

Management Team
Salisbury District Council
Bourne Hill
Salisbury
Wiltshire SP1 3UZ

officer to contact: **Debbie Dixon**
direct line: 01722 434260
email: @salisbury.gov.uk
web: www.salisbury.gov.uk

Report

Report subject: **Office Centralisation – Business Case**

Report to: **Cabinet**

Date: **7 June 2006**

Author: **Debbie Dixon, Alan Osborne, Graham Creasey and Peter Nicol**

1.0 Purpose of Report

- a) Provide an up to date business case for the office centralisation project.
- b) Seek approval to decant the remaining staff from Bourne Hill House to other council owned properties between August and December 2006.
- c) Provide an overview of the project delivery phase and seek authorisation to invite tenders for enabling / demolition and construction contracts (in order that Full Council on the 11 December 2006 are able to authorise officers to let the enabling / demolition and construction contracts).
- d) Provide an update on the latest projected budget following detailed work by the Project Manager and Quantity Surveyors and seek a recommendation from Cabinet to Full Council on 26 June 2006 to amend the current capital programme.
- e) Agree the preparation of development briefs and planning applications for the former swimming pool site and for 24-26 Endless Street.

2.0 Background

- 2.1 The council has been pursuing this project in earnest over the last four years, culminating in the granting of planning permission. During that period a large number of decisions have been made at Cabinet in order to progress the project. Taken in the round these reports constitute the Business Case. However, the attached document brings together and updates the case in one "living" document.
- 2.2 The document has been prepared using the latest financial information from our quantity surveyors and other consultants, together with other information gathered from numerous reports on the condition of the existing buildings. It therefore supercedes the cost plan for the project which informed the capital programme, which was initially agreed at Full Council in February 2005 and reconfirmed at Full Council in February 2006.
- 2.3 This report highlights the key features of the Business Case, outlines the budget, including increases since the Capital Programme was approved by Full Council in February 2005 and reconfirmed in 2006 and proposes the next steps required to deliver the project.



Awarded in:
Housing Services
Waste and Recycling Services



3.0 The Business Case

- 3.1 This Business Case is based on the framework recommended by the Office for Government Commerce. It has five key components:
- Strategic Fit – the business need, how it will contribute to council objectives, current office arrangements, the scope of the project, the constraints, the strategic benefits and risks.
 - Options appraisal – the long and short list of possible locations for the office (over 11 have been examined), how we will deliver the project, a detailed options appraisal of the two short listed sites (Old Sarum and Bourne Hill) and the preferred option (Bourne Hill)
 - Commercial Aspects – specifications, sourcing options, payment mechanisms, contract lengths, personnel issues and implementation timescales
 - Affordability – whole life cost, the balance sheet and cash flow
 - Achievability – evidence of similar projects, project roles, procurement, project management, contract management, risk management, benefits realisation, post implementation reviews and contingency planning.
- 3.2 In summary the Business Case shows that office centralisation at Bourne Hill is the preferred option on the following basis:
- It most fully meets the objectives of *improving customer service, building organisational capacity, sustainability, economic vitality of the city centre, impact on staff and deliverability* (see pages 21 – 23)
 - It has the lower net present value using whole life costs of £3,965m
- 3.3 The “do nothing option” is discounted as it fails to meet our objectives and has a net present value using whole life costs of £10,567m.
- 3.4 The “Old Sarum” / city centre contact centre option is discounted as it does not meet as many of our objectives (see pages 23 – 25), it fails the “sequential” planning test and it has a higher net present value using whole life costs of £4,531m.

4.0 Project Delivery Phase

The project is about to enter the delivery phase. The key dates and phases for delivering have been established. These are:

June Cabinet 2006 – authorise invitation to tender for contracts and recommend to Full Council revision of Capital Programme

June – Dec 2006 – tender documentation, contractor selection, tender preparation, evaluation and recommendation for Enabling and Main Contract works

July 2006 – Listed Building Consent received from Government Office of the South West

Aug – Dec 2006 – works to decant properties and decant staff

Dec 2006 – Full Council meeting to authorise officers to let contracts

First quarter 2007 – Enabling works

Second quarter 2007 – third quarter 2008 – main contract works

Third quarter 2008 – SDC fit out and decant

Fourth quarter 2008 – works to server room

The current proposals exclude the demolition of the swimming pool. The value of the pool site has been assessed assuming the pool building remains and responsibility for demolition passes to the developer. The pool is currently being subjected to increasing levels of vandalism, becoming a liability and an eyesore. Investment by the council in for example security fencing as a temporary measure is required to counter this.

The estimated cost of demolition is circa £100k if undertaken in isolation. If the council undertake the demolition, the cost will be offset by an increase in the land value.

There are three options for the demolition of the pool building, (1) demolition in isolation, (2) demolition as part of the Enabling Contract, (3) demolition by the site developer. The most cost effective approach is to adopt Option 2, combining these works with the main demolition works starting in the first quarter of 2007. As the site is within a conservation area, consent from the Local Planning Authority and GOSW will be required for its demolition.

5.0 Current Budget and Savings

- 5.1 Tenders have now been received for all the main design consultants for services through to the completion of the project. The current quantity surveyors – Davis Langdon, have concluded their Stage E cost checking process and a programme for the delivery phase of the project has been established. Cabinet should note that the next anticipated cost check will be on receipt of tenders. Appendix 3 of the Business Case shows the revised budget. A summary of increases on the original budget is shown below:

	£000s	£000s
APPROVED CAPITAL BUDGET		11,750
Budgetary increases:		
Design development and fees	592	
EIA	600	
Fit out	45	
Phasing Implications and time lapse	75	
Market Conditions	110	
Condition of existing structure	650	
Additional costs as a result of delaying demolition until the receipt of construction tenders	330	
Sub-total	2,402	14,152
Less mitigating measures:		
Structural maintenance programme	(300)	
Contribution from existing capital budgets	(100)	
WCC Contribution	(50)	
Sub-total	(450)	13,702
Receipts from sales of surplus assets		(4,000)
Net Cost of Scheme		9,702

- 5.2 However, Appendix 3 of the Business Case also shows that this project enables the council to achieve annual revenue savings of £582k. These savings will be derived from 3 main sources. Firstly, a reduction in the numbers of staff employed. The reduction is achieved through only staffing one customer contact centre rather than four receptions and through streamlining the administrative support required for a single site rather than seven sites.

Secondly, energy costs will reduce as a result of a highly efficient extension and the introduction of a building management system which will control heat, light and ventilation.

Thirdly, repairs and maintenance costs will be substantially reduced as a result of extensive repairs to the house and the development of the new building.

Finally, contracts for cleaning, security, fire alarms and equipment maintenance will be rationalised, leading to ongoing savings.

