

ITEM NO. 8

REPORT TO THE COUNCIL MEETING OF 22 OCTOBER 2012

Meeting: Full Council
Date: 22 October 2012
Subject: Property Review – Business Case for Redevelopment of Council Headquarters Building
Report of: Anna Graves, Chief Executive
Portfolio Holder: Grahame Spendlove-Mason
Status: Finance, Efficiency and Assets
DECISION

1 Purpose Report

As part of the Property Review:

To set out, in fulfilment of the resolution of Council on 30 April 2012, a full detailed business case for the redevelopment of the Council Headquarters building on Adam and Eve Street in Market Harborough.

2 Recommendations:

It is recommended that:

- 2.1 **Council approve the implementation of the redevelopment of the Council headquarters building at an anticipated capital cost of £5.750m (as set out in table 2.8.1 below), subject to obtaining the necessary statutory approvals and giving due regard to the affordability assessment for the proposals discussed in the accompanying report to Council, Property Review Implications - Financial Overview (ITEM 10) prepared by the Section 151 Officer.**
- 2.2 **Council note that if recommendation 2.1 is approved:**
 - I. **Previous decisions taken enable the process of procurement for a construction contract, in accordance with the SCAPE/EMPA national framework contract, to be proceed to the receipt of tender stage;**
 - II. **In accordance with the Council's Contract Procedure Rules, and in pursuance of the earliest completion of construction works, either Council or the Executive must, upon receipt of tender, decide whether to enter into the contract, at an anticipated value of £4.775m (excluding any element attributable to the further enhancements of the museum beyond those proposals discussed in this report).**
- 2.3 **Council approve the Lettings Strategy as set out in Appendix A, taking into account the comments of the Scrutiny Task and Finish Panel.**

- 2.4 The Head of Legal Services, in consultation with the Section 151 Officer and with due regard to the relevant market valuations and the recommendation set out in 2.3 above, be granted authority to negotiate agreements to:**
- I. provide suitable accommodation within the Headquarters building for the provision of office accommodation and library facilities for Leicestershire County Council;**
 - II. provide potential tenants with retail accommodation and/or office units within the Headquarters building;**
 - III. provide accommodation for Harborough museum.**
- 2.5 Council to note that any decision to enter into any agreements as recommended under 2.4 above, shall be taken by the Executive.**
- 2.6 The Chief Executive, in consultation with the portfolio holder for Corporate Services, together with the Head of Legal Services and the Section 151 Officer, be granted authority to:**
- I. identify and implement measures in the short-term to provide a suitably responsive and flexible Facilities Management Service to support the Council's activities during the period of decant from the Headquarters building;**
 - II. identify the most appropriate arrangements for the future management and operation of the Headquarters building (following redevelopment);**
 - III. specify and tender contracts for the delivery of the above services should outsourcing be identified as the most appropriate approach.**
- 2.7 The Council to note the project Capital costs as:**

Item	Anticipated
	£ 000's
SCAPE Contract costs	£4,775
Non-contract fees (LCC/HDC)	£ 330
Furniture	£ 125
ICT costs	£ 100
Decant	£ 220
Contingency	£ 200
Total	£5,750

and

Proposed Capital Funding Arrangements as:

Item	Anticipated
	£ 000's
Leicestershire County Council contribution	£1,600
HDC Funding requirement	£4,150
Reserve Asset Acquisition and Development)	£2,200
PWLB Loan (Borrowing)	£1,950
Total funding	£5.750

That Council authorise the Section 151 Officer to draw down or otherwise make available Capital funding, at an anticipated value of £4.150m; the source of funds to be considered on balance with other priorities at this time, discussed in the accompanying report to Council, Property Review Implications - Financial Overview (ITEM 10) prepared by the Section 151 Officer.

2.8 In the event that the contractual costs exceed the sum anticipated in paragraph 2.2.ii above, Council to authorise the Section 151 officer to draw down up to an additional £251k of funding, the total capital costs not to exceed £6,001m (excluding any element attributable to the further enhancements of the museum beyond those proposals discussed in this report).

2.9 There will be additional to capital costs, revenue costs related to decant over 2012/2013 and 2013/2014. It is recommended that these costs estimated at £130,250 are funded from the Council's working balances and the Section 151 Officer is authorised to draw down funding.

