

OVERVIEW & SCRUTINY COMMITTEE

Tuesday, 7 April 2015 at 7.15 p.m.,
St Paul, Old Ford. St Stephens Road. E3 5JL

PLEASE NOTE THE VENUE

SUPPLEMENTAL AGENDA PACK ONE

This meeting is open to the public to attend.

Contact for further enquiries:

David Knight, Democratic Services
1st Floor, Town Hall, Town Hall, Mulberry Place, 5 Clove Crescent,
London, E14 2BG
Tel: 020 7364 4878
E-mail: david.knight@towerhamlets.gov.uk
Web: <http://www.towerhamlets.gov.uk/committee>

Scan this code for
the electronic
agenda:



For further information including the Membership of this body and public information, see
the main agenda.

This page is intentionally left blank

Agenda Item 7.1

Committee: Overview & Scrutiny	Date: 7 th April, 2015	Classification: Unrestricted	Report No. 7.1
Report of: Service Head, Democratic Services Originating Officer(s): David Knight, Committee Services Officer		Title: New Civic Centre Whitechapel – procurement proposal and programme Wards: All	

REASONS FOR URGENCY

This report was not circulated with the main Committee agenda and was unavailable for inspection within the timescales set out in the Authority's constitution as it was not possible to collate the necessary information prior to agenda despatch. The report is nevertheless recommended for consideration at this meeting in order to ensure that Committee comments on the report prior to its consideration by The Mayor in Cabinet on 8th April, 2015.

1. SUMMARY

The attached report contains recommendations that to relate to disposals and to entering into contracts. The attached report also provides an update on the status of the acquisition of the site and presents the business case as requested for the new Civic Centre Whitechapel.

2. RECOMMENDATION

That the Overview & Scrutiny Committee comments on the attached report prior to its consideration by The Mayor in Cabinet on 8th April, 2015.

3. COMMENTS OF THE CHIEF FINANCIAL OFFICER

The comments of the Chief Financial are detailed within the attached report.

3. LEGAL COMMENTS

Legal implications are detailed within the attached report.

4. ONE TOWER HAMLETS CONSIDERATIONS

Considerations dealing with the delivery of the One Tower Hamlets theme are included within the attached report.

5. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

Sustainable Action implications are detailed within the attached report.

6. RISK MANAGEMENT IMPLICATIONS

Risk Management implications are detailed within the attached report.

7. CRIME AND DISORDER REDUCTION IMPLICATIONS

There are no specific Crime and Disorder implications arising from the attached report.

8. EFFICIENCY STATEMENT

The review sets out to achieve service and financial efficiencies through the relocation of Town Hall facilities onto a purpose built site


9. APPENDICES

Appendix 1 - New Civic Centre Whitechapel – procurement proposal and programme

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report.

No Background papers were used in the preparation of this report.

Cabinet 8 April 2015	 TOWER HAMLETS
Report of: Corporate Director, Development and Renewal.	Classification: Unrestricted
New Civic Centre Whitechapel – procurement proposal and programme	

Lead Member	Councillor Alibor Choudhury, Cabinet Member for Resources
Originating Officer(s)	Ann Sutcliffe, Service Head, Corporate Property & Capital Delivery
Wards affected	All wards
Community Plan Theme	One Tower Hamlets
Key Decision?	Yes

Executive Summary

This report contains recommendations that to relate to disposals and to entering into contracts. To the extent required by the directions, these will require input and sign off by the Commissioners. To this end we confirm that the recommendations and viable alternatives listed in section 2 of this report are compliant with the council's agreed policies and procedures and European procurement regulations.

In line with direction A7 it is confirmed that statutory officers have sought third party advice on the conformity of the proposed procurement routes with Council procedures and procurement regulations and are satisfied.

Further to Cabinet's decision in February 2014 which resolved to acquire the former hospital site on Whitechapel High Street for the purposes of delivering a new Civic Centre, this report brings forward the delivery and procurement proposals for the new Civic Centre Whitechapel (CCW).

This report also updates Cabinet on the status of the acquisition of the site and presents the business case as requested for the new CCW.

More specifically, as requested by Cabinet this report sets out the following parameters and seeks approval from Cabinet prior to proceeding with capital works.

- Confirmation of preferred procurement route.
- Resolution of the negotiations for the purchase of the Whitechapel site from Bart's Health NHS Trust.
- Financial analysis.
- Risk allocation and accounting treatment.
- Contract mechanisms and project delivery.
- Initial technical and design diligence.

