



**Bourne Hill Office Project  
Audit Report**

May 2008

## **CONTENTS**

- 1. Introduction**
- 2. Project Brief**
- 3. Mace Approach**
- 4. Wiltshire Office Strategy for Salisbury**
- 5. Project Governance**
- 6. Construction Contract Status**
- 7. Review of Project Options**
  - 7.1 Revert to Original Scheme Design**
  - 7.2 Continue with the Redesigned Scheme**
  - 7.3 Alternative Options**
    - 7.3.1 Cancel the project**
    - 7.3.2 Refurbish the existing Council House**
    - 7.3.3 Suspend the works**
- 8. Conclusion**
- 9. Findings and Recommendations**
- 10. Next Steps**
- Appendix 1 Risk & Opportunities**
- Appendix 2 Documents Obtained**

## **1. Introduction**

As a result of the Local Government Review, Salisbury District Council will form part of the new Unitary Authority for Wiltshire, with anticipated effect from the 1<sup>st</sup> April 2009. Under the Wiltshire (Structural Change) Order 2008, the County Council has the function of “preparing for and facilitating the economic, efficient, effective and timely transfer of the District Council’s functions, property, rights and liabilities”. This transition function is discharged by the Implementation Executive. Council officers need to properly advise Members of the Implementation Executive in relation to any significant property issues that may affect the new Wiltshire Council and in respect of the Bourne Hill Project; officers have commissioned Mace Limited to assist in this process.

Mace commenced the Bourne Hill audit commission on the 26<sup>th</sup> March 2008 with the audit report due to be issued to Wiltshire County Council’s Strategic Property Services Department on the 12<sup>th</sup> May 2008.

## **2. Project Background**

The Bourne Hill office centralisation project formed a key element of Salisbury District Council’s programme for improving customer services. The proposed project and through the implementation of new ways of working is aimed at providing customers with better services and greater accessibility to these services.

Originally, the main aim of the centralisation of Salisbury District Council’s current office stock was to bring reception services and seven separate council offices onto one site. The key arguments put forward by the council for adopting this approach were as follows:

- To improve customer services through a one stop shop for all services (in place of the receptions operated from within four of the seven offices).
- To achieve cost savings through the reduction of duplication, improved productivity, reduced running costs, and sale of surplus buildings (including the old swimming pool site to the rear of the Council House) enabling investment in enhancing and preserving the Grade II\* listed Council House.
- To provide an accessible building for customers and staff, including those with disabilities (and thereby comply with the Disability Discrimination Act).

Planning permission and listed building consent to redevelop the site at Bourne Hill was granted in September 2006. The closure of the council offices occurred in November 2006 with preliminary enabling site works commencing in February 2007. Council elections were held in May 2007 and a new political administration was elected. In view of local opposition to the scheme and a pre election promise to review, the new administration decided not to proceed further with the approved scheme.

Following the subsequent review of the options available to the new administration Salisbury District Council has decided to proceed with the proposed consolidation of its operation within Salisbury resulting in revised planning and listed building applications being made in February 2008 for a reduced scheme which is hoped will go a long way to meeting both the councils requirements and responds to the concerns of the local residents.