3 Summary of Reasons for the Recommendations

3.1 The existing Council offices are in a poor state of repair (as discussed in paragraph 6.2) and under-utilised (6.3 to 6.6) both in terms of actual office space used at present and by comparison to other public sector organisations. The proposed redevelopment proposals enable:

- The completion of backlog maintenance and other essential improvement works, estimated at a total cost £1.74m;
- a reduction in the Council's use of the building for its own office space (from 51% to just over 20% of the building);
- retention of a good quality, but more flexible civic suite and enlarged "one-stop shop" facility to ensure the Council can still effectively meet its public service and democratic obligations effectively;
- the provision of space to meet the County Council's future office and library requirements in return for a Capital contribution of £1.6m towards the project;
- improved public access arrangements to the building, especially the museum, which also assist in delivering the scheme in line with the requirements of the Grade 2* listing;
- leasing of 14% of the building for retail (8%) and offices (6%) to generate a sustainable revenue income.

4 Background

- 4.1 The full chronology of the decisions prior to April 2012 made in respect to the Property review, together with key historical information relating to the Headquarters building can be found in the officer report to the Transformation Board on 20 April 2012 (see background paper 1).
- 4.2 Following the resolution of the Executive on 28 June 2010, market valuation and condition surveys were obtained for the Council Headquarters building. The work was completed in February 2011.
- 4.3 In July 2011, the Council Offices Project Board was established. The Project Board agreed to the following key objectives for the property review, endorsed subsequently by Transformation Board and Full Council:
- Would be self-funding
 - Had potential to generate ongoing income
 - Would not be gold plated
 - Was capable of quick delivery.
- 4.4 On the 7th November 2011, the Executive agreed to appoint Willmott Dixon via the Scape/EMPA national framework contract as lead developer as an expedient route to deliver the project, noting a minimum cost at the time of around £4m for redevelopment works.
- 4.5 In making this decision the Executive noted the comparatively low value of the existing Headquarters building (up to £1.75m in 2011) and the cost of leasing or building an alternative facility, combined with the economic dis-benefits to the community arising from any potential move of the Council from the town centre.

- 4.6 On the 16th January 2012, following further development by the Willmott Dixon/SCAPE appointed project team, Council (see background paper 2) endorsed the following key recommendations:
- To develop a cost effective and deliverable scheme for the Headquarters Building.
 - To seek expressions of interest for leasehold disposal of the Market Hall, in respect to seeking a sustainable income source to fund the redevelopment of the Council offices.
 - Undertake a public consultation exercise and engage with key stakeholders to consider the acceptability the scheme.
 - Negotiate and agree in principle terms in respect of space to be rented by Leicestershire County Council.
- 4.7 On the 30 April 2012, Council considered recommendations from the Transformation Board, which incorporated the outcome of public consultation on potential options undertaken in March 2012. Key recommendations approved were:
- I. to adopt as the preferred approach, the redevelopment of the Headquarters building, using £1.6m funding obtained from Leicestershire County Council, together with use of reserves and borrowing, to be supported by the generation of sustainable revenue income from office and retail rents within the headquarters building;
 - II. to submit the scheme for Listed Building consent and for change of use to introduce commercial units into the building.
 - III. To approve Officers to:
 - IV. further develop proposals to refurbish the Headquarters Building to tender stage; scheme details and a full financial appraisal to be reported to Council as soon as possible.
 - V. undertake detailed planning in relation to the programme of relocations for staff and service provision (Decant) to enable the works to be undertaken to the Headquarters building.
- 4.8 At this stage, the Council decisions removed the dependency upon the disposal (freehold or leasehold) of the Market Hall as an asset as part of the funding arrangements for the Council Headquarters redevelopment project.
- 4.9 The intended approach, timetable and funding to take the preferred scheme forward to pre construction/detailed business case stage was agreed by the Executive at its meeting on 11 June 2012 (see background paper 3).
- 4.10 On the 25th June 2012, an all-councilor meeting was held to review the designs of the Headquarters building, following which a “design-freeze” was committed to, which enabled the project design team to focus on a preferred design layout for the building. This design freeze enabled the planning application and listed building application submissions to be finalised and the detailed costs estimates used in this report to be prepared.