These savings are summarised below:

Item	Annual Revenue Saving £000s
Staffing numbers reduced by 22 posts	(£344)
Energy consumption / costs reduced	(£42)
Premises related costs / repairs and maintenance, cleaning, security, fire alarms and equipment maintenance reduced	(£166)
Rental income from WCC	(£30)

TOTAL	(£582)
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6.0 Recommendations

It is recommended that Cabinet:

- a) Approve the latest business case and the location of the centralised offices at Bourne Hill
- b) Request that the Business Case is updated to include the outcome of the enabling / demolition and construction tenders for consideration at the Full Council meeting on the 11 December 2006.
- c) Approve the decanting of the remaining staff from Bourne Hill to other council buildings between August and December 2006.
- d) Recommend to Full Council on 26 June 2006 that the capital programme is amended to reflect the current requirement for an additional £1.952m based on Option 2 of the Affordability Model (Appendix 3 of the Business Case).
- e) Authorise the issue of invitations to tender for the enabling / demolition and main construction contracts so that Full Council on 11th December 2006 can authorise officers to let the enabling / demolition and construction contracts.
- f) Authorise the preparation of development briefs and planning applications for the former swimming pool site and for 24-26 Endless Street and delegate authority to the Project Sponsor (in consultation with the Portfolio Holder for Resources) to agree the timing of the submission of planning applications in respect of any of the other assets from time to time comprised in the council's Asset Disposal Strategy.
- g) Request that an application is made for conservation area and any other consents and subject to receiving them, authorise the demolition of the former swimming pool as part of the Enabling / Demolition contract, with the costs of this to be offset by the capital receipt received from any sale of the site.

7.0 Background papers

Office Centralisation Feasibility Study – Final Report – Vantagepoint – August 2002
 Customer Contact Centre, The Guildhall – Feasibility Report – Radley House Partnership – June 2003
 Proposed HQ Building – Sequential Test report – Humberts – July 2003

8.0 Implications

Financial: Contained in the report.

Legal: Contained in the report.

Personnel: The personnel implications of the project are managed by the Improving Customer Services Board.

Community Safety: The new building will incorporate safety feature.

Environmental: The new building will incorporate environmental features.

ICT: The new building will incorporate up to date ICT.

Salisbury District Council
Business Case for the Office Project

1. Strategic Fit

1.1. Business need

Salisbury District Council wishes to centralise all seven offices and reception functions onto one site.

The council has three key reasons for wishing to centralise:

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

There are numerous, significant problems with the existing seven office buildings.

Currently the public are required to walk or drive between four of the buildings if they wish to obtain all council services. None of the seven buildings are fully compliant with the Disability Discrimination Act.

The buildings are very costly to maintain due to their age and condition. It is not possible to incorporate environmentally friendly features. Maintenance costs are high.

The organisation is fragmented through staff being based in seven buildings. This weakens the corporate capacity of the organisation and reduces effective interdepartmental communication.

External inspections of the council have reinforced the need for the council to implement centralised offices.

1.2. Organisational overview

Salisbury District Council provides services to the people who live and work in the 400 square miles of the district. Key issues facing the district include:

- Affordable housing.
- Waste generation and recycling.
- Traffic congestion and transportation.
- Pockets of deprivation.
- Relatively low levels of crime but high fear of crime.

- Accessing services in a large, predominantly rural community.

The Council has 7 political priorities:

- Improving Customer Service.
- Maintaining our Housing Stock.
- Delivering More Affordable Housing.
- Improving Waste Management.
- Improving Transportation.
- Improving Community Safety.
- Creating better places to live.

To achieve these political priorities, 4 supporting organisational priorities have been adopted:

- Meeting the Financial Challenge.
- Improving the Performance of the Council.
- Partnership working and community engagement.
- Building the capacity of the organisation.

The office project is supported by a number of corporate strategies including the:

- Asset Management Strategy.
- Capital Strategy.
- ICT Strategy and E Government.
- Community Strategy.
- Diversity Policy.
- Human Resources Strategy, including the Work Life Balance Policy.
- Medium Term Financial Strategy.
- Environmental Strategy.

A range of core values guides all the council's work. The contribution of this project to those values is outlined in section 1.9.

1.3. Contribution to key objectives

This project contributes to the council's priorities through:

- Improving Customer Service
 - To create a Customer Contact Centre within Bourne Hill that will provide a single point of contact for handling a minimum of 80% of all enquiries, with a choice of access – in person, by phone, by letter or e mail.
 - To supplement the City Customer Contact Centre with mini centres in rural areas.
 - To offer a range of public services through working in partnership with others.
 - To provide a fully accessible building that meets the requirements of the Disability Discrimination Act.
 - To improve customer satisfaction through an integrated approach to delivering services.
 - To provide for community use public rooms and exhibition space.

- Building Organisational Capacity
 - To increase staff productivity through removing unproductive time and inefficiencies inherent in housing employees in the seven buildings within the City.
 - To improve communication and team working by all office based staff working on a single site at the redeveloped Council House.
 - To improve motivation and morale of staff through the provision of fit-for-purpose accommodation.
 - To focus staff on either front or back office activity.
 - To reduce the space required and improve work life balance of employees through innovative approaches such as hot-desking.
 - To provide a building that is able to respond positively to changes in activities, services etc.

- Meeting the Financial Challenge
 - To reduce the costs of running inefficient buildings and duplicating reception/postal, telephone and ancillary services.
 - To provide an affordable, deliverable, flexible and value-for-money solution to the council's customer contact and accommodation requirements.
 - To maximise the council's assets to support centralisation.
 - To enhance the efficiency of the Council House and to provide an efficient extension and accrue long-term savings.
 - To provide a solution that has a positive effect on council tax levels and helps maintain them in the lower quartile.

- Sustainability / Green issues
 - To enhance energy efficiency and recycling.
 - To reduce car usage in the City through an updated Travel Plan.
 - To conserve and enhance the house and gardens for public use.

- Economic Vitality
 - To continue to support the vitality of local businesses through maintaining a centralised presence in the City Centre.
 - To enable the utilisation of surplus assets in the City for alternative employment and residential uses.

1.4. Stakeholders

The following stakeholders have been identified:

	Contribution to Project	Conflicts	Action to mitigate
• Customers of the council	Will receive improved services as a result of the project	N/A	
• Council Tax Payers	May inaccurately perceive the project to increase council tax and therefore produce negative publicity	Potential conflict with council	Strong PR campaign to outline accurate position
• Partners e.g. Wiltshire County	A statutory consultee for the planning application and a new resident of the	Potential conflict between two roles (not	Close partnership working

	Contribution to Project	Conflicts	Action to mitigate
Council	building for the Registrars service	realised as statutory consultee gave support to the planning application	
• Local residents	Details of the scheme were delivered to 842 homes. 480 people objected to the planning application (250 of which were on a "standard", copied letter)	Potential conflict with the council	Extensive consultation
• Local businesses	The closest neighbour - the Arts Centre support the project	N/A	
• Elected representatives	Cabinet have led the project through the "Improving Customer Services" Board. Although all groups have been included not all have chosen to attend. The project has been reviewed at the Scrutiny Committee	Potential conflict between different political groups over the planning application and cost of the project	Extensive communication and partnership working, whilst recognising the role Ward councillors are likely to take in representing Ward issues
• Staff	New occupiers of the building	Potential conflict between staff not wishing to move or not wanting to work in open plan accommodation	A staff focus group, with representatives of all units has been set up to encourage participation and communication
• Unions	Representatives of the new users of the building	Potential concerns re new ways of working	UNISON is represented on the "Improving Customer Services" Board
• Central Government	Determination of listed building application		
• English Heritage	A statutory consultee	No conflict as supportive of planning application	N/A

