

CABINET – 4TH APRIL 2024

Report of the Director Commercial and Economic Development Lead Member: Cllr Lousie Jones, Executive Member for Climate Action, Net Zero, Property and Assets

Part A

ACCOMMODATION REVIEW INVESTMENT PROGRAMME

Purpose of Report

The report sets out the direction of travel regarding Council accommodation and seeks approval of a Capital budget to engage suppliers to develop and deliver a programme of works.

Recommendations

1. That Cabinet agree that the current Southfield Road offices will remain in use as the Council offices and that these offices undergo significant refurbishment to reduce carbon, deliver revenue savings, reduce future repair/maintenance liabilities and provide an enhanced, efficient workspace.
2. That Cabinet recommend to Council that a £500,000 budget be added to the Capital Plan to facilitate the development and planning of the programme of works to refurbish the Southfield offices.
3. That Cabinet delegate authority to the Director of Commercial and Economic Development to appoint a supplier to undertake the specification and planning of a programme of works in a complaint procurement fashion with a potential value above the key decision threshold.

Reasons

1. Such that a planned programme of works can be developed with certainty to be approved by Cabinet at a later date.
2. So that Council may approve the new capital expenditure and allow the works to proceed.
3. So that work may proceed at pace to begin programme development.

Policy Justification and Previous Decisions

The Council is committed to becoming a Carbon Net Zero authority by 2030 and has a policy to that effect. Cabinet also agreed in September 2022 to funding a feasibility/options study of the Council's operational assets in order to determine the appropriate path for future accommodation. That study has identified a clear direction of travel for future work. This complies with the Asset Management Strategy 2024 to 2030 as approved by Cabinet in Feb 2024.

Implementation Timetable including Future Decisions

Subject to Cabinet approval of this report and Council approval of additions to the Capital Plan, the engagement will commence in May 2024. This will involve appointment of a supplier and subsequently specification of a programme of works to be undertaken to address the objective set out in Part B. Once this programme has been developed, it will be taken to Cabinet/Council for approval.

Report Implications

Financial Implications

An additional £500,000 will be added to the Council's Capital Plan if approved by Cabinet and Council to fund this first phase of work.

Risk Management

None identified with this report, but each work module will have a dedicated risk log in line with project management procedures.

Equality and Diversity

No issues identified

Climate Change and Carbon Impact

This investment program will employ the use of new and energy-efficient technology solutions within the fixed assets to reduce the consumption of fossil fuels. The result of any works will be measurable and reportable in future Climate Change Strategy monitoring reports.

Crime and Disorder

None

Wards Affected

All Wards

Publicity Arrangements

None

Consultations

SLT / CLT were briefed in January 2024. Cabinet Members were briefed on 4th Feb 2024. The Lead Member for Net Zero, Assets & Property have also been consulted in the preparation of this document.

Links to the Corporate Strategy

Caring for the Environment	Yes
Healthy Communities	Yes
A Thriving Economy	Yes
Your Council	Yes

Key Decision: Y

If yes

Date included on Forward Plan 06 March 2024

Background Papers: None

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Part B

Investment Program Post Accommodation Feasibility Study (AFS)

1. Context and Direction of Travel

On 16 September 2021, Cabinet authorised a budget of £150,000 to conduct feasibility studies relating to the future of Council accommodation, including to determine the suitability of the Southfields Extension Car Park as the future site of new Council offices.

Ground surveys were conducted on the site as an initial step in understanding if the site would be a possible location. Results showed that were a building to be constructed on the site, it would require piling to a depth of 12 meters to support a structure above it, adding a very significant level of costs to any construction project.

Subsequently, the Russian invasion of Ukraine occurred in February 2022. The resulting inflation and supply shocks to the UK economy are well understood and have been present since that point. In particular, construction inflation rocketed at this point beyond aggregate inflation, very significantly increasing build costs across all sectors.

Officers then commissioned an Accommodation Feasibility Study (AFS). The objectives of the study were to identify an affordable option that would simultaneously:

- Reduce running costs.
- Reduce the carbon output of the Council's estate.
- Reduce and consolidate the Council's footprint.
- Reduce repair and maintenance liabilities.
- Facilitate flexibility in how the Council works and delivers services.
- Improve customer service and experience.

The AFS examined and costed 13 options (the AFS is a background paper to this report). The level of specification in each option was considered to be a middling specification – not the least expensive but also not the most expensive. In short, 10 options examined that required the Council to either build new or purchase and renovate would cost at least £10m of capital, with the highest option being £15.1m.