- 4.11 Following approval by the Executive on the 23rd July 2012 and a peer review conducted by colleagues from the Development Control team at Blaby District Council, a planning application and an application for listed building consent were subsequently submitted by the Assistant Director for Corporate Resources on the 28th August 2012. The applications enable the change of use and redevelopment of the Council Headquarters building on Adam and Eve Street, Market Harborough. The applications propose:
- change of use from mixed use (including offices, library and museum) to mixed use to include offices, library, museum and retail (A1/A2 use);
 - building extensions for the improvement of the building's ventilation systems;
 - the alterations proposed in detail to satisfy the requirements of the Grade 2* listing of the development site.
- 4.12 On the 19th September 2012, the Executive approved the Decant Strategy, the key elements of which are:
- Vacate the Council Offices (including our partners) for the duration of the refurbishment contract;
 - Maintain a town centre face to face presence via a Customer Service Shop
 - If possible, situate the majority of staff within one building/ area – and any possible overflow be decanted into other Council properties;
 - Additional accommodation be identified for Council meetings, planning hearings, elections, emergency planning, document storage, scanning etc.

5 Impact on Communities

- 5.1 At a strategic level, and as part of the Property review as a whole, the redevelopment of the Headquarters building will deliver a positive contribution to Council funds on an ongoing basis from 2014/15, which will support the delivery of value for money services for all residents of Harborough District.
- 5.2 The specific proposals set out in this report will provide benefit to the community through the creation of a single point of contact for the services provided by Leicestershire County Council and Harborough District Council;
- 5.3 The local business community have provided no objection to the proposals for new retail units proposed in this report during consultation completed in April 2012.

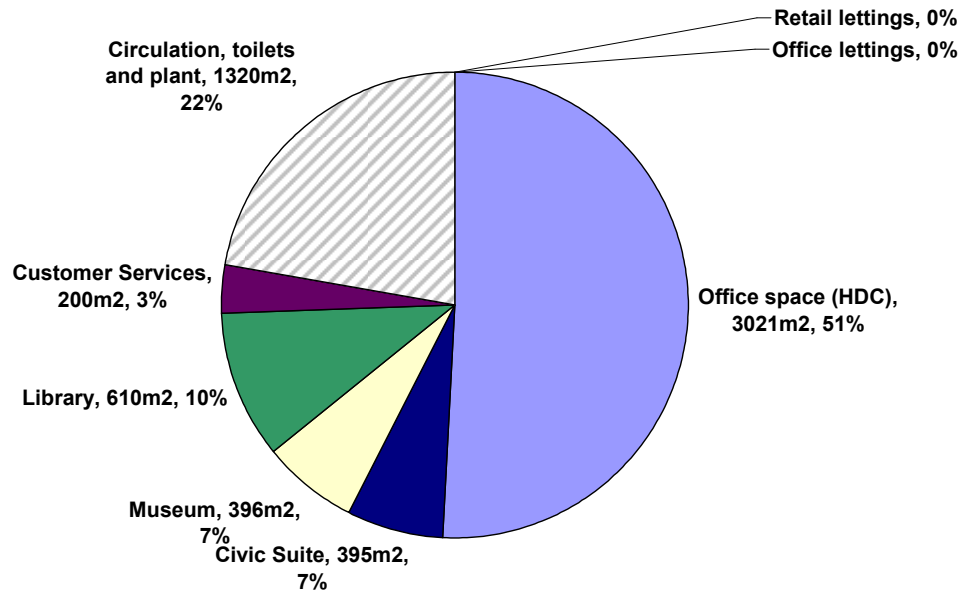
6 Key Facts

The Headquarters Building – current and proposed asset condition and use

- 6.1 The Council Headquarters building is a Grade 2* listed building, incorporating current planning uses B1 (offices) and D1 (civic suite, library and museum)

functions. The building represents a total of just under 6000m² of town centre real estate, and the Council currently occupies more than 3000m² of office space (excluding civic and reception areas), but uses less than 1800m² of this space. Presently in use in the proportions shown in the following diagram.

Existing asset utilisation – Council Headquarters, Adam and Eve Street



6.2 Condition surveys completed in February 2011 indicated a backlog of maintenance work required to retain the building in a serviceable condition. Council officers, working with Willmott Dixon have identified the potential minimum costs to maintain the building, cover any abortive costs should the redevelopment project not go ahead (design fees incurred to date etc) and complete essential works to improve business continuity arrangements, such as enhancing the capabilities of the ICT facilities in the event of a power cut.