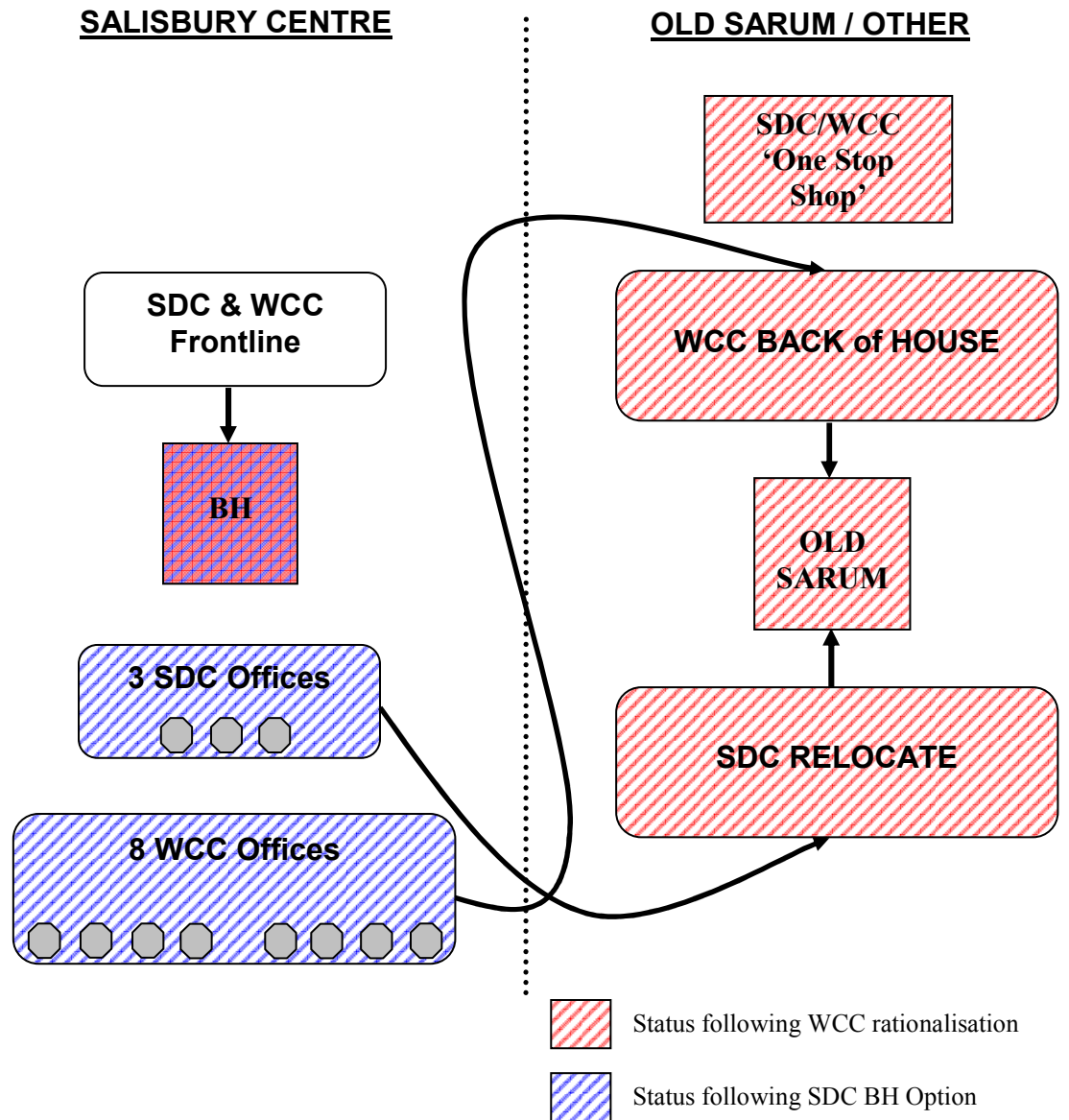
### 3. **Mace Approach**

The work undertaken for this audit review comprised:

- An initial briefing meeting with Wiltshire CC Strategic Property Services Department to agree the scope of the report and approach to the work.
- A review of the relevant Bourne Hill documentation held by Wiltshire CC.
- A review of the relevant Bourne Hill documentation accessible to the public via the Salisbury DC web site.
- Site visit to assess the scale of the project and review the early enabling works completed on site.
- Review meeting with Wiltshire CC and Salisbury DC representatives in attendance to acquire a brief on the background of the project and to request additional information required to accurately report on the project.
- Presentation to Wiltshire CC of the risks and opportunities identified in the form of a draft report for comment followed by a final report.
- Communications between Mace and SDC took place via Wiltshire CC.