1.5. Existing arrangements

The council currently operates from seven buildings within the City. A summary of the technical constraints, service delivery arrangements and major contracts is summarised below:

Building	Technical Constraints	Service Delivery Arrangements	Major Contracts	Current Occupiers	In house Provision
Bourne Hill	<ul style="list-style-type: none"> Listed building Grade II* Not DDA compliant Not designed as an office In conservation area 	<ul style="list-style-type: none"> Public reception Car parking 	<ul style="list-style-type: none"> Repairs & maintenance Heating & cooling Security Cleaning Testing: <ul style="list-style-type: none"> electrical utility asbestos legionella 	<ul style="list-style-type: none"> Management Team Personnel & Training Financial Services IT Services Democratic Services Legal & Property 	<ul style="list-style-type: none"> Strategic property advice ICT Telephony Legal advice Procurement of repairs and maintenance Procurement of furniture and equipment Conservation advice Grounds maintenance
24/26 Endless Street	<ul style="list-style-type: none"> Listed building Grade II Not DDA compliant Not designed as an office In conservation area 	<ul style="list-style-type: none"> Public reception Parking at rear 	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> Housing Mgmt Strategic Housing Parking Services 	<ul style="list-style-type: none"> As above
16 Endless Street	<ul style="list-style-type: none"> Listed building Grade II Not DDA compliant Not designed as an office In conservation area 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> Community Initiatives 	<ul style="list-style-type: none"> As above
37 Endless Street	<ul style="list-style-type: none"> Ground floor meeting room DDA compliant 1st & 2nd floor offices not DDA compliant 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> Joint Transportation Team 	<ul style="list-style-type: none"> As above
Penny-farthing House	<ul style="list-style-type: none"> Purpose built office building 	<ul style="list-style-type: none"> Public reception Limited 	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> Customer Services Revenue & 	<ul style="list-style-type: none"> As above

Building	Technical Constraints	Service Delivery Arrangements	Major Contracts	Current Occupiers	In house Provision
	<ul style="list-style-type: none"> Not DDA compliant 	<ul style="list-style-type: none"> parking 		<ul style="list-style-type: none"> Benefits 	
61 Wyndham Road	<ul style="list-style-type: none"> Purpose built office building Not DDA compliant 	<ul style="list-style-type: none"> Public reception Car parking 	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> Development Control Forward Planning & Transportation 	<ul style="list-style-type: none"> As above
3 Rolleston Street	<ul style="list-style-type: none"> Property leased Lease expires 2009 Not DDA compliant 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Marketing, Economic Development & Tourism City Centre Management 	<ul style="list-style-type: none"> As above
95 Crane Street	<ul style="list-style-type: none"> Property leased Lease expires 2009 Not DDA compliant 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Parking Services 	<ul style="list-style-type: none"> As above

1.6. Scope: minimum, desirable and optional

The council commissioned a feasibility study in 2002 to scope the potential of the project. This is summarised below:

	Option	Key Features
1.	"Do nothing"	The status quo
2.	City Centre Customer Contact Centre with separate back office	Identify a front of house (for all customer enquiries and separate back office for all other staff). 2 sub options were examined
3.	Redevelopment of Bourne Hill	Refurbish/extend to enable front of house and back office to be located together
4.	A new centralised purpose built facility	New build for back office staff. 11 sub options were long listed for examination

1.7. Constraints

The following summarises the main constraints of the project:

Constraint	Key Features to mitigate against constraints
<ul style="list-style-type: none"> Affordability 	<ul style="list-style-type: none"> Sale of surplus buildings Reduced running costs Utilising savings
<ul style="list-style-type: none"> Deliverability 	<ul style="list-style-type: none"> Project management
<ul style="list-style-type: none"> Stakeholder commitment 	<ul style="list-style-type: none"> Political will Public views Statutory consultees
<ul style="list-style-type: none"> Planning policies 	<ul style="list-style-type: none"> National and local planning guidance
<ul style="list-style-type: none"> Internal cultural change to support new ways of 	<ul style="list-style-type: none"> Managerial and staff support

Constraint	Key Features to mitigate against constraints
working	

1.8. Dependencies

The successful delivery of this project is dependent on the following external and internal projects/factors:

External Dependencies	Responsible Organisations
<ul style="list-style-type: none"> • Statutory consents 	<ul style="list-style-type: none"> • English Heritage • GOSW • Local Planning Authority (planning conditions and building regulations) • Fire Authority

Internal Dependencies	Responsible Individuals
<ul style="list-style-type: none"> • Sale of surplus assets 	<ul style="list-style-type: none"> • Cabinet approval of Asset Disposal Strategy (01/02/06). Implementation – Head of Legal and Property Services / Head of Financial Services
<ul style="list-style-type: none"> • Integration of themes from "Improving Customer Services" Programme (see 5.2. for project roles) 	<ul style="list-style-type: none"> • Portfolio holder (Resources) and Project Sponsor (Director)

1.9. Strategic benefits

The vision for Office Centralisation is:

“A building that expresses our ambition and values – in doing that it will be a building our customers are proud of, will want to visit and will meet their personal business needs.

It will show good guardianship of our heritage. The house and grounds will be enhanced and preserved and the extension will convey optimism for the future through new technologies and materials”.

It will reflect our core values:

- Providing Excellent Service – our new Customer Contact Centre will offer a minimum of 80% resolution of customer enquiries on first point of contact, be it in person, by phone, e mail or letter.
- Supporting the Disadvantaged – the Customer Contact Centre will be designed to meet the needs of our customers who prefer to contact the council in person where they can get personal support. To assist those living in rural areas we will complement the Customer Contact Centre in the City with “One Stop Shops”.
- Promoting a Thriving Economy – we are committed to continuing to support City businesses through establishing a single base in Salisbury. Our Customer Contact Centre will offer a co-ordinated response to business enquiries and we will consider how we can source materials locally for the building.

- Environmentally Conscientious – our new building will incorporate energy and resource efficiency measures and we will restore significant features of the house and gardens to permit public access.
- Fair and Equitable – our Customer Contact Centre will be designed to meet the needs of those with mobility difficulties and customers with children. Translation, Braille, audio and signing services will be available for those whose first language is not English and people with visionary and hearing impairments.
- Communicating with the Public – our Customer Contact Centre will enable us to improve communication with the public through extended opening hours and a choice of ways of contacting us.
- A Progressive Employer – our offices will provide staff and councillors with cost effective, efficient, safe, healthy and comfortable accommodation.
- An Open, Learning Council and a Willing Partner – we are incorporating “best practice” from other organisations in the design of our new building. We have aspirations for the site to be a “civic campus” so that customers can access seamless public services. Wiltshire County Council are committed to the Registry Office and Trading Standards staff joining us.

