



Capital Projects Sub-Committee	Wednesday, 30 August 2023	Matter for Information
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Report Title: **Office Relocation Project Closure**

Report Author(s): **Adrian Thorpe (Head of The Built Environment)**

Purpose of Report:	The report sets out the outcomes that the office relocation project has delivered and summarises the estimated closing position in relation to the estimated cost for the scheme and the forecast outturn.
Report Summary:	The report provides the background to the project, of which the main focus was the relocation of the Council's headquarters from Bushloe House in Wigston to Brocks Hill in Oadby. It sets out the closing position for the various elements of the project. The report also provides a closing review of the budget associated with the project.
Recommendation(s):	That the content of the report be noted.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Philippa Fisher (Strategic Director) (0116) 257 2677 philippa.fisher@oadby-wigston.gov.uk</p> <p>Bev Bull (Head of Finance / Section 151 Officer) (0116) 257 2649 bev.bull@oadby-wigston.gov.uk</p> <p>Adrian Thorpe (Head of The Built Environment) (0116) 257 245 adrian.thorpe@oadby-wigston.gov.uk</p>
Strategic Objectives:	Our Council (SO1)
Vision and Values:	"Our Borough - The Place To Be" (Vision) Customer & Community Focused (V1) Proud of Everything We Do (V2) Collaborative & Creative (V3) Resourceful & Resilient (V4)
Report Implications:-	
Legal:	There are no implications arising from this report.
Financial:	The financial implications are as detailed throughout the report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Organisational / Transformational Change (CR8) Effective Utilisation of Assets / Buildings (CR5)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report. EA not applicable.
Human Rights:	There are no implications arising from this report.

Health and Safety:	There are no implications arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	None.
Background Papers:	None.
Appendices:	None.

1. Background

- 1.1 The project to relocate the Council's main headquarters away from Bushloe House was overseen at an operational level by the Council's Senior Leadership Team and by Members through the Brocks Hill/Office Relocation Sub Committee. The Terms of Reference for the Sub Committee centred around the procurement and appointment of a principal builder to carry out the refurbishment of Brocks Hill and to agree the details such as the size, type and nature of the office accommodation to be provided. The Sub Committee reported into PFD Committee and Full Council.
- 1.2 The purpose of the move to Brocks Hill was to allow the Council to work in a more agile and streamlined manner; since the pandemic there has been less of a need for a traditional office building for staff, with a facility to set down and hot-desk being more appropriate. The move was also to allow for better and more effective use of the Council's assets – making carbon and financial savings in the running of its buildings, in line with the Council's approved Environment Strategy and Action Plan.
- 1.3 The Council's new Headquarters at Brocks Hill officially opened on Monday 10th July 2023.

2. Outcomes

- 2.1 The move to Brocks Hill will assist the Council in delivering its Corporate Priorities as set out in the Corporate Plan. These are:
- *Building, Protecting and Empowering Communities*
 - *Growing the Borough Economically*
 - *Providing Excellent Services*
- 2.2 In addition, the move to Brocks Hill has been successful in achieving the following outcomes:
- *Significant revenue savings compared to Bushloe House*
 - *A modern, healthy, fully flexible office space*
 - *Digitalised Health and safety throughout the building*
 - *Modern building management system, including air conditioning*
 - *Outside power for amphitheatre – creating potential opportunities for income generation*
 - *Generator – resilience in respect of IT and emergency planning response*
 - *10 year plus IT network in place*
 - *Refurbished public toilets and Jenno's Coffee House – this arrangement will generate*

income for the Council in the future, once the costs of the additional works associated with this have been fully recovered

- *State of art Audio Visual equipment – contributing to the quality of the facilities we can offer for hire increasing our ability to generate income*
- *Environmental improvements around Brocks Hill building*
- *A reduction in our carbon footprint from 95 tonnes per annum at Bushloe House in 19/20 to an estimated 11.5 tonnes per annum at Brocks Hill.*

2.3 Further details on these are provided throughout this report which sets out the various elements of the overall project and the estimated closing position in relation to the estimated cost for the scheme and the forecast outturn.