#### 4. Wiltshire Office Strategy for Salisbury

The proposal for Salisbury and the new Unitary Authority as a whole is to provide centralised services in modern fit for purpose premises. To ensure maximum benefit is obtained from any rationalisation programme new ways of working will need to be adopted together with the occupation of less, more efficient and flexible space.



## 5. Project Governance

Project governance generically consists of but is not limited to the project structure, the roles and responsibilities of the team, change control and risk management.

These are individually considered in the following three sub sections:

- Project Structure & Roles and Responsibilities
- Change Management
- Risk Management

In our experience the overall structure and content of a project should be contained within a single control document, a Project Execution Plan providing a framework for the successful management of the project. Nisbet LLP appointed by Salisbury District Council as Client Project Manager has produced a Project Executive Plan for the Bourne Hill project. This control document successfully acts as a guide for all operations within the project describing the organisation of and procedures to be adopted by all parties involved together with the responsibilities of each party.

### Project Structure

The review has considered the overall organisational structure for the project inclusive of the Client, project team and contractor.

The Project Roles Terms of Reference covers fully the structure of the Client organisation, clearly defining the project board in operation, the responsibilities of the various boards, individual roles and responsibilities and how the Client boards fit into the overall project management structure. Nisbet's Project Execution Plan serves to define the project team structure, identifies the individual leads from each discipline and allocates roles and responsibilities.

### Change Control

The use of a change management procedure is an essential tool in the development of the project brief, substantiating the resilience of the management process and providing an audit trail validating change in the project.

The Project Execution Plan developed by Nisbet's illustrates that a robust process and recording methodology for the monitoring of change has been proposed. We have had the opportunity to review Nisbet's Change Control Proforma and Change Control Register which together with the guidance set down by Nisbet's indicates that robust controls are in place to manage and implement change throughout the duration of the project.

### Risk Management

The review of Salisbury DC's current procedures has confirmed that they have robust processes in place to manage risk on the project in the design phase of the project. The information provided by Salisbury is in the form of a very comprehensive risk schedule which identifies risks in order of importance and priority. Risk during the design phase of the project is managed by Nisbet.

The risks as identified are evaluated by probability, time and cost, the scoring considers the degree of probability and seeks to define how the risk should be mitigated. The evaluation has awarded costs to these risks and valued them in a 'traffic light' system with an amendment schedule providing an audit trail illustrating how the risks are being addressed.

In summary Salisbury DC have recognised the benefits of operating a live Risk Register on the Bourne Hill project, highlighting the benefits of addressing risk issues early in the project to manage and ultimately to mitigate the impact.

## **6. Construction Contract Status**

It is understood that procurement workshops have taken place with advice provided to Salisbury District Councils Cabinet to help inform the decision upon which procurement route to follow, with a procurement strategy report dated May 2006 produced.

Currently there exists a JCT Standard Building Contract with Quantities dated 21<sup>st</sup> April 2007 signed by Salisbury District Council and Bluestone Plc with a contract sum detailed as £12,522,913.

A subsequent Deed of Variation between both Salisbury District Council and Morgan Ashurst PLC (successor in title to Bluestone Plc) was signed on the 26<sup>th</sup> September 2007.

Following the election of a new administration in Salisbury and the subsequent decision by the new administration to review the options available for the Bourne Hill project Keating Chambers have provided legal advice in terms of the agreed construction contract and the impact any proposed change would have on said contract.

Mace are not in a position to comment as to the validity of the terms of the contract. The advice provided to Salisbury DC by leading construction lawyers regarding the contract in place between the council and Morgan Ashurst Plc should be read and used as a basis of any opinions or actions. Reference to the documents forming the legal advice to Salisbury DC can be found below in appendix 2 Documentation Obtained.