1.10. Strategic risks

A comprehensive Risk Register is maintained for the project (see appendix 1). The remaining high level risks as of May 2006 are:

Ambition / Theme	Potential Risk	Impact / Likelihood	Risk Owner	Action to mitigate risk	Residual Risk	Updated
Political	Impact of early electioneering in the lead up to elections in May 2007	M/M?	Cabinet/ Council	Acceptance of revised Business case – June 2006 Approval to commence – demolition and construction	Individual Councillors/ Parties opposing	May 2006
Reputational	The Council being perceived (inaccurately) to provide offices at the expense of the Council Tax Payer	H/M	Cabinet/ Council	PR campaign following acceptance of revised business case to inform public of invest to save principle	Public understanding of capital v revenue	May 2006
Financial	Tender in excess of approved budget	H/M	Design Team/ Steering Group	Continual Value engineering and cost checks/market testing	Market conditions	May 2006
Financial	Extent of works to house, particularly fabric repairs	H/M	Design Team/ Steering Group	Intrusive fabric condition surveys / retain contingency	Condition of underlying structure	May 2006
Financial	Disruption to Service caused by I.T. disruption	H/M	Design team/ Service Units	Protection for the Server Room to be designed. Units to produce business continuity plans	Large Scale disaster	May 2006

Ambition / Theme	Potential Risk	Impact / Likelihood	Risk Owner	Action to mitigate risk	Residual Risk	Updated
Financial / Reputational	Delays in GOSW determining the listed building application	M/M	Steering Group / Cabinet	Tolerate	Await decision	May 2006

1.11. Critical success factors

The project has the following critical success factors:

	Success Factor	Performance Measure
1.	Project achieved within budget	<ul style="list-style-type: none"> Financial expenditure against budget
2.	Project achieved on time	<ul style="list-style-type: none"> Date of opening new offices to the public against stated date in the project plan
3.	Project provides sufficient capacity for SDC needs	<ul style="list-style-type: none"> 100% of internal customers requirements achieved on opening of new offices
4.	Favourable public reaction	<ul style="list-style-type: none"> Survey of customers one year after opening Positive press coverage 100% DDA compliant in new building
5.	Favourable reaction from staff including improved communication	<ul style="list-style-type: none"> Survey of staff one year after opening
6.	Improved recruitment and retention	<ul style="list-style-type: none"> 5% increase in numbers of returned application forms compared to numbers of packs sent out 1% decrease in numbers of staff leaving
7.	Increased customer satisfaction	<ul style="list-style-type: none"> Increase in MORI customer satisfaction rating in 2009 by 2% 80% enquiries dealt with at first point of enquiry within the Customer Contact Centre one year after opening 10% increase in usage of bookable public rooms one year after opening new offices
8.	Reduced running and staffing costs	<ul style="list-style-type: none"> £582k savings achieved through reduced repairs and maintenance, staffing costs and energy costs
9.	Reduced cars on the Bourne Hill campus	<ul style="list-style-type: none"> Car parking spaces reduced from 75 to 50 spaces on opening of the new offices
10.	Positive relationship maintained with neighbours	<ul style="list-style-type: none"> Enhanced "civic campus" through opening up routes between Arts Centre and Bourne Hill and improved landscaping Consultation/communication undertaken at all key stages with Residents Association and other interested groups
11.	Building achieves national recognition	<ul style="list-style-type: none"> Applications made for public office awards locally, regionally and nationally
12.	Successful regeneration of surplus council buildings	<ul style="list-style-type: none"> Comprehensive development brief produced
13.	Reduced absenteeism and increased	<ul style="list-style-type: none"> Average sickness days lost per

	Success Factor	Performance Measure
	productivity	employee per year reduced by one day one year after opening new building <ul style="list-style-type: none"> % productivity gains across the council to be identified and agreed

2. Options Appraisal

2.1. Long and short list of options

The feasibility study undertaken in 2002 and the subsequent sequential test commissioned in 2003 reviewed a long list of options. The following summarises the full list of options:

Option	SWOT	Contribution to Key Objectives	Contribution to Critical Success Factors	Short Listed?	Results of Sequential Test	Recommended for Full Options Appraisal
1. "Do nothing"	<u>Strengths</u> <ul style="list-style-type: none"> Least costly <u>Weaknesses</u> <ul style="list-style-type: none"> Will not achieve project objectives Will not conserve Council House for the future Will not meet DDA External inspections of council will be critical as no plan for tackling problems Customer service poor <u>Opportunities</u> <ul style="list-style-type: none"> None <u>Threats</u> <ul style="list-style-type: none"> Council liable to legal challenge and costs 	None	None	Option taken forward to enable comparison of costs with short listed options	N/A	N/A
2. City Centre Customer Contact Centre (2 options analysed) to support options for back office	<u>Pennyfarthing House</u> <u>Weaknesses</u> <ul style="list-style-type: none"> Too small 	Part meets <ul style="list-style-type: none"> Improving Customer Service / Building Organisational Capacity / Economic Vitality 	Does not meet these	No	N/A	No

Option	SWOT	Contribution to Key Objectives	Contribution to Critical Success Factors	Short Listed?	Results of Sequential Test	Recommended for Full Options Appraisal
in 4	<p><u>Guildhall</u> <u>Weaknesses</u></p> <ul style="list-style-type: none"> • Listed building restricted potential for internal changes • Not DDA compliant • Expensive to modify • No finalised date for magistrates to move out • Halts enhanced conference/ hiring opportunities. 	As above	As above	No	N/A	No
3. Bourne Hill	<p><u>Strengths</u></p> <ul style="list-style-type: none"> • In council ownership • Well-known building to the public • Close to City Centre • Surplus buildings in City Centre can be sold to support financing the project • Maintains economic vitality of City Centre • Supported by staff <p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Some unknowns in building fabric • Design will be challenging <p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Refurbishes listed building for the future • Potential to build further accommodation on 	Fully meets	Fully meets	Yes	Meets sequential test	Yes

Option	SWOT	Contribution to Key Objectives	Contribution to Critical Success Factors	Short Listed?	Results of Sequential Test	Recommended for Full Options Appraisal
	<p>swimming pool site if a unitary council is set up in the future</p> <ul style="list-style-type: none"> Use of College Street car park would be in accordance with Car Park Strategy <p><u>Threats</u></p> <ul style="list-style-type: none"> The extension would have to be carefully planned to respect the setting and listed status Innovative design will be required to ensure building DDA compliant 					
4. New centralised purpose built facility						
a) Ashley Road (opposite fire station)	<p><u>Strengths</u></p> <ul style="list-style-type: none"> Surplus buildings can be sold to support financing the project <p><u>Weaknesses</u></p> <ul style="list-style-type: none"> Failed to meet planning guidance/deliverability Current use as public open space Impact on Avon Valley - SSSI <p><u>Opportunities</u></p> <ul style="list-style-type: none"> None <p><u>Threats</u></p> <ul style="list-style-type: none"> Adverse public reaction 	<p>Part meets</p> <ul style="list-style-type: none"> Improving Customer Service <p>Meets</p> <ul style="list-style-type: none"> Building Capacity / Meeting financial Challenge / Sustainability / Economic Vitality 	Fully meets	No	Does not meet sequential test	No
b) The Butts (opposite)	<p><u>Strengths</u></p> <ul style="list-style-type: none"> Surplus buildings can 	As above	As above	No	Does not meet sequential	No