The minimum cost to complete these works is £1.74m, broken down as shown in the following table.

Item:	Cost
Mechanical and electrical works to deliver new server room (business continuity)	£0.41m

Condition survey works	£0.10m
Window repairs and maintenance	£0.35m
Lift maintenance and repair	£0.07m
Fees incurred to date (abortive) plus new fees, Misc works and prelims (scaffold etc)	£0.66m
Risk allowance	£0.15m
Total:	£1.74m

- 6.3 The current office element of the building holds 240 workstations (desks) in total; the per workstation allocation of office floor space equates to just over 12.5m² per workstation. It is estimated that around 170 of these workstations are actually used by Council staff, and of these less than 85% (144) are occupied on a normal working day.
- 6.4 Comparable organisations have demonstrated that the required area per workstation required by a modern public sector body can be significantly lower than that area presently used by Council staff, as shown in the following table.

Organisation:	Harborough DC	Leicestershire County Council	Melton BC	Hinckley & Bosworth BC
Location:	Existing Council offices	County-wide	Parkside, Melton	Hinckley Hub
Total Workspace Area (m2):	12.59	8.20	10.40	9.30

Figures exclude circulation and plant.

- 6.5 Melton Borough Council (1 desk per 3 workers), Hinckley and Bosworth Borough Council (mixed-location working) and Leicestershire County Council (7 desks for 10 flexible workers) all have policies relating to remote/mixed location/flexible working, the application of which have resulted in reduced dependency on a central office estate through a reduction in the total number of workstations required for staff. This approach will be applied in Harborough District Council.
- 6.6 As a result of the potential reduced office accommodation needs, the available floor space for rental/income generation in the building is potentially a maximum of 1800m². The final design for the building and the available area for rental has also been influenced by the following objectives identified by the project:
- to provide an improved reception/one-stop shop, capable of sustaining the customer facing activities of the Council, but also for use by partner organizations (including the County Council), leading to a more joined-up public service delivery approach from the Headquarters building;
 - to increase the size of the public facing part of the library; presently the library is an area of 630m², of which only just over 500m² is available for public use. Market Harborough is the busiest library in Leicestershire by

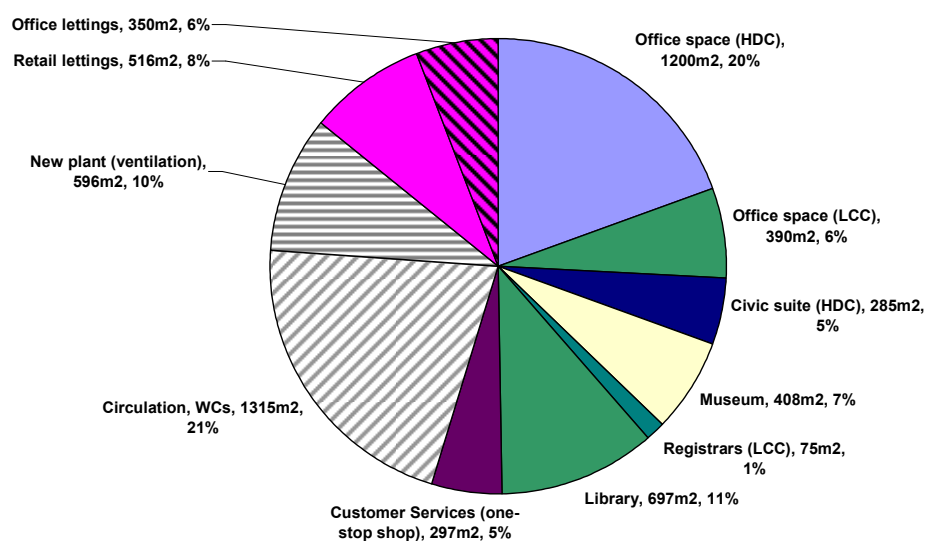
footfall, but suffers by comparison to other major urban libraries such as Loughborough and Hinckley which are significantly larger;

- to improve the environmental conditions within the building by introducing air handling and a degree of cooling in the summer to provide suitable working conditions for Council staff, tenants and visitors to the public facilities in the building;
- to improve access to Harborough museum, and generally to make offer greater coherence and simplicity of public access arrangements, through the creation of an entrance direct from the street, rather than from Fox Yard to the rear of the site;
- to satisfy the Grade 2* listing, and the building conservation requirements associated with this.