## **7. Review of Project Options**

Having taken into consideration the granting of planning and listed building consent for the site, progress of demolition and early enabling works on the site, cost incurred by Salisbury District Council thus far and the overall position of the scheme in relation to the new Unitary Authorities Strategic Property Review the following options for the project would appear available to the Wiltshire Council:

- Revert to the Original Scheme Design
- Continue with the Redesigned Scheme
- Cancel the project
- Refurbish the existing Council House
- Suspend works

Working on the basis of these options we have attempted to review each option individually against set criteria to inform our findings and recommendations. The options we have assessed include:

### **7.1. Revert to the Original Scheme Design**

The proposed development includes works to the existing Council House, construction of a new building to the north of the house providing approximately 4100 square metres of office space, landscape works to create a new garden, improve access and provide parking. This will involve the following:

- Internal and external renovation of the Council House (Grade II\* Listed building)
- Demolition of the existing Victorian Extension
- Construction of a new 4100m<sup>2</sup> (approx) glazed extension
- Planting of up to 48 parkland trees around the site to replenish parkland tree cover and removal of 13 existing trees.
- Creation of a new linear garden which will extend northwards from the rear of the house
- Severing of the minor road between College Street to the western site entrance to servicing and emergency access only
- Resurfacing of the existing access roads and car park
- Provision of ninety one parking spaces, including six disabled spaces, adjacent to the proposed new building.
- Enhancement of pedestrian access to enable sharing of facilities between Salisbury Arts Centre and the council offices.

Bluestone the main contractor for the Bourne Hill office project proposed a 19 month construction programme following the completion of the enabling works. With the delay between completion of the enabling works and the commencement of the main construction works having occurred it would be realistic to expect the contractor to require 2 months to mobilise prior to commencement of works on site.

Client led decant and fit out of the new office is not included within the above programme dates. Nisbet's have previously advised that a 12 week period would be sufficient to carry out these works which would seem to be a reasonable assessment.

Therefore the overall project period in line with the above periods would amount to 24 months from Client approval for commencement of works to PC and occupation of the building.

The original brief for the Bourne Hill Office calculated the staff occupancy for both the new build and refurbished of the existing Council House as follows:

420 Staff with 19 Managers – a total of 439

5% growth was added to this figure to account for future expansion of the work force:

439 at 105% = 461

With an occupancy figure of 80% anticipated at any one time, 80% of 461 = 369 Staff/Workstations.

These proposals for Bourne Hill satisfied Salisbury District Councils requirements, however the opportunity for centralisation and amalgamation with Wiltshire County Council at Old Sarum and the benefits this offers would not be fully realised. It should be noted that the original proposals outlined above were adopted before Wiltshire CC's strategy was developed.

It is important to note that the sale of the Old Swimming Pool site is a key element of Salisbury District Councils proposals for funding the proposed office at Bourne Hill. A development brief was developed in November 2006 for the site, it is imperative that should the decision be made to proceed with this design option these proposals are followed through.

The option to revert back to the original scheme design would of all the options, least fit into the overall rationalisation strategy for Wiltshire. New ways of working that it is hoped will be adopted as part of the office rationalisation strategy for the new Unitary Authority would only serve to highlight further the excessive amount of space the proposed design would provide, leaving Wiltshire Council with expensive, inflexible and excessive space.

## **7.2. Continue with the Redesigned Scheme**

The proposed development comprises the following:

- Internal and external renovation of the Council House (Grade II\* Listed building)
- Construction of a new, approximately 2,630m<sup>2</sup> glazed extension behind the Council House
- Planting of 48 semi-mature parkland trees around the site to replenish parkland tree cover
- Creation of a new linear garden which will extend northwards from the rear of the Council House and a landscaped North Garden the detail of which is to be developed further with community involvement should the development be consented
- Resurfacing and landscape works to the existing College Street car park, including retention of eighty six parking spaces, including six disabled spaces, adjacent to the proposed new building.
- Enhancement of pedestrian access to enable sharing of facilities at Salisbury Arts Centre and the Council office

It is proposed that the redesigned scheme would lose circa 150 workstations. As a result of the de-

crease in available floor space it is proposed that the number of offices to be disposed as part of the rationalisation strategy will reduce from seven to five with Wyndham Road and Pennyfarthing House being retained. This issue represents an opportunity to demonstrate the potential of adopting principals of new ways of working to ensure the space provided by the revised scheme is maximised and if possible enable all staff to relocate to Bourne Hill, freeing up all seven office premises for disposal as part of the rationalisation strategy.