Option	SWOT	Contribution to Key Objectives	Contribution to Critical Success Factors	Short Listed?	Results of Sequential Test	Recommended for Full Options Appraisal
Five Rivers leisure centre)	be sold to support financing the project <ul style="list-style-type: none"> • In council ownership <u>Weaknesses</u> <ul style="list-style-type: none"> • Failed to meet planning guidance/ deliverability • Poor access via housing estate. • Former tip foundations likely to be costly • Loss of playing pitches, protected by Policy R5 of Local Plan • Impact on the Avon Valley - SSSI <u>Opportunities</u> <ul style="list-style-type: none"> • None <u>Threats</u> <ul style="list-style-type: none"> • Adverse public reaction 				test.	
c) The Beehive (adjacent to the Park and Ride Site)	<u>Strengths</u> <ul style="list-style-type: none"> • Surplus buildings can be sold to support financing the project <u>Weaknesses</u> <ul style="list-style-type: none"> • Owned by WCC • Need to relocate existing users • Access difficult • Reverter clause exists to Capitec, NHS <u>Opportunities</u> <ul style="list-style-type: none"> • None <u>Threats</u> <ul style="list-style-type: none"> • Adverse reaction from 	As above	As above	No	Does not meet sequential test	No

Option	SWOT	Contribution to Key Objectives	Contribution to Critical Success Factors	Short Listed?	Results of Sequential Test	Recommended for Full Options Appraisal
	users, supporters and public					
d) Church-fields Depot	<p><u>Strengths</u></p> <ul style="list-style-type: none"> • Zoned for employment • In council ownership • Brownfield site • Surplus buildings can be sold to support financing the project <p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Out of town centre – transport problems • Poor access • Road infrastructure costs very high • Poor customer and staff perception • Relocation of existing tenants <p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Could stimulate redevelopment <p><u>Threats</u></p> <ul style="list-style-type: none"> • Potential contamination 	As above	As above	No	Does not meet sequential test	No
e) Jan-speed site	<p><u>Strengths</u></p> <ul style="list-style-type: none"> • Surplus buildings can be sold to support financing the project <p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Current lease arrangements • Would require training ground • Out of City Centre • Would require planning 	As above	As above	No	Does not meet sequential test	No

Option	SWOT	Contribution to Key Objectives	Contribution to Critical Success Factors	Short Listed?	Results of Sequential Test	Recommended for Full Options Appraisal
	<p>change of use</p> <p><u>Opportunities</u></p> <ul style="list-style-type: none"> Company may be prepared to relocate but then loss of jobs <p><u>Threats</u></p> <ul style="list-style-type: none"> Company went into receivership and assets acquired by directors 					
f) Cattle-market	<p><u>Strengths</u></p> <ul style="list-style-type: none"> Surplus buildings can be sold to support financing the project <p><u>Opportunities</u></p> <ul style="list-style-type: none"> None <p><u>Weaknesses</u></p> <ul style="list-style-type: none"> Currently lease arrangements Remote location and poor public transport <p><u>Threats</u></p> <ul style="list-style-type: none"> None 	<p>Part meets</p> <ul style="list-style-type: none"> Improving customer service <p>Meets</p> <ul style="list-style-type: none"> Financial Challenge / Building Capacity <p>Does not meet economic vitality / sustainability</p>	As above	No	Does not meet sequential test	No

Option	SWOT	Contribution to Key Objectives	Contribution to Critical Success Factors	Short Listed?	Results of Sequential Test	Recommended for Full Options Appraisal
g) Town centre car parks	<p><u>Strengths</u></p> <ul style="list-style-type: none"> In council ownership City Centre locations Surplus buildings can be sold to support financing the project <p><u>Weaknesses</u></p> <ul style="list-style-type: none"> Public perception of reduced car parking in City Centre Availability of Park & Ride sites unclear Central car park in 100 year flood event and Environment Agency advised against use (PPG 25) <p><u>Opportunities</u></p> <ul style="list-style-type: none"> Could stimulate development <p><u>Threats</u></p> <ul style="list-style-type: none"> Adverse reaction from the business community 	Fully meets	As above	No	Would meet	No
h) The Maltings	<p><u>Strengths</u></p> <ul style="list-style-type: none"> In council ownership Surplus buildings can be sold to support financing the project <p><u>Weaknesses</u></p> <ul style="list-style-type: none"> Current use as store – current head lease and sub lease arrangements Discussions 	As above	As above	No	Would meet	No

Option	SWOT	Contribution to Key Objectives	Contribution to Critical Success Factors	Short Listed?	Results of Sequential Test	Recommended for Full Options Appraisal
	taking place on refurbishment <ul style="list-style-type: none"> Potential loss of shopping facility <u>Opportunities</u> <ul style="list-style-type: none"> Could stimulate redevelopment <u>Threats</u> <ul style="list-style-type: none"> Unwilling/unco-operative partners 					
i) Old Sarum	<u>Strengths</u> <ul style="list-style-type: none"> Adopted in Local Plan Greenfield – purpose built Cost effective Near to park and ride Flexible <u>Weaknesses</u> <ul style="list-style-type: none"> Out of town Difficult to implement Green Travel Plan Unpopular with staff Not in council ownership Adverse impact on City Centre economy Council House difficult to dispose of given condition No investment in Grade II* Deliverability may be problematic as resolution required for archaeological , infrastructure and highways issues subject to legal agreement 	Part meets <ul style="list-style-type: none"> Improving Customer Service / sustainability Meets <ul style="list-style-type: none"> Building Organisational Capacity / Meeting Financial Challenge Does not meet <ul style="list-style-type: none"> Economic Vitality Sustainability 	As above	Yes	Would not meet sequential test given City Centre option available	Yes

Option	SWOT	Contribution to Key Objectives	Contribution to Critical Success Factors	Short Listed?	Results of Sequential Test	Recommended for Full Options Appraisal
	<ul style="list-style-type: none"> • Remote for customers <p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Could 'pump prime' the commercial development <p><u>Threats</u></p> <ul style="list-style-type: none"> • Poor public perception of council "selling family silver" 					
j) Harnham Business Park	<p><u>Strengths</u></p> <ul style="list-style-type: none"> • Brownfield site • Surplus buildings can be sold to support financing the project <p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Not in council ownership • Would need change of planning use • Poor profile for council on industrial estate • Adverse impact on economic vitality of City Centre • Poor relationship to public transport • Green travel plan would be costly <p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Could 'pump prime' the commercial development <p><u>Threats</u></p> <ul style="list-style-type: none"> • Location 'industrial' in character • Site crossed by HV electricity cables. 	As above	As above	No	Would not meet	No

Option	SWOT	Contribution to Key Objectives	Contribution to Critical Success Factors	Short Listed?	Results of Sequential Test	Recommended for Full Options Appraisal
k) Amesbury Business Park	<p><u>Strengths</u></p> <ul style="list-style-type: none"> • Surplus buildings can be sold to support financing the project <p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Green travel plan would be costly • Poor access from rest of district • Adverse impact on economic vitality of City Centre <p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Could stimulate other development <p><u>Threats</u></p> <ul style="list-style-type: none"> • Location 'industrial' in character 	As above	As above	No	Would not meet	No

Since the options were assessed in 2002/2003 the council's external valuers have regularly reviewed the market in order to update the list if additional suitable options have become available. Although further sites have been examined, they have not met our basic requirements.

2.2. Opportunities for innovation and/or collaboration with others

The council has sought to learn from others and introduce innovation. This has included visits by councillors, staff and consultants to Ashford Borough Council, South Hams District Council, Shrewsbury and Atcham Borough Council, West Devon Borough Council, Bracknell Forest Borough Council and the HQ of the National Trust. This has proved very helpful in developing the project.