6.7 A full commentary on the development of the design for the Headquarters is set out in the Design, Access and Heritage statement (Background Paper 4) which accompanies the planning application for the redevelopment together with a full set of design drawings.

6.8 As a result of the proposals for the redevelopment, the future use of the Headquarters building is set out in the following diagram.

Proposed asset utilization following redevelopment – Council Headquarters, Adam and Eve Street



6.9 Consideration has been given to the future operation of the Council Headquarters building in developing the designs for redevelopment, but also in allocating future running costs for the financial modeling discussed in Section 8 of this report.

6.10 A prudent set of assumptions have been used to forecast future operating costs, both for the building as a whole, and for that element of the building for which the Council will utilise. Appendix C1 (exempt information) sets out the forecast costs and assumptions made in full, and Appendix C2 (exempt

information) the build up towards the saving identified of £45k per annum on that element of the costs for which the Council is liable.

6.11 Two key assumptions to draw out from the Appendices are:

- Future building operating costs allow for 7 days per week operation for the building, from 06:00 to 22:00;
- Future costs allow a premium for the costs of outsourcing any building services to ensure this option can be retained for the Council.

7 Legal Issues

7.1 The legal and constitutional issues are as set out in the body of this report.

8 Resource Issues

Project Costs

8.1 The capital costs of the preferred redevelopment scheme for the Headquarters building have been refined on an iterative and ongoing basis since approval was granted to develop the scheme in April 2012. As greater certainty of the design has developed, so confidence in the anticipated costs for the contract of works has increased.

8.2 Colleagues from Leicestershire County Council are supervising and scrutinising the design process to ensure value for money is obtained from the SCAPE/EMPA Willmott Dixon contract and have provided a report (Appendix D1) which indicates the current contractual cost forecast to be £4,775m. This cost estimate is supported by:

- Appendix D2: the scope of works upon which the current anticipated contractual costs are based.
- Appendix D3: build up of the contractual costs in detail.
- Appendix D4: the contractual risk register and value engineering estimate.

8.3 The following key points should be noted in respect to the SCAPE contractual costs discussed in 8.2 above and associated Appendices:

- At this stage, the capital works forecast is advised by the design team's market knowledge and recent experience of project costs on comparable schemes. The Atkins building in Hinckley has been used as a local model for cost comparison, but is only one of a number of other schemes which have been used by the design team in modelling costs.
- Costs include all SCAPE/Willmott Dixon design fees incurred to date and to be incurred in the remainder of the project (if approved).
- The risk register, which will ultimately form a part of the main building contract, sets out those items where there is uncertainty over the extent of the costs to be incurred in respect to a particular activity in the contract. The current value attributed to risks in the contract is £331,000.

- The value engineering estimate is the element of cost that the design team believes is feasible to take out of the scheme through amendments to the design before the contract of works is finalised. Value engineering will be conducted through a series of workshops in late November, allowing the outcome to be reflected in the final contract costs. The present value engineering forecast is to make a saving on the estimated contractual costs of £330,000, thereby removing any contractual costs incurred from the risk register.

8.4 Outside the scope of the main contractual works contract, there are a number of additional areas which contribute to the total project costs as follows:

