

IMPLEMENTATION EXECUTIVE
30 MARCH 2009

**UPDATE ON BOURNE HILL OFFICE PROJECT AND
ASSOCIATED TRANSFORMATION COSTS**

Executive Summary

In transferring the management of Bourne Hill Office Project part way through construction, from Salisbury District Council to Wiltshire Council, a full project audit looking at costs, programme, and risks has been carried out.

Over all, the projected costs of Bourne Hill have increased considerably. Also the contractor is reporting significant delays in completion of the building. This paper highlights the increased costs and will allow comparison with the original budget approved by Salisbury District Council (SDC). It also shows the cost of the transformation programme needed to move services into the building on a 2:3 desk to staff ratio. The transformation is aimed at improving the cost effectiveness of the new building.

Proposal

For the Implementation Executive to note this position and request a further paper detailing the funding proposals in May.

Reasons For Proposals

For the Implementation Executive to be aware of the projected project overspends and their causes.

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March 2009

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UPDATE ON BOURNE HILL OFFICE PROJECT AND ASSOCIATED TRANSFORMATION COSTS

1 **Summary**

1.1 Over all, the projected costs of Bourne Hill have increased considerably. This paper highlights the increased costs and will allow comparison with the original budget. It also shows the cost of the transformation programme needed to move services into the building on a 2:3 desk to staff ratio. The transformation will improve the cost effectiveness of the new building.

1.2 There are four main drivers for the increased cost:-

- a) Insufficient initial budget to meet build costs
- b) Additional Costs associated with the forecast completion and occupation of Bourne Hill (by up to 6 months)
- c) Falling property values and concerns over proposed property disposals.
- d) Running Costs of Bourne Hill and associated home and mobile working costs

2 **Bourne Hill Build Costs**

2.1 Appendix A, which is a confidential enclosure, shows that the build cost (including relevant fees and charges) for Bourne Hill will be approximately £21.386m, compared with an approved SDC budget of £18.991m, an increase of £2.395m. Of this, £1.908m is an additional capital requirement and £0.487m is an additional revenue requirement.

2.2 The main drivers behind the above increases are a significant increase in confirmed build costs and the need to reflect a significant additional construction risk due to both the nature of the old Bourne Hill building and current delays within the build programme.

3 **Additional Costs Associated with the Likely Delay in Completion**

3.1 Currently, officers believe that the earliest date for completion will be in June 2010, with the most likely date for occupation being 1st September 2010.

3.2 Consequently, additional costs of £0.050m will need to be found to ensure the continued availability of alternative accommodation and facilities management for staff who will ultimately be based in Bourne Hill for the period 1st April – 1st September.

4 **Falling Property Values**

4.1 The original SDC proposals identified property disposals of £4.15 million, however, at present property values in respect of the identified properties have fallen to £2.45million, representing a

reduction of £1.6 million which will further increase the capital borrowings. Officers within Property Services are also trying to ascertain the most recent position of SDC in relation to the exact properties identified for disposal.

- 4.2 Officers of Wiltshire County Council Property Services believe that 65 Milford Street and 22 Bedwin Street were identified for disposal as part of the reassessment of the Bourne Hill funding package, but have received a suggestion from SDC that these properties should transfer to the new Parish Council. Wiltshire County Council officers have not agreed to this request. At this time their value has not been included within the potential sum that could be realised, and represents a value of around £450,000. This is because IE have yet to determine the final list of transferring property and assets.
- 4.3 Included within the figure of £2.45 million for disposals is the Old Swimming Pool site, at an assumed value of £1 million. Given the current property market and lack of formal development proposals for this area of land this valuation must be treated with caution and is therefore a potential additional area of significant financial risk.

5 **2010/11 Running Costs for Bourne Hill and Increased Mobile and Home Working for around 130 staff**

- 5.1 In terms of maximising the future use of Bourne Hill, a working assumption has been made that around 130 staff will become predominately home or mobile working in nature. The costs of setting up 130 staff as home or mobile workers is a capital requirement estimated as £0.176m, representing the cost of substituting expenditure for the relocation. This is currently an unfunded transformational need.
- 5.2 Additionally, Bourne Hill will have revenue running costs of £0.180m in 2010/11 and £0.380m for the future annual charge and at present it is questionable whether the original savings identified within the business case will be achieved in the manner envisaged as there are significant differences between the needs of the new Wiltshire Council and the existing SDC.
- 5.3 The additional programme costs in terms of delivering the transformational activity that will be required to maximise value for money from Bourne Hill and support the wider office transformation programme in 2009/10 will be £214,000 of revenue.

6 **Financial Summary**

- 6.1 In total, Bourne Hill and the office transformation programme required to maximise its' value for money faces a funding shortfall of £4.435m, of which £3.684m is capital and £0.751m is revenue. This shortfall has the following profile:-

Year	2009/10	2010/11	Total
Capital	3.896	-0.212	3.684
Revenue	0.357	0.394	0.751
Total	4.253	0.182	4.435

7 Risks

7.1 The audit carried out at this stage of construction has documented the measurable financial and programme risks. However, it should be noted that the project may encounter further difficulties which may be caused by economic downturn in property and construction markets. A full risk management methodology is deployed to mitigate any such risks, and further changes to the outcomes will be report to Members if they materialise.

7.2 Capital receipts of £1m for the swimming pool site is a high risk.

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