3. Maintenance and Running Costs

Outcome:

Significant revenue savings compared to Bushloe House

- 3.1 The report to the Brocks Hill/Office Relocation Sub Committee on 14th June 2022 set out detailed financial modelling that was undertaken to consider the level of value for money the project would provide. A net present value assessment considered remaining at Bushloe House compared to the disposal of Bushloe House in return for a capital receipt to be used to facilitate the move to Brocks Hill.
- 3.2 The assessment showed that relocating to Brocks Hill would cost significantly less over a 10-year period than remaining at Bushloe House, with the Council bettering its financial position by some £2.3m over a 10 year period. Most importantly, it showed annual revenue savings in the region of £94,000, a saving of 51% on the £183,000 per annum that was payable at Bushloe House.
- 3.3 The actual level of revenue savings achieved will not be known until Brocks Hill has been occupied for a period of time.

4. Construction (Kier)

Outcomes:

A modern, healthy, fully flexible office space

Modern building management system, including air conditioning

Outside power for amphitheatre – income generator

Refurbished public toilets and Jenno's Coffee House – income generator and an economic redevelopment benefit in terms of supporting local businesses as per our Corporate Plan

A reduction in our carbon footprint from 95 to 19 tonnes per CO2 equivalent

- 4.1 The Council procured Kier as the principal builder to carry out the refurbishment works. A refurbishment project can be notoriously more complex than a new build because various unexpected issues can arise with the fabric of the building during the course of the works.
- 4.2 An example of this is the glazing to the Atrium which was found to be leaking and the first floor balcony doors and windows which were found not to be watertight. For these, a supplementary budget was approved by PFD Committee for £210,000 in December 2022. A supplementary budget was also approved by the PFD Chair for £28,000 in June 2023 to enable essential work to the café to bring it to the necessary specification required by the

Council's selected operator – Jenno's Coffee House. The rent payable will generate an income for the Council . In turn, it also allows the Council to work alongside a local business contributing towards the corporate priority to grow the Borough economically.

4.3 Kier was appointed on the basis of a fixed price contract which protected the Council against increased prices once the contract was signed. However, in any construction project it is usual to plan for 'compensation events' which are essential and/or important works arising during the course of the project that need to be carried out. Examples of compensation events encountered during this project of varying costs are set out below:

- Additional power and data points to ensure full flexibility for the use and layout of the building (£20k)
- Remedial works to the existing gutters (£1k)
- Installation of flagpoles (£6k)
- Installation of two fibre optic cables for our IT lines (£800)
- Provision of power for amphitheatre (£2k)
- Refurbishment of public toilets (£5k)

4.4 In addition, an extension of time was required from an initial completion date of 27th March 2023 to an actual completion date of 6th June 2023. Extensions of time also have an impact upon construction costs because site support cost and staffing costs are required for a longer period of time.

4.5 Before accounting for the contingency, the closing position variance for construction is £100,000. This is a 3% variance. For comparison, the industry standard for a refurbishment build project is to set a contingency budget that would allow for a variance of 15%. At 15% a closing position variance for construction would have been in the region of £435,000. Our closing position variance was significantly lower than this.

5. Pre Construction and Project Management (Perfect Circle)

Outcomes

A modern, healthy, fully flexible office space

Modern building management system, including air conditioning

Outside power for amphitheatre – income generator

Refurbished public toilets and Jenno's Coffee House – income generator

A reduction in our carbon footprint from 95 to 19 tonnes per CO2 equivalent

5.1 For a construction project of this nature a host of support services are required to enable the principal builder to carry out the refurbishment works. This ranges from specialist engineering advice to support the installation and commissioning of the building management system, including the air conditioning and fire alarms, to planning how the interior of the building will be laid out to enable the fully flexible and agile uses of the various spaces. In order to manage this the Council appointed 'Perfect Circle' which is a consortium of organisations to provide these various disciplines. It was led by Gleeds as our project manager.