- Stakeholder consultation.

Recommendations:

The Mayor in Cabinet is recommended:

1. To agree the following combination of disposals, funding, design procurement, and delivery model for the CCW:
 - a packaged development scheme utilising developer's cashflow and risk management;
 - use of prudential borrowing at practical completion of the scheme to fund the gap;
 - tendering of the development scheme via a suitable and procurement-compliant framework;
 - the tendering to take place after having developed the design and briefing through to stage 2 of the Royal Institute of British Architects (RIBA) plan of works for building projects (RIBA stage 2), enabling the developer to sufficiently bring forward innovative effective design proposals.
2. If the above recommendation is not adopted to identify the preferred procurement route from the alternative options set out in section 2 of this report;
3. To adopt a capital estimate of £2.5 million to undertake investigations and complete the design to RIBA stage 2 and procure a delivery partner based on the chosen model of delivery;
4. To authorise the procurement of the required professional and technical services to undertake the work to RIBA stage 2 utilising, if available, suitable procurement frameworks available to the public sector;
5. To agree disposal of sites identified in paragraph 3.11 of this report in accordance with the Council's disposal procedure and with the requirements of section 123 of the Local Government Act 1972;
6. To note the requirement to obtain the prior approval of the Commissioners appointed by the Secretary of State prior to disposal of the sites identified in paragraph 3.11.
7. To authorise the Corporate Director, Development and Renewal, following consultation with the Service Head – Legal Services, to agree and enter into the terms and conditions of any agreements required to implement recommendation 1 (or recommendation 2 if so required) and recommendations 3, 4 and 5 in order to progress the civic centre project.
8. To authorise the Service Head – Legal Services to executive all documents necessary to give effect to these recommendations.

1. REASONS FOR THE DECISIONS

- 1.1 Further to the February 2014 Cabinet decision, the acquisition of the former hospital site on Whitechapel High Street has been concluded.
- 1.2 In line with the Executive Mayor and Cabinet instructions at that meeting, officers together with the consultants GVA have completed the further business case review.
- 1.3 The business case has been reviewed and assessed by officers to inform the recommendations within this report.
- 1.4 The lease on Mulberry Place will expire in June 2020.
- 1.5 The landlord of the current offices at Mulberry Place, a private investor, is currently working on a redevelopment of the East India Dock complex into a residential scheme in the near future and public consultation and formal pre application planning consultation is already taking place. Given this likely change of use, it is probable that the council, regardless of whether there was a desire to remain post June 2020, would not be granted a renewal of the lease. It is therefore essential to identify a viable exit route from Mulberry Place to ensure that staff are de-canted by no later than September 2019 to a new facility.
- 1.6 The council must commit to a new civic centre, or face occupying a number of disparate and poorly sited buildings that will lead to inefficiencies and increased costs of operation.
- 1.7 The justification for the further consolidation of council administrative buildings into a purpose built mixed use civic hub is predicated on the disposal of some if not all current administrative sites and additional surplus sites for the capital receipts to cross fund the new development. All these disposals would then deliver significant new housing to the borough.
- 1.8 Officers together with their advisor GVA have undertaken soft market testing with three of the London Development Panel (LDP) members who have all validated the proposed approach as desirable to the market and for which they would all have an appetite to bid for even in the current overheated market.

2. ALTERNATIVE OPTIONS

- 2.1 A number of options have previously been considered and are further modelled and considered in the business case. Whilst officers have made a recommendation in part 1 of this report there are a number of options that can equally be adopted and comply both with Council procedures and procurement rules.
- 2.2 The following table sets out the alternatives and shows the risks and advantages of each. It should be noted however that these risks are by

definition somewhat empirical cannot be quantified at the moment. By way of example the decision to dispose of properties separately in the current market would give rise to a perceived benefit of increased capital receipts. This is based on a currently buoyant market, however over the 5-6 year window of the project it is not known how the market will perform so that trying now to forecast the benefit in sales receipts would be disingenuous.

2.3 It must be noted that each of the alternatives are currently capable of delivering the new CCW within the required timeframe provided that decisions are made in a timely manner.