- A budget allocation has been set for the costs of the provision of loose furniture and fittings for the office spaces within the building (and for use during the decant process). Council officers' knowledge, as well as experienced shared by partner organizations, has been used to identify a "cost per desk" based on recent comparable schemes. A total cost estimate of £125K has been set for furnishing. (The provision of furniture for the library will be directly funded by the County Council from their funding contribution of £1.6m.)
- A budget for the provision of ICT requirements outside of the main building contract has been set at £100k. This is primarily to provide ICT solutions to support visitor management, to re-use and reallocate existing equipment in meeting rooms and to replace the audiovisual system for the Council chamber.
- The Capital works forecast also includes the cost of professional fees which fall outside the scope of the SCAPE/Willmott Dixon contract, set out in the report to the Executive on the 19 June 2012 (see background papers), covering the cost of Leicestershire County Council supplied professional support (£126k) and those directly incurred costs to Harborough District Council (£126k) for strategic property Quality Assurance, legal fees and communications support.
- The Capital budget allocated within the Property Review for the decanting exercise is £220,000. This is for the delivery of the capital items associated with the decanting to alternative premises for both the District and County Council. A detailed breakdown of these Capital costs and assumptions is set out in the report to the Executive report on the 19th September 2012 (see background paper 5).
- Finally, a "client contingency" sum has been set aside of £200k. Whilst there is ample contingency identified in the contractor's unallocated contingency sum and risk allowance, it is prudent at this stage of a construction project to retain a client's contingency allowance in the event that unforeseen costs are incurred to the project.

8.5 A summary of the Capital costs is set out in the following table:

Item	Forecast	Max "not to exceed"
	£ 000's	£ 000's
SCAPE Contract costs	£4,775	£5,107
Non-contract fees (LCC/HDC)	£ 330	£ 330
Furniture	£ 125	£ 125
ICT costs	£ 100	£ 100
Decant	£ 220	£ 220
Contingency	£ 200	£ 200
Total	£5,750	£6,001

- 8.6 The current total anticipated cost of the redevelopment scheme compares favourably to that estimated in April 2012 (£6m).
- 8.7 The decant process will also incur revenue costs. The net revenue costs are estimated to be £130,250 (£39,700 in 2012/13 and £90,500 in 2013/14). A detailed breakdown of these revenue costs and assumptions is set out in the report to the Executive report on the 19th September 2012 (see Background Paper 5).

Financial modelling and business case

- 8.8 In order to assess the merits of the proposed redevelopment project, a financial modeling approach is required which considers all of the relevant aspects of the project, including not only the costs to fund the project, but also the revenue costs of running the building in the future, and the potential for the building to generate revenue income.
- 8.9 The proposed redevelopment of the Headquarters building has therefore been considered by officers on a long-term basis, using a 25 year financial model.
- 8.10 In order to develop this financial model a number of key pieces of supporting information data have been obtained, and a number of critical assumptions made. These assumptions are set out in the following table:

Financial modeling – core data/assumptions

Item	Forecast	Substantiation/ justification
Period of modelling/borrowing	25 years	Covers elected period of borrowing under PWLB loan conditions.
Capital cost	£5,750k	“Anticipated scheme” costs as set out in paragraph 7.6 above.
Project revenue costs	£130k	As set out in paragraph 8.8
Rent Income (annual)	£169k	Based on District Valuer’s report received, 30/09/2012 (Appendix B).
Occupancy level of rented out areas	87.5%	Allowance of 12.5% vacancy rate, equivalent to current level of vacant units in Harborough.
Annual rent increase	2%	Considers last 10 year trends.
Building running cost saving (annual)	£45k at year 1	Based on HDC current building running/operating budget plus anticipated service charges to tenants, less forecast operating costs of building. Nb. Forecast operating costs assumptions set out in full in Appendix C1 and C2.
Discount rate for NPV purposes	3.5%	Provided by S151 officer, as recommended in the Treasury “Green Book” methodology. (See background paper 5)
Interest rate on PWLB loan (borrowing)	3.1%	Provided by S151 officer, as at 9 th October 2012.
Loan type	Interest and repayment	Based on an Equal Instalment of principle model
Funding approach	£1.6m LCC, £2.2m HDC reserves, £1.75m loan	Considered that £2.2m investment of reserves prudent/reasonable given minimum costs of do-nothing scenario are £1.74m (see 8.12 below.).

Nb. These assumptions are also set out in the financial appraisal report by the Section 151 Officer in respect to the affordability and funding for this scheme,

- 8.11 In respect to funding, it is assumed that a contribution from HDC reserves is made to the redevelopment project. This assertion is made in the light that the cost of a do-minimum scheme; that is the scheme that commits to the essential maintenance of the building and payment of any non-redeemable fees expended to date is £1.74m. In modelling in April 2012, a £2.2m contribution (the full value of the Asset Management reserve) was assumed. Given there is justification in an investment of this reserve to support essential asset maintenance, and comparability with the original modeling work done in April is required, the £2.2m figure was therefore used. The £1.6m represents the contribution from Leicestershire County Council.
- 8.12 The modelling completed considers indicators of financial performance, which can be used to assess the redevelopment in it’s own right, but also in comparison to the projections made in April 2012. The indicators used are:
- Net Present Value (NPV),
 - Impact on the general revenue fund (in the short-term).