The following innovations have been introduced:

- A customer contact centre.
- New ways of working for staff (e.g. hot desking, remote working etc.)
- Financial sustainability e.g. whole life costs delivered by design and materials.
- Green Travel Plan.
- Public art.

We are collaborating with Wiltshire County Council on providing them with accommodation for their Registrars and intend rationalising facilities

management. We also invited the PCT and other voluntary organisations to join the project but this was not taken up.

2.3. Service delivery options

The council does not employ all the specialist skills for this project in house. It would not be economically advantageous to do so, since few major building projects are undertaken. Our approach has been to play to the respective skills of both in house (project leadership, cultural change, local government finance and property law) and external teams (architecture, conservation architecture, landscape architecture, archaeology, structural engineers, environmental services engineers, infrastructure engineers, construction and major project managers).

Delivery Option	Advantages	Disadvantages
In house	<ul style="list-style-type: none"> • Knowledge of the organisation • On site 	<ul style="list-style-type: none"> • Limited human resources • Insufficient breadth of skills
External	<ul style="list-style-type: none"> • Able to utilise expertise 	<ul style="list-style-type: none"> • Impossible to rely exclusively on external as requirement for informed client
Mixed	<ul style="list-style-type: none"> • Strengths of both internal and external specialists used to full effect 	<ul style="list-style-type: none"> • None

2.4. Implementation options

	Advantages	Disadvantages
Incremental Phased Approach	<ul style="list-style-type: none"> • Enables detailed planning and project management • Enables democratic decision making throughout course of project 	<ul style="list-style-type: none"> • None
“Big Bang” Single Phase	<ul style="list-style-type: none"> • Less disruptive to customers and staff 	<ul style="list-style-type: none"> • Impossible to achieve with such a complex building project

2.5. Detailed options / benefits appraisal:

The appraisal of the final two shortlisted options was initially prepared for and agreed by Cabinet in July 2003.

The following chart includes the 2003 analysis and an update as at May 2006.

The appraisal uses a weighting range of 1 – 3 (where 1 = important, 2 = critical and 3 = highly critical) and a scoring range of 1 – 5 (where 1 = low and 5 = high).

Options appraisal – Bourne Hill

Objective	Weighting	Bourne Hill 2003	Score	Score x weighting	Bourne Hill 2006	Score	Score x weighting
Improving customer service	3	<p>City centre contact centre meeting 80% enquiries</p> <p>Centrally located for business contacts</p> <p>Better integration with front office</p> <p>Specialist back office staff on hand to deal with complex enquiries</p>	5	15	<p>As 2003</p> <p>As above</p> <p>As above</p> <p>As above</p>	5	15
Meeting the financial challenge	3	<p>Capital expenditure between £7m and £8m</p> <p>Sale of assets between £3.8m and £4.3m</p> <p>Net expenditure between £2.6m and £4.1m</p> <p>Annual efficiency savings equivalent to £570k</p> <p>Return on investment between 14% and 22%</p> <p><u>Note:</u> all the above figures were generic projections</p>	5	15	<p>Capital expenditure £13.702m</p> <p>Sale of assets £4m</p> <p>Net expenditure £9.702m</p> <p>Annual efficiency savings equivalent to £582k</p> <p>Return on investment 6.0%</p> <p>Net present value using whole life costing £3.965m</p>	5	15
Building organisational capacity	2	<p>Improved office accommodation standards</p> <p>All SDC facilities on one site</p>	3	6	<p>As 2003</p> <p>As 2003</p>	4	8

Objective	Weighting	Bourne Hill 2003	Score	Score x weighting	Bourne Hill 2006	Score	Score x weighting
		Potential for limited additional public services to be accommodated			All partner requests accommodated (so score increased)		
Sustainability / green issues	2	Town centre location Opportunities to improve sustainable operation of council offices Significant opportunities to reduce travel to work car usage	4	8	As 2003 As above As above	4	8
Economic vitality	1	Additional accommodation provided and available within the city centre	3	3	As 2003	3	3
Staffing impact	2	Maintains site continuity Improved facilities and accommodation Access to local amenities and facilities Disruption during works	4	8	As 2003 As above As above As above	4	8
Deliverability	1	Site wholly owned by SDC Potential constraints around conservation	3	3	As 2003 No longer conservation constraints as English Heritage have approved the scheme	4	4
TOTALS				58			61
Less risks	2	Significant financial risk associated with developing site in historic setting with conservation value	4	8	As 2003	4	8

Objective	Weighting	Bourne Hill 2003	Score	Score x weighting	Bourne Hill 2006	Score	Score x weighting
		Financial risk associated with large scale capital project			As above		
		Potential risk associated with different stakeholder groups insisting on their interests being met			As above		
		Political risk associated with potential local opposition to development			As above		
		Reputation risk associated with investment on administrative buildings			As above		
OVERALL SCORE				50			53

Options appraisal – Old Sarum and contact centre

Objective	Weighting	Old Sarum 2003	Score	Score x weighting	Old Sarum 2006	Score	Score x weighting
Improving customer service	3	City Centre contact centre meeting 80% of enquiries	3	9	As 2003	3	9
		Limited accessibility to business partners			As above		
		Unable to provide direct contact centre support			As above		
Meeting the financial challenge	3	Capital expenditure between £8.5m and £9m	4	12	Capital expenditure £10.661m	4	12
		Sale of assets between £5.4m and £5.9m			Sale of assets £4.450m		
		Net			Net		

Objective	Weighting	Old Sarum 2003	Score	Score x weighting	Old Sarum 2006	Score	Score x weighting
		<p>expenditure between £2.5m and £3.7m</p> <p>Annual efficiency savings equivalent of between £490k and £510k</p> <p>Return on investment between 13% and 20%</p> <p><u>Note</u> all the above figures were generic projections</p>			<p>expenditure £6.211m</p> <p>Annual efficiency savings of £352k</p> <p>Return on investment 5.7%</p> <p>Net present value using whole life costing £4.531m</p>		
Building organisational capacity	2	<p>Purpose built office accommodation</p> <p>All SDC facilities on one site</p> <p>Full space for WCC and PCT requirements in full</p> <p>Potential recruitment and retention difficulties in attracting staff to an out of town location</p>	4	8	<p>As 2003</p> <p>As above</p> <p>No longer required by partners (so score reduced)</p> <p>As 2003</p>	3	6
Sustainability / green issues	2	<p>Out of town location</p> <p>Excellent opportunity to develop purpose built sustainable office</p> <p>Difficult green travel plan to</p>	2	4	<p>As 2003</p> <p>As 2003</p> <p>As 2003</p>	2	4

Objective	Weighting	Old Sarum 2003	Score	Score x weighting	Old Sarum 2006	Score	Score x weighting
		implement					
Economic input	1	Large scale reduction in economic vitality of city as less staff spending in city centre	1	1	As 2003	1	1
Staffing input	2	Travel to work time increased by up to 40 minutes a day Improved office accommodation Isolated from local facilities	1	2	As 2003 As 2003 As 2003	1	2
Deliverability	1	Site outside council ownership Potential Section 106 delays to site acquisition Once purchased – brownfield site	3	3	As 2003	3	3
TOTALS				39			37
Less risks	2	Financial risk associated with large scale capital project Reputation risk in locating local public services out of town Reputation risk associated with investment in administrative buildings Economic risk to viability of city centre Operational risk of low staff morale and recruitment difficulties	2	4	As 2003 As 2003 As 2003	2	4
OVERALL SCORE				35			33

2.6. Sensitivity analysis

A sensitivity analysis seeks to examine the impact of changes on the results of the options appraisal.