Alternative Option	Pros	Cons
<p>Option 1 (recommended above)</p> <p>Packaged development and disposals delivery using a suitable and procurement compliant developer framework</p>	<p>Developer carries the debt to building occupation of the CCW.</p> <p>Ensures that the majority of relevant developers of significant size are approached.</p> <p>Buys early cost certainty including receipts.</p> <p>Developer carries the market risk of the disposals. Developers are best placed to measure and price market risks in general.</p> <p>Reduces total debt to the Council.</p> <p>Time efficient which reduces programme risk to the Council and potential additional cost of interim solution.</p> <p>Earlier procurement will reduce exposure to an overheated and volatile market.</p> <p>Ensures a high likelihood of housing delivery.</p> <p>Soft market testing has identified an appetite amongst developers on the London Developer Panel though this is not defined as the chosen framework..</p>	<p>This risk being carried by the developer will potentially lower land receipts to the Council</p> <p>Developers will price the risk that they carry.</p> <p>Limits the field to the number of developer consortia on the relevant framework.</p>
<p>Option 2 (as 1 but not utilizing a framework)</p> <p>Packaged development and disposals procured via OJEU.</p>	<p>Potentially open up wider competition for the procurement.</p> <p>Developer carries the debt to building occupation of the CCW.</p> <p>Buys earlier cost certainty including receipts than separate disposals but not as early as the preferred option above.</p> <p>Developer carries the market risk of the disposals.</p> <p>Developers are best placed to measure and price market risks in general.</p> <p>Reduces total debt to the Council.</p> <p>Ensures a high likelihood of housing</p>	<p>Longer procurement will expose the Council to an overheated and volatile market risking higher costs.</p> <p>Time hungry which increases programme risk to the Council and potential additional cost of an interim solution.</p>

	delivery.	
<p>Option 3</p> <p>Standalone delivery of the CCW via a developer led solution with disposals marketed separately.</p>	<p>Developer carries the debt to occupation of the CCW.</p> <p>Developer MAY carry debt for longer but this would prove expensive.</p> <p>Separate disposals will potentially deliver higher values though this will depend on the market conditions at the time.</p> <p>Opens procurement up to a potentially different set of developers with different funding models.</p>	<p>Likely to restrict/limit the field of developers willing to bid as no land deal involved for them.</p> <p>Will require OJEU procurement which place programme risks on delivery and potential for a costly interim solution.</p> <p>Increased cost as the developer will only make their profit on the construction cost and a longer term debt repayment without cross subsidy from land receipts.</p> <p>The Council will carry market risk on disposals.</p> <p>The Council will carry programme risk on disposals.</p> <p>The number of sites coming to the market may limit competition for each one reducing revenues.</p>
<p>Option 4</p> <p>Standalone delivery of the CCW via a Design and Build led solution with disposals marketed separately</p>	<p>Likely to appeal to a wider range of bidders as it doesn't limit the field to those with an interest in housing delivery</p> <p>Simplifies the tendering process to a straight forward B&B contractor without developer/funding complexities significantly reducing the programme.</p> <p>Simpler tender evaluation to a straightforward D&B contract, i.e. no developer/funding complexities.</p> <p>Better control over procurement delivery timeline/cost.</p> <p>Separate disposals will potentially deliver higher values (depend on the market conditions at the time).</p> <p>Could be procured via OJEU or construction framework (e.g. Southern Construction Framework).</p>	<p>If OJEU procurement - risks programme delivery and may result in a costly interim solution being put in place.</p> <p>Likely to restrict the field of developers willing to bid as no development returns on offer.</p> <p>The Council will carry market risk on disposals.</p> <p>The Council will carry programme risk on disposals.</p> <p>The number of sites coming to the market may limit competition for each one reducing revenues.</p>

2.4 Within these alternatives the following should be noted:

2.5 Option 3 - To sell the disposal sites separately from the delivery of the new CCW but to seek via the market a development partner to deliver the CCW and fund it, would Require the Council to enter into some form of a long term payback to a private developer once the CCW is complete.

2.6 This alternative:

- May prevent the use of a framework and therefore require the contract to be tendered via OJEU which will present a programme risk for the

delivery of the new CCW.

- Cost significantly more to fund as the private developer is making profit purely on the construction and cashflowing the scheme with no other source of profit from the disposal sites.