With enabling works having been carried out as part of the original planning approved scheme prior to the change in administration at Salisbury District Council. Construction works are currently programmed for a period of 16 months from the granting of planning permission for the revised scheme. Nisbet have indicated in Modified Scheme Programme that the main contractor will require 6 weeks to remobilise. With Client led decant and fit out activities programmed for 3 months in duration the overall programme period from granting of planning to occupation of the property stands at 20 ½ months.

As with the original proposal the redesign scheme includes a 'one stop shop' concept, this is now considered to be in the wrong location. The opportunity for centralisation and amalgamation with Wiltshire County Council at Old Sarum and the benefits this offers would be reduced as Salisbury District Council's plan is to retain three of their existing offices. The full benefits of implementing new ways of working etc are reduced together with any cost saving benefits.

It is important to note that the sale of the Old Swimming Pool site is a key element of Salisbury District Councils proposals for funding the proposed office at Bourne Hill. A development brief was developed in November 2006 for the site, it is imperative that should the decision be made to proceed with this design option these proposals are followed through.

The revised planning application is due before the Salisbury District Council Planning Committee on the 15<sup>th</sup> May 2008. The committee's decision will clearly have an influence on the way forward with the proposed Bourne Hill scheme.

### **7.3. Alternative Options**

With the assistance of Sense Ltd we have looked at the options available to the new Unitary Authority as alternatives to the consolidation of Salisbury DC's office accommodation at Bourne Hill.

#### **1. Cancel the project**

Whilst this option would provide sufficient time for the new Unitary Authority to develop their office rationalisation strategy for the whole of Wiltshire, the political, legal and financial impact of this decision would be significant. Whilst Mace are not in a position to comment on the political issues associated with the scheme a judgement can be made against the legal and financial implications should the scheme be cancelled. Both sunk costs and cancellation costs totalling some £6,000,000 would be the result should the project be cancelled.

The Council would potentially expose itself to regulatory risk as development has commenced. It is open to the Planning Authority to serve a completion notice under section 94 of the Town and Country Planning Act after the expiry of planning permission (3 years). Also, some of the planning conditions and Memorandum of Understanding conditions have been triggered and may still need to be complied with, such as the long term management plans for the archaeological preservation of the site and for landscaping and habitat creation, fabric repairs to the listed building and a scheme for the provision of public art.

#### **2. Refurbish the existing Council House**

With the cost both financially and politically of cancelling the project being significant, the option of revising the scope of the works to only refurbishing the existing Grade II\* listed Council House may prove to be the most practical way of integrating Bourne Hill into the overall office strategy for the Unitary Authority. The level of refurbishment would depend upon the chosen use of the Council House (extensive changes of floor levels currently preclude public access) moving forward as an option may

be to carry out basic repairs to enable the scheme to be marketed to potential private developers in line with proposals for the swimming pool site. Sense have carried out a cost exercise to assess the cost of fully refurbishing the Council House in line with current proposals. It is anticipated that cost in the region of £2,000,000 would be incurred to carry out this work.

Should it prove possible for the new Unitary Authority to manage the financial risk detailed in section 7.3.1 in terms of sunk cost and potential cancellation costs, the option to refurbish the existing Council House would provide the new authority with greater flexibility when adopting any proposed office rationalisation strategies for Wiltshire. This of all the options would require greater work to assess its viability should the decision be made to proceed with the refurbishment of the existing premises rather than carry out the proposed refurbishment and extension design currently proposed.

### 3. Suspend works

If the adoption of Bourne Hill into the office rationalisation strategy for Wiltshire is a viable option the delay in commencing on site works upon granting of planning may also be an option available to the new Unitary Authority. The further modification of the scheme enabling a Customer Contact Centre to be provided in the centre of Salisbury and the Bourne Hill scheme modified to suit any potential revised occupational use of the building. Suspension of the works would require the agreement of Morgan Ashurst and they would expect to be compensated financially.