To provide context, Local Government finance, and particularly access to as well as the cost of capital, must be understood. Current inflationary pressures (expected to be longer term) and subsequent rate rises by the Bank of England have made capital access for Local Government at large much more expensive than it has been in a generation. Current rates for a Public Works Loan Board loan with 40-year maturity loan and fixed interest is currently 5.21% (18 March 2024). In addition, a minimum revenue provision (MRP) charge would need to be costed in to repay the principle on the loan, which would be charged at 2.5% per year. These two rates summed provide the annual cost to the Council of any external borrowing - 7.71%. Put in other words, each £1m of borrowing would cost the Council £77,100 in revenue to service the debt for the term of the loan. A shorter term would not bring rates any finance rates lower, and the MRP rate would rise significantly, worsening affordability.

Therefore, in the context of the options from the AFS, the options ranging from £10m to £15.1m would cost the Council on the order of £771k to £1.164m per year. The

Medium-Term Financial Outlook (MTFO) does not have the financial headroom to accommodate these levels of costs and any savings generated by the options would be eclipsed by the costs.

Three options were identified in the AFS that considered remaining at Southfields; these options were decidedly more affordable, estimated in a range of £600k to £3m. The options were not exhaustive but were indicative of the levels of cost that the Council may face and when taken into full consideration, a headline budget of £6m should be assumed. The full cost of the improvement programme will be known after a programme of works has been developed and will be subject to Cabinet/Council approval.

The AFS has served its purpose; it has provided the Council with a comprehensive number of options that have clearly identified the best option regarding the future of the Council's accommodation. Regardless of aspirations regarding a new-build office accommodation, costs and financial pressures dictate the direction of travel with accommodation, and the logical and best value for money option is to remain at Southfields and undertake a programme of works to meet the objectives listed above. This is likely to include (but not limited to):

1. Potential building(s) disposal by freehold sale
2. Potential building(s) disposal by long leasehold
3. Renewal of heat, light, and power installations in the current Council offices.
4. Improvements to the fabric of the building to improve energy performance.
5. Refurbishment works to renew facilities to improve service delivery or reduce ongoing repair maintenance costs over time.

2. Next steps

The AFS undertaken was largely based on the work of architects and construction firms considering many variables across a broad set of options. Therefore, little detail has been ascertained regarding a specific programme of works on any one option relative to the objectives set out in the paper above.

For options 1 and 2 above, property consultants/surveyors will be engaged to evaluate and deliver solutions regarding the built estate occupied by the Council, including advertisement where necessary and where approval using existing governance structures has been obtained.

Construction firms will be best to deliver fixed price, costed specifications and a programme of works for options 3, 4 and 5 above. The Council has access to a number of frameworks by which a supplier can be selected and engaged to develop and deliver such a programme of works in a fashion that complies with Procurement Regulations. Contract types for such an engagement can be explored, whether they are fixed price or gain share, to help control costs.

An appropriate initial capital budget for these works is £500,000, and the money spent in this exercise would be directly translated and applicable to works undertaken. The costs are expected to cover design, surveys, project management and any project planning costs. This is an indicative budget and all monies may not be spent. If any balance remains after subsequent stages have been approved and commenced and there remains no further need, the item will be removed from the Capital Plan.

3. Governance

The project will be governed in several ways:

1. Current rules around decision-making will apply. Key decision elements will be presented to Cabinet for approval as they occur, whether that be the approval of a programme of works or disposal of an asset. Scrutiny will have the option of review on any item presented. Papers with a financial element may be classed as exempt, but can be read by all Members, as is currently the case. Items requiring addition to the Capital Plan will follow the normal route, although these can come at any point in the financial year instead of at the customary twice yearly updates.
2. A Project Executive Board will be created and will be responsible for managing the various strands of the project as one and providing regular updates to the appropriate Programme Board (PB), the Senior Leadership Team (SLT) and Cabinet Member Briefings. Members of the board will include senior officers from each service.
3. Consultation with employees and unions will occur at key points of the project. This will occur by way of the Staff Forum, All Staff Briefings, and meetings with Union representatives.
4. SLT will maintain ultimate oversight and enforce the governance of the programme.

Appendices

Accommodation Feasibility Study Oct 2023

Accommodation Feasibility Study Appendices Oct 2023