2.7 Option 4 - Procuring the CCW separately from the site disposals and a building contract and ring fencing the capital receipts for cross subsidy;

- May prevent the use of a framework and therefore may require the contract to be tendered via OJEU which will present a programme risk for the delivery of CCW. There are however other alternative frameworks that may be considered.
- In tendering the CCW as a design and build (or any other form of building contract) would require significantly more design to be concluded prior to tendering.
- Require the disposal sites to be sold either as a package or individually in the market and is suggested that this would be open market tendering.
- Require the Council to account for the full amount of the debt at the outset of the development.

2.8 In addition to the procurement alternatives above the recommended route utilises design through to RIBA stage 2 Concept Design. This refers to the RIBA-specified plan of work, which organises the process of briefing, designing, constructing, maintaining, operating and using building projects into key stages. Stage 2 is concept design which includes structural design, building services systems, outline specifications and preliminary cost information along with relevant project strategies in accordance with the design programme. It involves agreeing alterations to brief and issuing of a final project brief. Officers believe that this is the minimum level of design that should be undertaken. As discussed later in this report however there are two alternative approaches to the level of design that could be undertaken.

2.9 One option is tendering the scheme either in a packaged or non-packaged form but with no further design and due diligence undertaken by the council would place great risk and uncertainty on the Council. In soft market testing all the developers approached felt this would put a great deal of uncertainty on the developers that would be reflected in their pricing and programming assumptions.

2.10 This option:

- May prevent the use of a framework and therefore require the contract to be tendered via the OJEU which will present a programme risk for the delivery of the new CCW.
- Poses a very real difficulty in identifying the best value bidder without design parameters to measure.

2.11 An alternative option would be fully designing the scheme through to and

obtain a planning consent and procuring the scheme in any of the above alternatives should be considered. This option would provide increased delivery and cost certainty to the Council and could be done in conjunction with any of the above alternatives. It would however because of the programme constraints be ideally utilized with a packaged procurement through a suitable and procurement compliant framework as identified in the recommended alternative above.

- 2.12 It should be noted that while all the options are currently deliverable the programmes for OJEU procurement and packaged developer delivery are significantly tighter and therefore as noted above pose a programme risk beyond that of a simpler design and build contract.

3. DETAILS OF REPORT

Background

- 3.1 The council has previously consolidated its civic hub and administrative functions at East India Dock into one site, Mulberry Place, surrendering Anchorage House to realise significant savings of circa £7m per annum.
- 3.2 East India Dock is still widely considered to be a poor location to best serve the needs of the borough's residents. East India Dock Estate, whilst reasonably served by public transport is located in the extreme east of the borough in close proximity to Canary Wharf and has perceived problems of customer access and approachability.
- 3.3 The Mulberry Place lease expires in 2020. The building costs the Council approximately £5 million per annum of which £2.8 million is rent. The landlord, a private investor, has announced plans to redevelop the entire East India Dock into a residential scheme in the near future and public consultation is already taking place. Given this change of use, it would not be possible without a significant increase in rental for the Council could remain here post June 2020. In the business case we have modelled a simple market uplift in rent for a new lease but in reality due to the significant uplift in value delivered from a residential redevelopment the cost of a new or even interim extension to the lease is likely to be considerably higher.
- 3.4 It is therefore essential to identify a viable exit route from Mulberry Place to ensure that staff are de-canted by no later than September 2019 to a new facility.
- 3.5 Cabinet have previously approved the principle of a new Civic Centre (February 2013) and additionally the acquisition of the vacant Whitechapel building (February 2014) for this purpose.
- 3.6 Additionally in the long term the new CCW will contribute to the year on year revenue savings required of the Council whilst enabling improvements to service delivery to residents. It should also be noted that, unlike the current

lease arrangement of the Town Hall, in the longer term the CCW will have a long term asset value to the Council

- 3.7 Each of the options is associated with the disposal of a number of surplus assets and in the case of the move to Whitechapel the number of sites available is maximised. Regardless of the procurement option chosen (discussed later in this report) however it is recommended that the available sites are disposed of in order to deliver housing to the borough and to cross subsidise the civic centre.
- 3.8 In each case the assets will be required to deliver housing and officers with the design team will work with Planners to ensure that the agreed planning brief can be a required delivery under a disposal contract and a pre-requisite for a successful bid.
- 3.9 The project's objectives can be summarised as:
- To develop a sustainable, multipurpose, civic centre in the geographic heart of the Borough and with excellent transport connections,
 - As required by the Asset Strategy, to rationalise the Council's operations to provide more efficient internal communications and cross Council working and reduce the Council's revenue cost of holding empty redundant buildings,
 - To maximise opportunities to make financial savings from efficient use of accommodation,
 - To deliver year on year operational savings to the Council and deliver significant new housing to the borough.