- 5.2 Compensation events are also associated with the Pre Construction and Project Management elements of the refurbishment project, for example, £25k associated with bringing in specialists to commission our building management system rather than rely on staff without those specialist skills. Our building management system will play a significant part in enabling the Council to reduce its carbon footprint and it was particularly important to ensure that it was commissioned by experts.
- 5.3 Similarly, the extension of time also had an impact upon this element because project management staff were required for a longer period of time.
- 5.4 Before accounting for the contingency, the closing position variance on Pre Construction and Project Management is £112,000.

6. IT/Computer Hardware

Outcomes

10 year plus IT network in place

Digitalised Health and Safety throughout the building

- 6.1 Given the complexity of relocating the Council's entire IT system from Bushloe House to Brocks Hill and the need to carry out this transition without any period of downtime so as to enable the Council to continue its day-to-day services, a specialist contractor was engaged to support the move. This proved extremely successful, and the transition occurred smoothly and on schedule.
- 6.2 The overall effect of this is that the Council is future-proofed and in the enviable position of having an IT network in place that is good for the next 10 years.
- 6.3 Before accounting for the contingency, the closing position variance on IT/Computer Hardware is £54,000.

7. Civic Suite

Outcomes

A modern, healthy, fully flexible office space

State of art Audio Visual equipment – income generator

- 7.1 Achieving a fully flexible space in the Civic Suite was a key part of the move to Brocks Hill, enabling the Council to downsize from Bushloe House whilst allowing a space that could be used for office space, Committee Meetings and Full Council Meetings all in the same area.
- 7.2 A key strand of this was also the need to replace equipment at Bushloe House which had reached the end of its useful life and would not have been able to transition effectively to Brocks Hill. Therefore, a new audio visual system has been procured that can either be used independently in different spaces or across the whole Civic Suite. It also has the advantage of linking directly with our Democratic Services back-office system which will save staff time, broadcast meetings on our own website (rather than YouTube) and allow residents to watch and listen to live meetings in numerous different languages.
- 7.3 Furthermore, this new system has resulted in the Council having the Civic Suite fitted with technology that is not offered elsewhere in the Borough and which can therefore be hired out, generating income for the Council. The first booking has already been taken and once

feedback has been gleaned it is the intention to promote this opportunity more widely.

- 7.4 Before accounting for the contingency, the closing position variance for the Civic Suite is £60,000.

8. Generator

Outcomes

Generator – resilience in respect of IT and emergency planning response

- 8.1 It is a necessity that the Council Offices are equipped with an uninterrupted power supply system so that in the event of a power cut the Council's IT systems are not subject to damage or data loss. The system installed at Bushloe House enabled the system to be shut down in a safe way in the event of a power cut. It did not allow for the IT systems to continue running and all work involving IT systems would need to cease until the power supply was reinstated.
- 8.2 In addition, as part of the Council's role as a key member of the Leicestershire Resilience Forum, from an emergency planning / civil-contingencies perspective, it is incumbent upon us to consider how we would meet the needs of our community in the event of a power outage. For example, through the provision of a hub with independently generated power that could support vulnerable residents. This would also have been a necessary consideration had the Council remained at Bushloe House.
- 8.3 Therefore, the investment in a generator will protect the Council's IT systems and allow them to continue to operate. The Brocks Hill building itself will also be able to remain fully operational and in the event of a long-term power outage, the building can be used as a hub for those residents who need it.
- 8.4 Before accounting for the contingency, the closing position variance for the purchase and installation of the Generator is £30,000.

9. Office Set Up

Outcomes

A modern, healthy, fully flexible office space

Environmental improvements around Brocks Hill building

- 9.1 Early on in the project, the decision was taken to relocate the Council's Customer Services Team to the Depot, because to have accommodated the team at Brocks Hill would have required a significant increase in the budget to provide the necessary space. It has however been necessary to carry out some work at the Depot in order to be able to create a suitable office environment for staff as well as suitable provision for staff to be able to access the Depot.
- 9.2 Some savings have also been able to be achieved by eliminating moving costs by using Council staff and vehicles rather than hiring a removals company and through the reduction of scanning and disposal costs – again by staff undertaking to carry out this work themselves.
- 9.3 Before accounting for the contingency, the closing position variance for the office set up is £44,000.

