

CABINET

Municipal Building Works Programme 9 November 2010

Report of Head of Property Services

PURPOSE OF REPORT			
This report identifies the outcome of the tender process for works to Morecambe Town Hall, requesting additional funding for works that would improve the buildings to allow additional staff to be accommodated with subsequent savings achieved by vacating Palatine Hall.			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
			Referral from Cabinet Member
Date Included in Forward Plan	November 2010		
This report is public			

RECOMMENDATIONS OF COUNCILLOR LANGHORN

- (1) That approval be given to undertaking the additional works in Morecambe Town Hall at the costs identified in the report, to be financed from this year's existing capital programme provisions for Municipal Buildings.
- (2) That approval be given to the council letting Palatine Hall to the County Council on terms to be agreed by the Head of Property Services and the Revenue Budget be updated accordingly.
- (3) That subject to (2) above, approval be given to earmark up to £50,000 of the Capital Support Reserve to facilitate the relocation of services, but where possible existing budgets be used to minimise any call on the Reserve, and the actual outcome be reported as part of the current budget process.

1.0 Introduction

- 1.1 The council's capital programme includes an estimated £779K for works to Morecambe Town Hall, as part of the much greater Municipal Building Works Programme. This is part of the backlog of works that were identified in condition surveys across the council's building portfolio. In approving the Council's capital investments plans, however, it was acknowledged that there were the risks attached to the cost estimates on which the capital programme was based, with the need to increase the budgets over the coming years to reflect expected increases.

- 1.2 Major works were identified for Morecambe Town Hall and Capita Symonds were appointed to prepare appropriate schemes of work and to prepare tenders for that work. Tenders have now been received and are being reported to cabinet for information and approval.
- 1.3 However, within the scheme for Morecambe Town Hall, an opportunity was taken to consider improving the office accommodation so that the council's access to services project could benefit by being able to accommodate more staff in the building. This in turn would release accommodation elsewhere, in particular the opportunity to vacate and release Palatine Hall.

2.0 Proposal Details

- 2.1 The main scheme for Morecambe Town Hall has three main components – a new roof, new windows and rewiring.
- 2.2 In preparing the scheme for these works, it was clear that there would be substantial disruption in the building. The knowledge that there was a future access to services scheme which would alter the layout of the building meant that the design of the electrical works needed to be flexible to allow for future alterations.
- 2.3 In view of the need to consider additional accommodation savings, a decision was made to include within the tender a scheme of works that would allow for the improved accommodation thereby enabling the electrical scheme to be fully implemented.
- 2.4 This scheme allows for the removal of partitions and corridors within the building at both ground and first floor levels that would provide a standard of accommodation similar to that provided in the former engineers' offices some years ago. In addition, if extra staff are to be accommodated in the building, the toilet facilities would need upgrading as they are in extremely poor condition. As a final aspect of the scheme, the dilapidated temporary buildings at the rear of the Town Hall would be demolished.
- 2.5 The additional work has increased the capital cost of the scheme to £1135K (including fees) which is above the current assumed budget of £779K, ie an additional £356K.
- 2.6 In terms of balancing this additional cost, it is proposed that in accordance with the approved principles of the access to services concept, the majority of the council's staff could be accommodated in the two town halls which would enable the council to vacate Palatine Hall. This would provide a full year estimated saving in the region of £95K based on draft 2010/11 revised and future years budgets, although there would be some one-off revenue costs arising in connection with relocating services during 2010/11.
- 2.7 As part of the shared service agenda, discussions are underway with the county council who require additional accommodation in Lancaster and negotiations are underway to lease the accommodation to them. At the time of writing this report detailed terms have not yet been agreed but are expected to be agreed very shortly. This would result in a substantial additional income for the council on top of the operational savings,. The

additional cost of the works at Morecambe Town Hall is in effect an “invest to save” scheme.

- 2.8 One issue associated with the tender process is that if the additional works are not undertaken, it will be necessary to negotiate the reduction in cost with not just the winning contractor but all those who were invited to tender, under guidance from the Procurement Manager. This will probably not result in the figure being reduced to £779K given that the non roof elements of the budget are based on the original condition survey figures. It will also depend on the structure of pricing of the overall scheme (eg the value of fixed overheads that will not reduce by removing the non emergency re-modelling works). The results of this exercise would need to be reported back in due course and could result in having to re-tender the emergency works only.

3.0 Details of Consultation

- 3.1 There has been no specific consultation on this scheme as it is in line with the council’s agreed access to services proposals to accommodate most staff in the two town halls.

4.0 Options and Options Analysis (including risk assessment)

	Option 1: To undertake additional works in Morecambe Town Hall and agree to the letting of Palatine Hall	Option 2: Not to undertake the additional works to Morecambe Town Hall, and retain Palatine Hall as a municipal building
Advantages	<p>This enables the council to release premises and therefore reduce its operational costs.</p> <p>It enables the council to achieve the outcome of its access to service policy.</p> <p>Staff in the newly formed services can work together to achieve greater efficiencies.</p>	<p>The cost of the scheme would be reduced</p>
Disadvantages	<p>Some staff currently based in Lancaster may perceive that working from Morecambe may be more inefficient.</p> <p>Additional capital funding for the works is required, at an earlier date than anticipated.</p> <p>Early vacation of Palatine Hall would create some additional service upheaval and disruption in the interim.</p>	<p>Savings from reducing the number of operational properties would be lost.</p> <p>The opportunity to complete the access to services policy would be delayed.</p> <p>The scheme may need to be retendered to exclude the additional works.</p>

Risks	Some risks to service operations during the accommodation changes.	<p>The cost of undertaking the additional works at a later date would rise if undertaken as a separate scheme in future.</p> <p>The opportunity to achieve an immediate income from letting Palatine Hall would be lost.</p> <p>The scheme would probably need to be re-tendered and this may still result in the cost being above budget.</p>
-------	--	--

5.0 Officer Preferred Option (and comments)

- 5.1 Option 1 is the preferred option as this enables the council to come closer to achieving the council's approved policy in terms of access to services, whilst enabling longer term savings to be achieved.