- 8.13 Of these, the NPV is the best commercial indicator for long-term project, because it allows comparison of cash spent or received in different time periods to establish whether you have gained value or lost it. A discount rate is applied which reflects the rate of return an organisation can expect in any given year on an investment made now. For instance at a 3.5% rate,(which is the prudential code recommended rate) £100 received in one years time is worth £97 today, if received in 2 years, it would be worth about £93. This is especially relevant when considering longer periods. £100 received in 25 years time is only worth £43 today.
- 8.14 The outcome of the financial modeling for the Headquarters redevelopment project is discussed fully in the Financial Appraisal report of the Section 151 officer which accompanies this report to Council.
- 8.15 The modelling work completed demonstrates that the current scheme (at an anticipated cost of £5.750m is financially sound, providing an NPV on investment of £0.967m, and an in-year revenue return in 2014/15.
- 8.16 Additionally, modelling of the higher cost £6.001m scheme would require additional funding of £250k, (the worst-case scenario in terms of cost) provides a reassurance that the scheme is affordable, even if all contractual risks applied, providing an NPV on investment of £0.551m. In these circumstances, the total funding required to be sourced by the Council through reserves and loan would be £4.4m. This additional cost would require supplementary borrowing of £251k.
- 8.17 The overall comparison of the detailed business case with the outline case presented in April 2012 is also made in the accompanying Financial Appraisal report, as comparisons with the April report must consider the overall effects of both the Headquarters and Market Hall projects (these were assessed together in April).
- 8.18 The future operating costs for the Headquarters building have been estimated (Appendix C1, EXEMPT), making prudent allowances for increasing energy costs and business rates as well as a new operating model for the building. On the basis of sharing the costs of the building through service charges for tenants, an ongoing operational saving (Appendix C2, EXEMPT) for the Council has been estimated of £45k per annum.

9 Equality Implications

- 9.1 A detailed Equality Impact Assessment is being prepared, which will be discussed with members upon completion of tendering for the construction contract.

10 Impact on the Organisation

- 10.1 The proposals set out in this report may have implications for the facilities management function within Harborough District Council, which will therefore be reviewed.
- 10.2 Formal consultation with staff will take place as appropriate.

11 Community Safety Implications

11.2 There are no community safety implications arising from this report.

12 Carbon Management Implications

12.1 The redevelopment of the headquarters building will have a positive impact in terms of Carbon Management, with an opportunity to reduce energy consumption through measures including:

- Improve internal lighting specification;
- Modernised heating and ventilation systems
- Window maintenance to reduce heat loss through drafts
- Supplementary ceiling insulation on 3rd floor
- Future use of the building, and zoning approaches to ensure energy consumption is carefully managed during extended operating hours (only turning heat on in areas where required).

12.2 These measures will be further discussed at the point of award of contract.

12.3 It should be noted that the effectiveness of these measures is limited by the demands of the Grade 2* listing, and the age of the building which make many low cost and effective treatments which would be applied in other circumstances ineffective.

13 Risk Management Implications

13.1 See attached risk register (Appendix E).

14 Consultation

14.1 The anticipated rental income for the Headquarters building to be achieved through office and retail leasing is £123k per annum. This forecast has been informed by consultation set out in the following paragraphs.

14.2 The level of rent previously assumed in the outline business case has been validated through consultations with the District Valuer (DVS; a government agency specializing in local valuations). The valuations provided are included as Appendix B (exempt information) to this report.

14.3 The Lettings Strategy (Appendix A) developed for the Headquarters building has been the subject of consultation with a Scrutiny Commission Task and Finish Panel.

14.4 The Panel have recommended the Lettings Strategy for use, and have made the following comments on the content and application of this strategy:

14.4.1 The Panel would seek a further opportunity to review the application of this policy document and its effectiveness, notably:

- At the point when marketing for tenants commences;
- When the policy is applied in determining the “fit” of a potential tenant with the policy stipulations.