The overall score for Bourne Hill was 50 in 2003 and 53 in 2006.

Whilst the overall score for Old Sarum was 35 in 2003 and 33 in 2006.

These scores indicate that the Bourne Hill option when scored against the objectives is the preferred option by a significant margin.

A sensitivity analysis needs to consider whether any key changes would lead to the discounted option becoming the preferred option.

A review of the Risk Register and consideration of changing the weightings indicates that this is unlikely since it would require a 30% “swing” away from Bourne Hill to Old Sarum.

2.7. Preferred option

The council has undertaken an extensive analysis of the potential sites for office centralisation. This has regularly been reviewed as additional potential sites have become available.

An options appraisal of the two shortlisted options was undertaken in 2003 and reviewed again in 2006. This shows that while Old Sarum plus a contact centre would remain a marginally cheaper capital option, it does not fully meet the objectives of the project, it does not meet the sequential test and as section 4.1 shows it is not the option with the lowest net present value. In summary, the Bourne Hill option provides a holistic option which safeguards and retains a significant building, creates fit for purpose offices, transforms services to customers enhances the environment and landscape, continues to support the economic vitality of the city centre, creates a landmark building of the future and saves the council over £.5m annually.

3. Commercial Aspects

3.1. Output based specification

Output based specifications will be used for key contracts in the project. The original Development Brief for appointing the architects included the following:

- Provide a high quality environment, which enhances the City Centre, welcomes visitors and defines a clear and distinct sense of place.
- A development that protects cultural heritage resources, secures their long-term, viable future and enhances the wider historic setting.
- The design and creation of a flexible, durable building, which respects and enhances the location, the environment and the community.
- All aspects of the development to be underpinned by principles of sustainability.

- A form of development that achieves good integration with the surrounding City Centre and provides attractive linkages to important adjacent shopping and commercial streets.
- Retains and extends important employment use, which enhances the vitality and viability of the City Centre and reinforces Salisbury's function as an important sub-regional centre.
- Facilitates easy movement through the development particularly for pedestrians, cyclists and mobility-impaired through good design, creating a legible development with clearly defined routes and linkages to the rest of the City Centre.
- Provide very high quality landscape yielding a high quality public domain, which protects and enhances important natural resources and habitats.
- The provision of appropriate and accessible open space including an upgrading of existing areas.
- A development that reinforces the Councils Transportation Strategy by providing a choice of transport and promoting public transport, walking and cycling, as well as providing adequate standards of car parking.
- A safe environment, which feels safe during the night as well as the day.
- As little disruption as possible to the surrounding residents and general public during the construction process.

3.2. Sourcing options

The Council initially considered sourcing options at Cabinet in December 2004 and evaluated the strengths and weaknesses of:

- A public/private partnership (with and without P.F.I.).
- Using the Prudential System (with or without external borrowing).
- Leasing.

In February 2005 Cabinet confirmed that they wished to utilise the Prudential System, with the intention of having no impact or a saving on the Council's revenue budget.

A detailed procurement and contract strategy was adopted in August 2005 based on a traditional procurement method based on two stages. This was varied in May 2006 to a single stage traditional procurement method, following the extensive work undertaken in the Environmental Impact Assessment and the savings that would accrue from a wholesale decanting of staff (Decant Strategy – February 2006.)

3.3. Payment mechanisms

Payments to contractors will be in accordance with the standard terms and conditions relating to the contract adopted. Consideration will be

given to 'incentivisation' of contractors to deliver value engineering solutions. Payments to consultants will be in accordance with the standard form of contract related to their particular discipline.

3.4. Risk allocation and transfer

Risks will be allocated based upon the selected procurement route. Consideration will be given at all times to ensuring best value is delivered. The major construction risks will be in respect of the house.

3.5. Contract length

The construction contract duration will be in accordance with the project programme and stipulated in the tender documentation. Contractors will be given the opportunity to submit tenders for optimum contract periods, if these are shorter than defined in tender documents. Contract periods will be determined in conjunction with the design team advice.

3.6. Personnel issues including TUPE

There are no TUPE issues with the preferred option. The trades unions are represented on the "Improving Customer Services Board" and have been consulted over all key issues affecting staff.

A staff focus group has been set up and meets bi-monthly to consider a range of issues impacting on staff.

3.7. Implementation timescales

The project programme currently indicates the following timescale:

Decanting

Remaining staff in Bourne Hill move to other council owned buildings (fourth quarter 06).

Enabling works

This contract includes the demolition of the Victorian extension, temporary buildings and the Print Unit building etc., together with a site strip, archaeological investigations and tree protection measures (commencing first quarter 07)

Construction

This contract includes the construction of the new extension, repair and refurbishment of the Council House and the landscaping works. The programme indicates that these elements will take 18 months. (commencing second quarter 07. Completing third quarter 08)

Preparation for moving in

SDC arrange for furniture and equipment and staff return (third/fourth quarter 08).

Server room

Finally, the existing server room (which will remain operational throughout the enabling and main contracts) will be refurbished as a discreet piece of

work following completion of the main contract and is estimated to take 2-3 months (commencing fourth quarter 08)

4. Affordability

4.1. Project based on whole life costs

In order to assess the relative merits of projects it is prescribed best practice in the Treasury Green Book to use whole life costs.

Whole life costs look not only at the initial capital outlay for a project but its effect on the running costs across the initial life of the building (25 years).

Nisbet LLP were commissioned to undertake a whole life costing analysis of: Bourne Hill, Old Sarum and the do nothing option. This is attached at Appendix 2.

The three options have been assessed using property and non- property costs. For ranking purposes these costs are discounted at the prescribed rate of 3.5% to produce a “net present value” (NPV) which converts all costs to current values.

The NPV is a prescribed comparator tool and whilst all current known costs and savings have been factored in at best estimate prices, it does not directly show the eventual costs and savings that will arise.

The report ranks the NPV's to be:

	<u>£</u>
- Do minimum	10.567m
- Old Sarum/Contact Centre	4.531m
- Bourne Hill	3.965m

Thus one obvious conclusion is that “Do Nothing” option has a significantly higher life cost than either of the other two.

A further conclusion is that the other two options are relatively close so a sensitivity analysis of the assumptions was undertaken to see the effect if the savings element of the two options yielded only 75% of those projected. The conclusion was that this has only a marginal effect between the two options, leading to further validation of Bourne Hill.

Whilst whole life costs are an intrinsic part of the decision making process, the council approved project budget will be based upon the capital cost components only. Nonetheless, consideration will be given at all stages to the whole life cost of components in the development of the design.

The project budget is split into two components to accord with the council's approvals process.

The pre-stage D budget (£1.5m) is a “sunk cost” and has therefore been ignored in the calculation of the NPV.

The existing post stage D budget contained in the approved capital programme is £11.75m. This was based on estimations in December 2004 (Between Stages B and C of the project).