RELATIONSHIP TO POLICY FRAMEWORK

The municipal building works have been identified as a key action within the corporate plan objective of tackling the challenges of climate change. The investment needs are reflected in the capital related provisions of the Council's Medium Term Financial Strategy (MTFS), which also makes provision for taking forward invest to save schemes.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

As part of the works the building will receive a new roof, new windows and full rewiring. This will all be undertaken to modern standards to ensure that there are improvements in terms of energy efficiency.

LEGAL IMPLICATIONS

There are no legal implications arising from this report at this stage. Legal Services will be instructed to deal with the proposed lease of Palatine Hall if and when terms are agreed .

FINANCIAL IMPLICATIONS

The costs of operating Palatine Hall are identified in the draft 2010/11 and future years budgets as £95K. Such costs could be saved on an ongoing basis if all staff were moved out of the building and relocated into LTH and MTH. At this stage it is expected that typical costs such as rates, gas, electricity, water, etc will be fully recharged to County. It should be noted however, that the £95K also includes an R&M allocation of £20K, which although monitored centrally represents a typical annual figure for this building. Final lease terms have not yet been finalised but it is anticipated that the lease will be on a full repairing basis, meaning that the R&M element could potentially be included within the overall saving referred to above, subject to whether it remains in the central R&M budget to re-allocate to other buildings operated by the city council. In addition the council would receive either

rental income or a capital receipt depending on how the future of the building is to be determined. If the building was to be rented out, income of circa £70K per year could be possible based on current market conditions. If the building was not let or sold, there would be minimal costs in retaining the building – odd maintenance items and a minimal cost for keeping alarms operational as an example. However, such a position is considered unlikely to be reached, as letting or sale would be achievable.

One-off revenue costs associated with moving services would also be incurred in this year, assuming that Palatine Hall is let to the County Council. Until the new location of services is known, these costs cannot be readily quantified though it is hoped that a fair proportion of costs can be met from any available individual service budgets. In the event that this cannot be clarified in the potentially very short timescales available, authority is sought to earmark up to £50K from the Council's Capital Support Reserve; its unallocated balance currently stands at around £350K and whilst its use has been provisionally linked with Luneside, there are no definite plans for its use. Furthermore, given recent monitoring information, it is anticipated that any moves should be able to be met from underspendings in other areas and therefore any call on the Capital Support Reserve should be considered as a fall back. The actual outcome would be covered in future budget reports.

Regarding the Capital Programme, the 2010/11 Municipal Building Works budget is £3,141K. Of this, £2,138K is planned to be spent in year including the full proposed £1,135K for MTH; the annual budget would accommodate the extra works and there will still be slippage of £1M. However, as the tender value is greater than the estimated amounts originally earmarked for Morecambe Town Hall, the underlying impact is that this would use up £356K of budget originally earmarked for other works. On the other hand, as the original condition survey is now quite out of date, it is arguable as to the significance of the original budgets, particularly when weighed against opportunities to combine emergency works with strategic projects on the same property, rather than doing them on a piecemeal basis.

In effect, the existing in-year capital budget for Municipal Building Works could be used to support the full proposals for Morecambe Town Hall. As has already been acknowledged, there is already pressure to increase future years' capital programme provisions. Whilst these proposals add to that pressure, they also create an opportunity to achieve significant ongoing savings that would easily meet the 5 year pay-back period referred to in the MTFs, i.e. ranging anywhere between 2 and 3.5 years, subject to the final lease period negotiated with County and associated income, final staff relocation costs and decisions concerning the £20K R&M budget, etc. It should be further noted however, that should a far lower rental income figure be realised and the R&M budget not be taken as a saving, then the payback period would be nearer 5 years instead. In addition, for any period where the building is empty, the Council becomes liable for 100% of the rates c£31K per annum on a pro-rata basis following an initial 3 month exempt void period.

In relation to IFRS, there may be further implications in terms of accounting for the lease which may mean that Palatine Hall is removed from the council's balance sheet and that rental income is treated as capital receipts. However, the full details of the lease will be required before this judgement can be made.

OTHER RESOURCE IMPLICATIONS

Human Resources:

There are no direct HR implications although many staff will be affected by moving from one place of work to another.

Information Services:

There will be a need for additional IS connections with the two Town Halls and the contracts

allow for provisional sums where new offices are created. Additional connection points may be required in areas where there will be additional staff in existing offices and IS are working with Property Services to identify where this will be required and the budget implications of this.

Property:

This report includes all the property implications and the Head of Property Services has no further comments to add.

Open Spaces:

There are no open space implications arising from this report.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and her comments reflected in the report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Previous public cabinet reports and minutes relating to the access to services review

Contact Officer: Graham Cox

Telephone: 01524 582504

E-mail: gcox@lancaster.gov.uk

Ref: N/A