## 9. Conclusion

Under proposals by the new Unitary Authority for a proposed office rationalisation strategy in Salisbury to provide a Customer Contact Centre located in the centre of Salisbury with a purpose built office located on the outskirts of Salisbury for back of house council activities/departments the Bourne Hill office project as currently proposed does not meet this requirement.

With Salisbury District Council having made significant progress on the project to a point where on site enabling works are now complete and subject to approval of a revised planning permission construction works are programmed to commence in August/September 2008 the options available to the new Unitary Authority would appear limited by time and cost restrictions. Indeed it has been recorded in past Cabinet Reports that should a decision be taken to abort the project the cancellation costs together with sunk costs thus far would be sufficient to render the Salisbury District Council bankrupt.

Reported sunk costs on the project in the region of £4,650,000 plus the anticipated figure of £1,350,000 to stop the project and to wind up works. It is imperative that the new Unitary Authority obtain maximum value from the Bourne Hill Site.

Refurbishment of the external fabric of the Grade II\* listed Council House together with planning permission for the office extension may provide an attractive proposition to a commercial developer, either combined or separated from the development brief for the swimming pool site, which in itself will provide a significant contribution to the funding of the Bourne Hill project. Professional advice in the form of a valuation assessment may be prudent to ascertain the commercial value of the site with planning permission.

The proposed revised scheme for Bourne Hill offers a modern centrally located office premises with limited restrictions on parking and the benefits of significant landscaped surrounding. This proposed office is therefore a marketable property to potential commercial tenants. This should be seen as an option available to Wiltshire Council in the future should the decision be made at this time to proceed with the scheme and for the council to occupy the premises.

At this stage in the project, with costs expended by Salisbury DC thus far and with consideration to the potential costs of cancelling the construction contract it is Mace's opinion that the new Unitary Authority should proceed with the revised Bourne Hill office proposals, subject to planning approval. Should the final decision be to move forward with the Bourne Hill project, proposals for new ways of working in line with those proposed for the new Unitary Authority should be reviewed and adopted to ensure best use of the space provided by the new Bourne Hill office.

We have seen evidence whilst writing this report that the Bourne Hill Project has and continues to be successfully administered by Salisbury District Council. The professional team appointed together with the project governance set out by both Salisbury DC and Nisbet's should ensure that cost, quality and time are managed to provide for the successful delivery of the project.

## **10. Findings & Recommendation**

The proposed Bourne Hill office project is the culmination of Salisbury District Council's proposed rationalisation of the majority of the council's administrative services from a number of sites throughout the city of Salisbury into one site.

Following our review Mace recommended the following actions:

- Proceed with the revised scheme design for the Bourne Hill Office, subject to the successful granting of planning. We would also recommend that the following additional tasks are undertaken:
- Carry out a valuation exercise to assess values of proposed offices due for disposal as part of the scheme to ensure potential receipts reflect current market conditions.
- Obtain professional valuation assessments of the lettable and sale value of the Bourne Hill office upon completion of the works.
- The value of the site with planning should be sought both independent and joined with the proposed swimming pool site.
- Review options for further consolidation of Salisbury's services to make use of space provided by the Bourne Hill office to enable the transfer of Customer Contact Centre from Bourne Hill into the centre of Salisbury in line with the emerging office strategy for Wiltshire Council.

## **11. Next Steps**

1. Wiltshire County Council to review in detail proposed funding sources for the Bourne Hill project.
2. Mace to hold meetings with Nisbet, G&T, Morgan Ashurst and the remainder of the design team if required.
3. Empowered executive committee comprising both Salisbury District Council and Wiltshire County Council to be set up to govern the project moving forward.

