the leasehold interest was acquired.

During this period of almost half a century, the essential features of the building that provide its character have remained, and there is absolutely no reason to consider that a further change of ownership would be a threat to its continuance.

Indeed, the longer the property remains in public ownership with no defined use, the less likely it will be that resources to maintain and upkeep it will be allocated, as pressure on those resources will see them directed to operational buildings.

The Deputy considers that the property is in a 'Strategic Location'. Government buildings are distributed throughout St. Helier and across the Island. Proximity to the States building is not a key factor for most, where key drivers such as public accessibility and co-location are more important.

The functions that need to be housed close to the States Parliament can be fully accommodated either within the States Building or the adjacent Morier House if reconfigured.

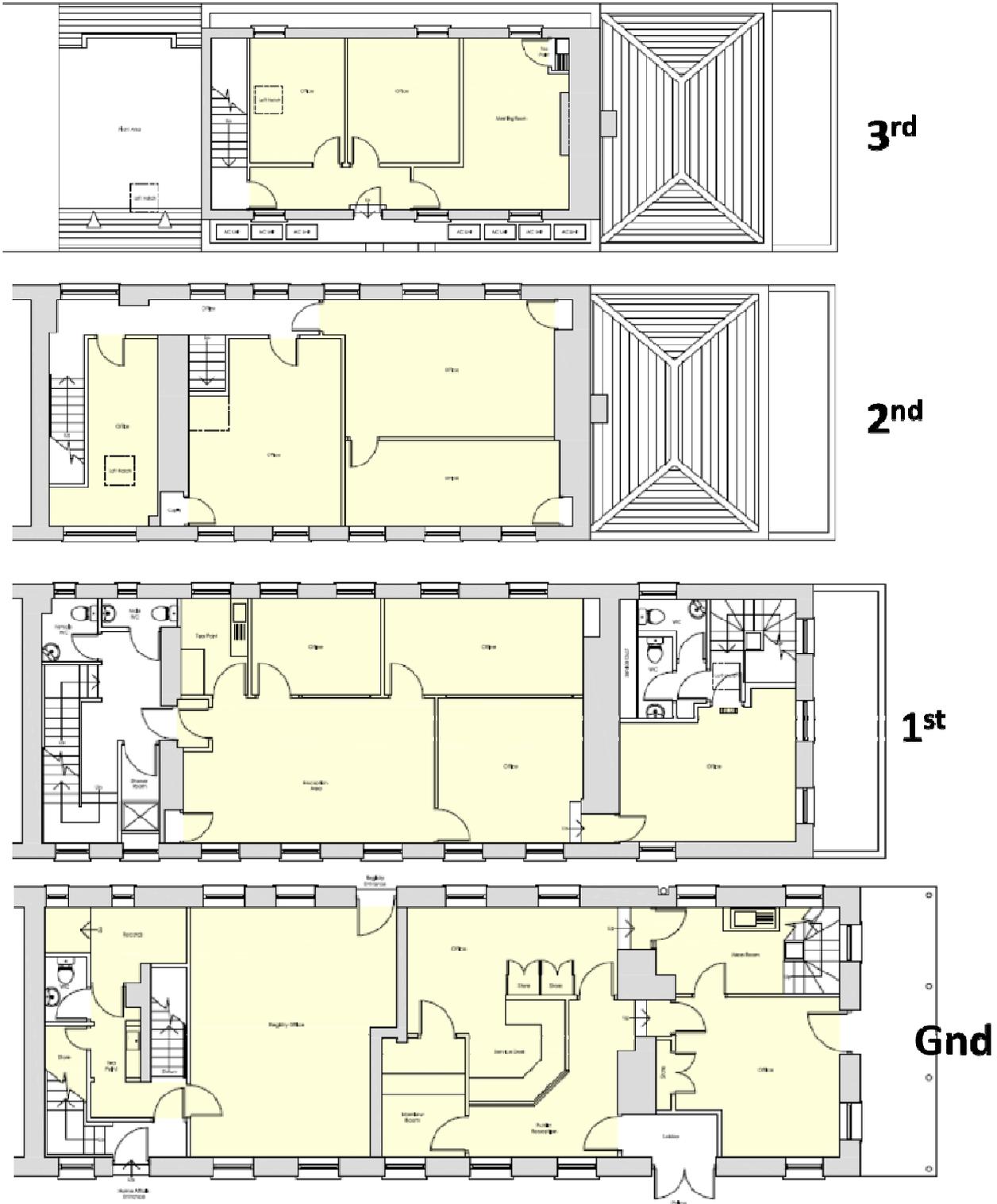
The new owner will invest in the building, bring it back to life and provide an appropriate level of investment into maintaining and preserving the building as part of their commercial portfolio. Disposing of the building is the best way to secure its future within the requirement of the Planning Laws and conditions.