For the purposes of the current business case the estimates are based on the final stage E cost report (based on Quarter 2 2005 prices). The covering report to this business case outlines the differences between the current budget and the latest detailed costed estimate and recommends varying the existing capital programme.

4.2. Income and expenditure account:

The current approved capital scheme was initially approved in February 2005 and again in February 2006 with a commitment for the scheme to be at least Council Tax neutral (i.e. the costs of the scheme would be the same or outweighed by the savings generated).

Savings from the preferred option of over £500,000 per annum at current budget levels offset the cost of lost interest (see table below). The level of savings increases over time with pay awards, inflation and backlog maintenance in future years. The current affordability model is shown at Appendix 3.

4.3. Balance sheet

The council has a strong balance sheet with no current capital financing requirement. Capital receipts can therefore be used to finance capital expenditure without use of grants or contributions from others. By investing in the preferred option the council can finance the capital required for the project through revenue savings thereby using cash reserves to create further fixed assets that work for the council more efficiently than the existing assets and revenue profile.

Viewed as a return on investment and using the latest cost estimates (net cost of scheme - £9,702m), the savings are as follows:

	Interest £'000	Savings £'000	Return on investment %
Net cost of scheme £9.702m Current Return (whilst invested)	440	0	4.5
Following construction (Assuming no further revenue savings)	0	538	5.5
Assuming Additional Revenue savings of £44,000	0	582	6.0

4.4. Cash flow

The council has surplus cash, which is invested with a broker in secure investments following a low risk treasury management policy. The average return on investments is benchmarked to the 7 day LIBID rate (approximately base rate). Some short-term investments are made direct

to the market by the in-house team and returns have been broadly in line with those achieved by the brokers.

The major projected capital cash flows of the project post stage D are shown below:

Year	2005/6	2006/7	2007/8	2008/9	2009/10	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure	300	1,650	9,200	2,302	250	13,702
Income	0	0	(2,000)	(2,000)		(4,000)
Net Cash flow	300	1650	7,200	302	250	9,702

5. Achievability

5.1. Evidence of similar projects, where available

The project team comprising both council officers and consultants has a strong track record. Within the council the team has extensive legal and property management experience along with the financial management of major capital projects. The project sponsor is an accredited 4 P's reviewer. The council has previously managed the redevelopment of the Five Rivers Leisure Centre, a £7.5m scheme. Results from the post project evaluation have been incorporated into the current proposals.

The consultant team are highly experienced in delivering complex construction projects. The criteria for the selection of the consultants has reflected the specific issues identified by the site i.e. heritage issues, contemporary design and low energy building. A similar process will be adopted for the principal contractor's selection with particular regard to the experience of listed buildings and complex sensitive sites. Representatives from the consultants have been responsible for internationally recognised and award winning schemes.

5.2. Project Roles

The roles of the various project groups and their terms of reference are outlined in Appendix 4.

5.3. Procurement Strategy

The council agreed its Procurement Strategy at the Cabinet meeting in May 2006. This is attached as Appendix 5.

5.4. Project Plan

The project programme was prepared and is maintained by the Project Manager. The programme is updated monthly to reflect actual progress against target and adjusted to reflect changes in circumstances as and when they occur. Key dates will be reported to the Steering Group.

5.5. Contract Management

Construction contracts will be managed by the lead consultant. The lead consultant will form an integral part of the contract strategy decision

making process to ensure their 'buy in' to the contracts and procurement approach adopted.

5.6. Risk Management Strategy

Risks workshops are held regularly, involving all interested parties. Risks are reviewed and their status revised accordingly. Those risks which have either been mitigated or managed out are closed out. New risks will be introduced as appropriate. Construction risks will be managed at design team level. The steering group will manage higher level risks and non-construction related risks.

To ensure effective management of the project contingency sums the risks will be costed and determine more firm risk values. These can then be released as risks are countered.

5.7. Benefits Realisation Plan

The critical success factors will be delivered through the following methods:

Critical Success Factors	Delivery Method	Estimated / Service / Financial Benefit (where applicable)
Project achieved within budget	<ul style="list-style-type: none"> • Targets set in Medium Term Financial Strategy • Monitored by Improving the Finance and Performance of the Council Board • Strong project management 	<ul style="list-style-type: none"> • See individual financial savings below
Project achieved within time	<ul style="list-style-type: none"> • Project plan monitored and risks managed 	<ul style="list-style-type: none"> • Each month the project is delayed increases costs by £50k in building inflation
Project provides sufficient capacity	<ul style="list-style-type: none"> • Careful planning of desk numbers and remote working arrangements 	<ul style="list-style-type: none"> • Enhanced work / life balance for staff
Favourable public reaction	<ul style="list-style-type: none"> • Public feedback and results of external reviews 	
Favourable staff reaction	<ul style="list-style-type: none"> • Regular staff focus group sessions • Regular news in "Link Up" • Work Life Balance Policy approved and implemented 	<ul style="list-style-type: none"> • Improved motivation / morale
Improved recruitment and retention	<ul style="list-style-type: none"> • Designs of new office included in recruitment packs • Numbers of applicants and turnover monitored 	<ul style="list-style-type: none"> • Enhanced perception of council with potential job applicants
Increase customer	<ul style="list-style-type: none"> • Customer contact 	

Critical Success Factors	Delivery Method	Estimated / Service / Financial Benefit (where applicable)
satisfaction	centre arrangements based on national best practice and surveys conducted after opening	
Reduced running and staffing costs	<ul style="list-style-type: none"> • Building management system monitors energy usage • Deletion of posts from the council's establishment 	<ul style="list-style-type: none"> • The project will reduce costs by £582k per annum
Reduced cars at Bourne Hill	<ul style="list-style-type: none"> • Reduce car spaces. • Introduce green travel plan 	<ul style="list-style-type: none"> • Less congestion
Positive relationship maintained with neighbours	<ul style="list-style-type: none"> • Regular consultation and communication 	
Building achieves national recognition	<ul style="list-style-type: none"> • Best practice incorporated into project with high quality architectural design 	
Successful regeneration of surplus buildings	<ul style="list-style-type: none"> • Preparation of development briefs and successful marketing of assets to be disposed of 	
Reduced absenteeism and improved productivity		<ul style="list-style-type: none"> • It is estimated that sickness savings of 1 day per employee approx equate to £50,000 per annum and productivity savings of a further £50,000 per annum will be made

5.8. Post Implementation Reviews

The council is regularly reviewing the project both internally and through external organisations (the Audit Commission undertook a VFM review in August 2005 and the 4Ps have undertaken 2 gateway reviews to date. Others are planned). The business case is regularly updated. A project evaluation review will be undertaken at the conclusion of the project to review how well it was managed and learn lessons for the future.

5.9. Contingency Plan

Cabinet councillors will manage high-level contingencies that could jeopardise the project through regular review of the risk register and business case.

APPENDICES

1. Risk Register – updated May 2006 (Nisbet & Partners)
2. Whole Life Cost Evaluation of the Options for Office Centralisation – May 2006 (Nisbet LLP)
3. Affordability Model – updated May 2006 (Head of Financial Services)
4. Project Roles and Terms of Reference – updated May 2006 (Policy Director)
5. Procurement Strategy – May 2006 (Property Manager)