## **Appendix 1 Risk and Opportunities**

As a result of this audit report the following risks and opportunities have been identified and will help to inform the strategic property review Mace will provide for the new Unitary Authority:

## RISKS

- Value of receipts from property sales reduced due to commercial/residential property market downturn resulting in funding shortfall.
- Sale of Swimming Pool site not realised.
- Value of completed development reduced due to market downturn.
- Increased cost of borrowings impacting upon project costs.
- Wrong location for front of house staff (one stop shop). Consensus is that this should be located in Market Square for WCC and SDC.
- Bourne Hill represents expensive space for back of house services.
- Traditional form of building contract can attract a confrontational approach, will be a problem with refurbishment element of the build due to unknowns which in turn often lead to additional costs and delay.
- Refurbishment only option may not lend itself to one stop shop due to extensive change in floor levels, (DDA requirements when dealing with the public) neither will it provide practical/flexible back of house space.
- Predicted cost benefits of new ways of working and efficiencies will not be achieved.

## OPPORTUNITIES

- Realise full value of swimming pool site.
- Ensure that new build complies with institutional requirements to maximise its value in the commercial sale/letting market.
- Relocate staff to flexible, efficient office space outside the city centre .
- Integrate WCC and SDC common service providers.
- Timed release of redundant properties to maximise receipts from sale of SDC and WCC properties to be vacated.
- Implement new ways of working, create more efficient use of office space. Reduce size of office space required thus reducing costs of construction/letting and ongoing maintenance/running costs.
- Reduce programme to enable earlier release of Council properties for redevelopment/disposal.
- Provide a resilient, future proof IT suite.
- Rationalisation of Wiltshire County Council offices could offer opportunities to transfer in and out the properties that are to be disposed off as part of the funding stream for the project.

## Appendix 2 Documentation Obtained

Audit Commission - Performance Summary Report - Dated August 2005

4ps Gateway Review 2 - Procurement Strategy - Dated 01/11/06

Wiltshire County Council Regulatory Committee Report - Dated 19/12/07

**Cabinet Reports Dated:**

05/09/07 Report 9  
05/09/07 Report 10  
05/09/07 Report 11  
05/09/07 Report 12  
23/07/07  
31/06/07  
31/01/07  
15/11/06  
12/06/06  
03/05/06  
01/03/06  
07/12/05  
09/11/05  
12/10/05  
07/09/05  
31/08/05  
29/07/05  
06/04/05  
02/03/05  
02/02/05  
15/12/04  
21/07/04  
23/06/04  
23/07/03

**Meeting Minutes:**

Office Project Construction Working Group - Dated 30/03/07  
Cabinet Meeting Minutes - Dated 05/09/07  
Cabinet Meeting Minutes - Dated 07/08/07  
Cabinet Meeting Minutes - Dated 23/07/07  
High Level Programme of Works - Dated 30/03/07 (annexed to Office Project Construction Working Group minutes)

Outline Client Brief (annexed to Cabinet Report Dated 05/09/07)

Old Swimming Pool, College Street, Development Brief - Dated November 2006

**Correspondence:**

Letter from Steve Fear to Jane Scott - Re: Future of the Bourne Hill Office Development - Dated 31/07/07  
Letter from Steve Fear to John Healy - Re: Salisbury District Council - Urgent Issues - Dated 31/07/07  
Letter from Jane Scott to Steve Fear - Re: The future of the Bourne Hill Office Development - Dated 09/08/07  
E-mail to Mark Hunnybun - Re Bourne Hill Consideration of the new authority - Dated 15/11/07

**Following a Review Meeting with Wiltshire CC and Salisbury DC on the 14<sup>th</sup> April 08 the following information was requested. Between the 15<sup>th</sup> April 08 and the 18<sup>th</sup> April 08 the following was provided by Graham Creasey via e-mail:**

Project Roles and Terms of Reference

Stage D Budget Report – 30 November 2007

Summary of budget changes from that approved in December

Stage C Cost Estimate – 26 November 2007

Council Minutes – 10 December 2007

Council Minutes – 5 December 2007

Stage D Estimates (Without Costs)

Stage D Estimates

Project Execution Plan – Final Draft November 2004

Risk Register

E-mail Re Design Team Consultant Appointments

Project Execution Plan – Version 3 February 2007