The States has a poor record of providing for some historic buildings within its portfolio, by underestimating the funding necessary to bring them fully into use. Two examples are the St. James Centre, which is only now being developed by Jersey Property Holdings to achieve its full potential, and Haut de la Garenne, whose restoration remains incomplete as a result of poor financial planning.

In summary, the proposed disposal is in accordance with the approved wishes of the Assembly; enables investment to take place into an important building without impacting on taxpayers' funding; provides the Public with a capital receipt for reinvestment in operational buildings, and assists in the creation of a modern office portfolio to serve government in the 21st Century.

APPENDIX 1

Piquet House Floor Layouts



Office Modernisation and Maritime House Modern Office Project



Briefing for States Members - 13th March 2014

Jersey Project Holdings
25 Hill Street
St Helier
JE1 1TA

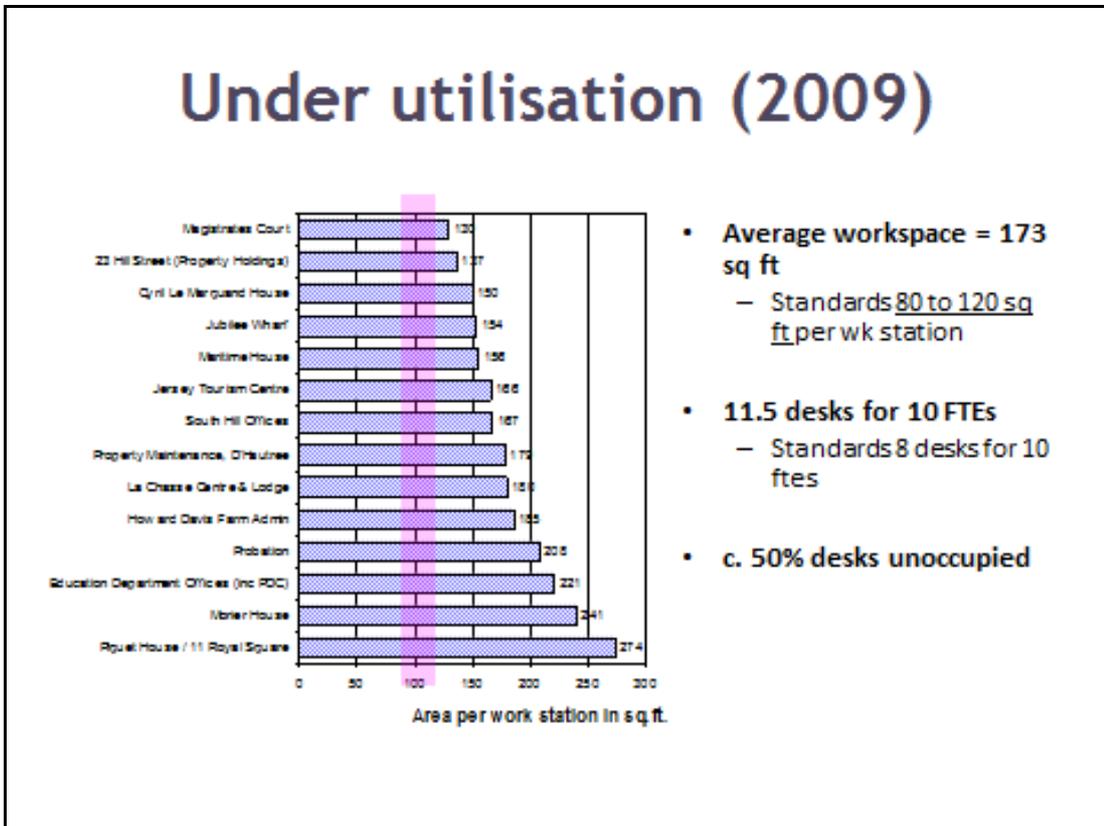
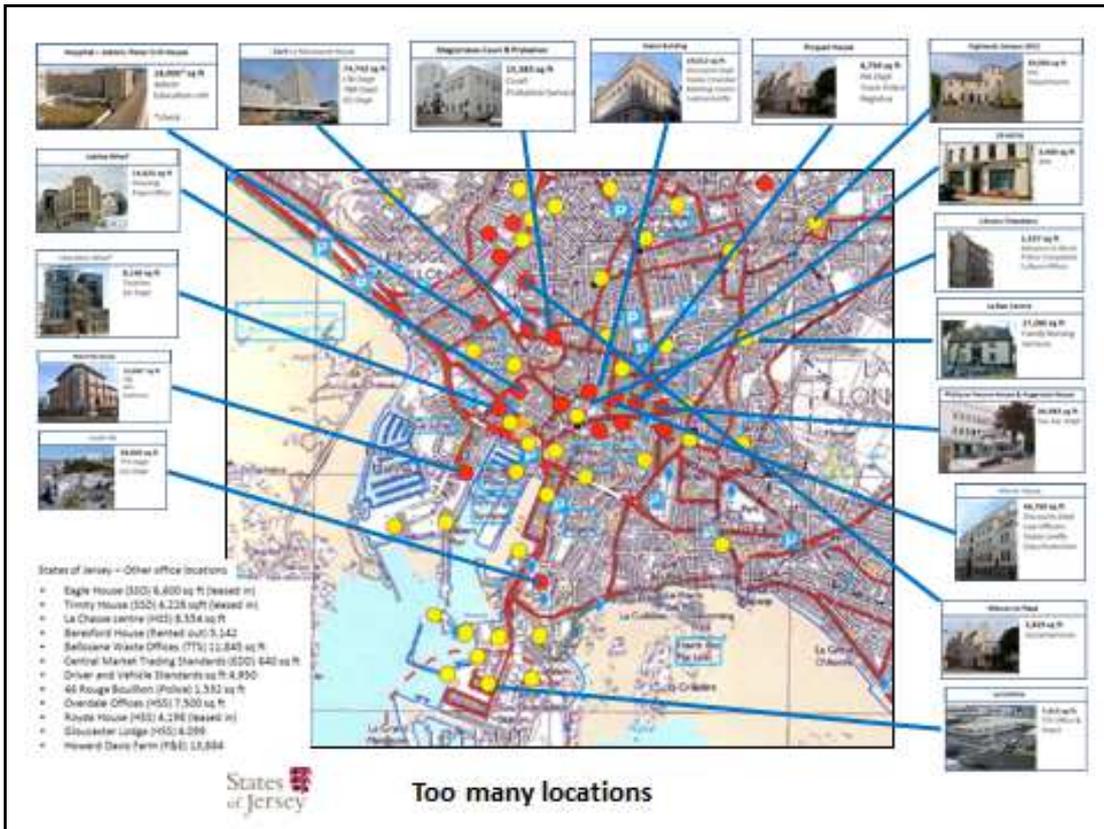