10. Revenue Charges to Capital (Salaries and Electricity)

10.1 In any capital project of this nature, it is necessary to charge the cost of the salary (or part of the salary) to account for the time that staff are spending working on the project to the relevant capital budget. In this case, the cost of this is £189,000.

10.2 This is made up as follows:

Regeneration Project Management 2021/22	£59,000
Regeneration Project Management 2022/23	£47,000
Regeneration Project Management 2023/24	£13,000
ICT Technical Services 2022/23	£64,000
ICT Technical Services 2023/24	£6,000

10.3 The capitalisation of salaries for 2021/22 were included in the 2021/22 Quarter 4 Budget Monitoring Report when the Office Relocation Project costs were reported.

10.4 Similarly a charge has been made to the capital budget to cover the cost of the electricity used at Brocks Hill during the course of the project.

10.5 These are real costs, they have been incurred and are reported correctly. Both of these elements need to be considered as a closing position variance before accounting for the contingency.

11. Budget Review

11.1 The closing position is set out in the table below.

Estimated Cost for the Scheme	£3,610,000
Table 2 Revised 2022/23 Capital Programme (Exempt) Full Council 12/07/2022	
Supplementary Budget: Atrium and Balcony Doors and Windows	£210,000
PFD Committee 6/12/2022	
Supplementary Budget: Work to enable Café Contract to be let	£28,000
PFD Chair – June 2023	
IT Capital Virement	£35,000
Virement of IT budgets no longer required given relocation from Bushloe House	
TOTAL BUDGET	£3,883,000
Variances – as set out in this report	
Construction (Kier)	£100,000
Pre Construction and Project Management (Perfect Circle)	£112,000
IT/Computer Hardware	£54,000
Civic Suite	£60,000
Generator	£30,000
Office Set Up	£44,000
Capitalisation of Salaries	£189,000
Electricity	£16,000
Removal and Scanning	(£16,000)
SUB-TOTAL	£589,000
Contingency	(£227,000)

VARIANCE	£362,000*
FORECAST OUTTURN	£4,245,000

- 11.2 As the table shows, the overall variance is £362,000, after contingency, resulting in a final forecast outturn of £4,245,000.
- 11.3 The contingency (at 6% of the overall budget) was particularly low for a project of this nature where an industry standard is considered to be 15%. The variance for this project is 15.2% against the original estimated cost for the scheme.
- 11.4 It should be noted that some of the elements that form the variance would have been essential spends in the short term had the Council remained at Bushloe House. For example, replacement of life expired IT equipment and audio visual equipment and the purchase and installation of a generator. In addition, some of the work required at Brocks Hill (such as work to the atrium and the balcony doors and windows) would have been required regardless of whether the Council moved its headquarters to the building.
- 11.5 The budget includes £72,000 that had originally been included for energy efficiency measures. This was split between repairs to the wind turbine (£25,000) and installation of new solar panels (£47,000). A survey of the wind turbine established that it wouldn't be possible to repair it within the budget and that it would likely be more cost efficient to purchase a replacement. In terms of the solar panels, these are dependent upon repairs to the roof and will therefore form the subject of a future capital project to repair the roof and install new solar panels. The budget has not been reduced to reflect the removal of these elements of the scheme, it has been utilised to fund other costs. Alternative funding will need to be identified if these two measures are progressed in the future. There is an existing invest to save scheme included in the capital programme of £300,000 which may be appropriate to use for these works depending on the assessment of the level of savings to be achieved.
- 11.6 The overspend is unfunded and will need to be funded as capital borrowing. This will have a consequence of a revenue cost of £11,677k for the next 31 years based on the current Minimum Revenue Provision Policy, plus interest cost of circa £21k per annum at current interest rates.

12. Bushloe House

- 12.1 A contract has been drawn up with the purchaser and a non-refundable deposit of £50,000 has been received. It is a requirement of the contract that the purchaser is in receipt of planning permission for the proposed new use before the sale takes place. At the most recent meeting between the purchaser and the Council, the purchaser advised that a planning application would be submitted before the end of August 2023. This would lead to an estimated decision date of March 2024, subject to the usual factors that can delay a planning decision.