14.4.2 The Panel have expressed some reservations about the potential for immediate income generation from room hire, given the need to assess the availability of these rooms to tenants and building users first. The Panel suggested that room hire within the HQ building (for events) be deferred and reviewed after 12 months of HQ building operation.

15 Next Steps

15.1 The next stage of the redevelopment project will be to obtain a finalised contractual cost; a process which in the interests of expediency is ongoing and will be completed in late-November. This process will include two key elements:

- Supply chain market-testing by Willmott Dixon to provide contractual prices for the elements of construction work;
- Value engineering, to identify opportunities for cost savings and to manage the cost of risk.

15.2 On the basis that Council approves the recommendations in this report, the final contract price, supported by information setting out the contract data and documents, is intended to be presented for approval by either Council or the Executive in early December 2012.

15.3 The Planning Committee will consider the application for the Headquarters building on the 30th October 2012. If Planning Permission is granted, this will also indicate that the Planning Committee is minded to approve the Listed Building Application, but in accordance with Planning regulations, this decision will be referred to the Secretary of State for determination as the Headquarters building is Grade 2* listed.

15.4 Listed Building consent should be determined by the Secretary of State within 6 weeks of referral.

15.5 The mobilisation process by the contractor, and the decant process by the Council have then been planned to enable the Headquarters building to be completely vacated for a contractual start on site on the 31st January 2012.

15.6 If the recommendations in this report are approved by Council, changes will be necessary to the Facilities Management and building maintenance services provided to the Council. This is to be determined by the Chief Executive in consultation with the Finance Efficiency and Assets Portfolio Holder.

15.7 In the long-term, a new specification will be prepared to reflect that the current service and staffing arrangements do not reflect the future requirements of the building. Once identified, consideration will then be given to the most effective method to obtain these services; either through outsourcing, up-skilling the existing workforce or working in partnership with another agency.

15.8 In the short-term, the arrangements for decant mean that the Council will pass responsibility for the Headquarters building to the contractor. It is proposed that interim arrangements are put in place with Leicestershire County Council to obtain specific additional Facilities Management services.

16 Options Considered

16.1 This report considers the implications of a single proposal to redevelop the Council Headquarters building on Adam and Eve Street, Market Harborough. Options for this scheme have previously been considered by Council in April 2012. The financial consequences of a do-nothing scenario are discussed briefly in paragraph 7.12.

17 Background Resources

1. Report to Transformation Board, 20 April 2012:
Property Review, Assessment of Options
2. Council 16th Jan – Property Presentation (audio visual)
3. Report to the Executive, 11 June 2012:
Property Review, Project Governance, Preconstruction Resources and Fee Costs.
4. Archial, August 2012, *Market Harborough Regeneration; Adam & Eve Street Offices: Planning, Design, Access & Heritage Statement*
5. Report to the Executive, 19 September 2012:
Property Review, Decant Strategy.
6. Treasury; *The Green Book: Appraisal and Evaluation in Central Government*; accessible online at -
http://www.hm-treasury.gov.uk/d/green_book_complete.pdf

Previous report(s):

Information Issued Under Sensitive Issue Procedure: N

Ward Members Notified: N

Appendices: *list any appendices here including title and filename in brackets (e.g. Performance Data 2010 (perfdata.doc)).*

- A. Lettings Strategy
- B. Rental Valuation – Council Headquarters (EXEMPT)
- C1. Future Operating Costs and Assumptions (EXEMPT)
(APPENDIX C1 Future HQ Operating Cost & Assumptions.pdf)
- C2. Ongoing Operational Saving Estimate (EXEMPT)
(APPENDIX C2 Future HQ Operating Saving.pdf)
- D1. LCC Report – Contract Cost Plan
(APPENDIX D1 LCC Contract Managers Report 21092012.pdf)
- D2. Scope of Works for Pre-Tender Cost Plan
(APPENDIX D2 Contract Scope for Pre-Tender Cost Plan.pdf)
- D3. Contract pre-tender cost estimate (EXEMPT)
(APPENDIX D3 Contract Pre-Tender Cost Plan.pdf)
- D4. Risk register and value engineering (EXEMPT)
(APPENDIX D4 Contract Risk Assessment.pdf)
- E. Project Risk Matrix