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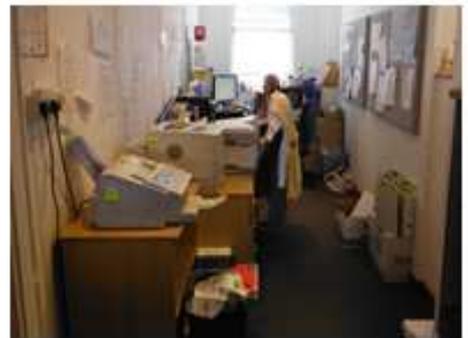
Agenda

- 1) Introduction and context
- 2) Maritime House project
- 3) Office Modernisation Project
- 4) Visit to Piquet House





Small footprint, poorly configured



Lessons from UK public and private sectors

- Increased occupancy
- Reduced space requirements (35% not uncommon)
- Building consolidation
- Capital receipts/reduced lease costs
- Reduced running costs
- Increased productivity and co-location
- Flexibility for the future
- Part of broader Transformation



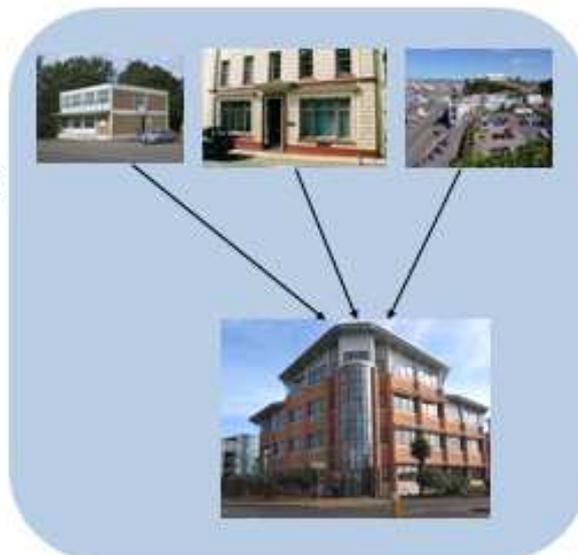
Birmingham City Council

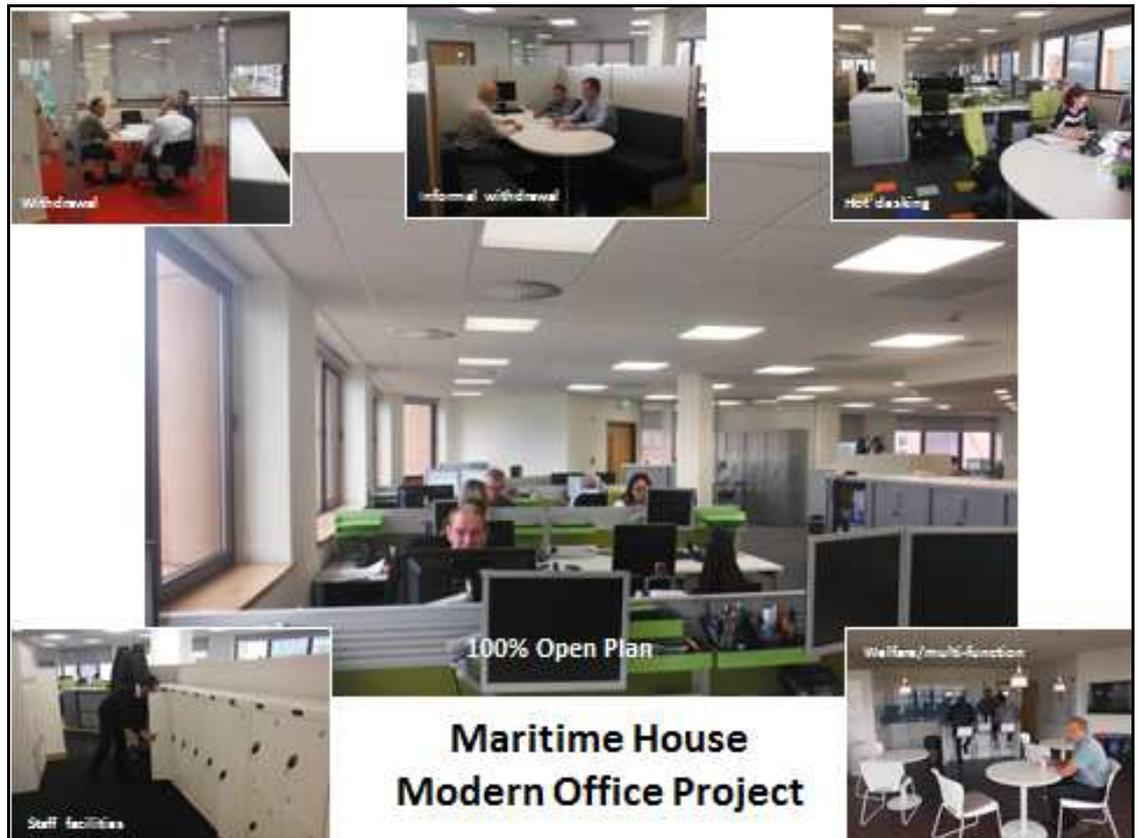
- 55 properties to 8
- Part of council-wide transformation process
- £100m savings over 25 years
- Not just an accommodation issue



Maritime House Modern Office Project

- 3 sites into 1
- All open plan
- Reduced area by c 50%
- Standard furniture
- Shared desks and hot desk areas
- Supporting technology
- Package of facilities





Key benefits

- Reduced space occupancy (JPH/Customs)
- Proposed disposal of building
- Increased use of Maritime House

- Use of vacated properties (incl. rental income)
- Increased life of a key asset
- Improved facilities for staff/customers

- JPH:
 - Collaboration & productivity
 - Flexibility of use
 - Improved environment & facilities for staff (welfare etc.)
 - Administration issues (printers, cleaning, cars, etc.)

Office Modernisation: Ongoing phases

Phase 1: Police HQ



Phase 2: 'in-flight' projects



Phase 3: Office Modernisation Project

- Review of 30 office buildings
- Set future direction of travel
- Part of reform programme
- Engagement with departments
- Began Jan 2014 - c. six month project



OMP: Benefit Aspirations

- Fewer, more flexible office buildings
- Increased occupancy
- Co-location and collaboration opportunities

- Improved and appropriate facilities
- Enables new ways of working
- Release of assets for disposal/alternative use

- Reductions in admin and maintenance costs
- Improved environmental credentials

Piquet House & 11 Royal Square

- States Assembly agreed its sale in 2008.
- Disposal proposed as a result of Maritime House project.
- No identified alternative use.

- Small footprint and poorly configured over three floors.
- Access a problem (e.g. disabled).
- Old and not designed as offices.
- Only low utilisation possible.

- Marketed since October 2013.



Piquet House



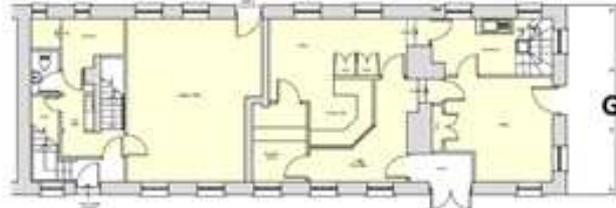
3rd



2nd



1st



Gnd

Office Modernisation and Maritime House Modern Office Project



Briefing for States Members - 13th March 2014

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APPENDIX 3

E-mail from the Parish of St. Helier

From: [Redacted]
Sent: 24 October 2013 14:54
To: Buckley & Co
Subject: The Picquet House, Royal Square

Dear [Redacted]

The Management Board and Property Group has considered the above acquisition on three occasions now and concluded that in the current economic climate it would not be prudent to commit the Parish to further investment.

Many thanks for allowing us the opportunity to consider this purchase.

Kind Regards
[Redacted]

Director T & E Services

[Redacted]
Technical & Environmental Services
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JE4 8PA