The Options

- 3.10 The previous report to Cabinet (February 2014) was based on the outline business case provided at the time and this identified three alternative approaches to providing the new space having discounted finding alternative rented accommodation or remaining in Mulberry Place. These options are summarised below.
- 3.11 **Remain in Mulberry Place** - This option was modelled by the team to ensure our baseline assessments are robust and to monitor efficiency savings being generated. As set out above however, the landlord is currently seeking to redevelop the site as a residential scheme which will significantly increase the value of the site to him. As previously reported it is highly unlikely that a renewal of the lease will be granted without a significant increase in the rent. Additionally the current building would require significant investment for a long-term lease period as the building and its services are already beyond their useful design life. Cabinet have previously in line with recommendations ruled out this option.
- 3.12 **Develop existing Council sites** – The team reviewed all current assets owned by the Council to identify a location to deliver a new office. The current Commercial Road depot site, formerly the Renault garage is the only alternative site available to the Council of a sufficient size to deliver a purpose built consolidated civic hub. This option has been modelled. The site may be

able to accommodate a mixed use development including housing with the civic centre. However, in reality, the nature of the surrounding area means that the mass of development that could be delivered on the site is likely to be restricted, in particular by height and (in the case of the residential aspects) lack of amenity space. The scheme would, in any event, be a dense solution and it should be noted that it would result in a significant increase in users and office accommodation in an area which is primarily residential and not deemed a 'town centre'. This poses a significant risk to securing planning consent. This site will be utilised on the preferred option as a disposal site for residential development.

- 3.13 **Refurbish and or redevelop a number of existing assets** – Having reviewed the current asset the Council does not own any other buildings that are of sufficient size to accommodate the forecast service needs. At best the Council would need to decant into at least 5 or possibly six buildings. All these buildings would need substantial refurbishment works and would leave the Council dispersed around the Borough and operating in an inefficient and fragmented way which will detrimentally affect the performance of services and efficiency and flexibility to manage the size of the organisation going forward. Two of the office buildings, namely Cheviot House and the LEB building cannot be refurbished to modern office requirements as this would result in the floor to ceiling height being too low making them no longer suitable for office occupation and this option has to be discounted. Additionally this option will deliver no additional new homes.

Disposal funded new Civic Centre – This, the preferred option is to develop a new purpose built civic centre on the acquired Whitechapel site. Any new development will commit and require significant funds. In order to mitigate the effect of borrowing on the council's revenue commitments, there are a number of assets that are identified as sites for disposal for residential purposes in the asset strategy or which will become surplus to requirements as a result of the move into the new CCW. These are available to offset the medium term impact associated with the site procurement and subsequent construction. Officers consider it necessary to fund capital development from these receipts. However this option is better value for money than remaining in the current or other refurbished council offices and will drive significant year on year operational savings once occupied. Additionally unlike any leased alternatives such as the Mulberry Place the Council will benefit from the Asset at the end of the modelled period.

The disposal sites are the following sites held in the general fund:

- Jack Dash House
- Albert Jacobs House
- Commercial Road (former Renault garage)
- Gladstone Place
- LEB Building
- Southern Grove depot

Disposal funded new Civic Centre at Whitechapel

- 3.14 Cabinet have previously approved the principle of a new Civic Centre and additionally the acquisition of the vacant Whitechapel building for this purpose.
- 3.15 It is evident that the construction of a new civic hub in Whitechapel has a significant benefit to the borough. A new civic hub at Whitechapel enhances the project objectives across most of the Council's chosen indicators. The main points being:
- Making the Tower Hamlets Community Plan objective of a "a great place to live" a reality by providing impetus to the regeneration of Whitechapel and its surrounding areas and locating the council in a more accessible town centre.
 - Raising performance and maximising efficiencies through the optimisation of council office accommodation and compliance with latest building regulations through new build facilities.
 - Longer term revenue savings through occupation of council owned accommodation, whilst noting the short term cost associated with procurement and construction of the site.
- 3.16 The use of this site helps the council to achieve the objectives set out in the adopted Whitechapel Vision and will provide a significant boost to the Whitechapel redevelopment plans, whilst placing the new civic hub at the heart of the borough and protecting the retention of a locally listed building by giving it a civic presence.

Appraising the Options

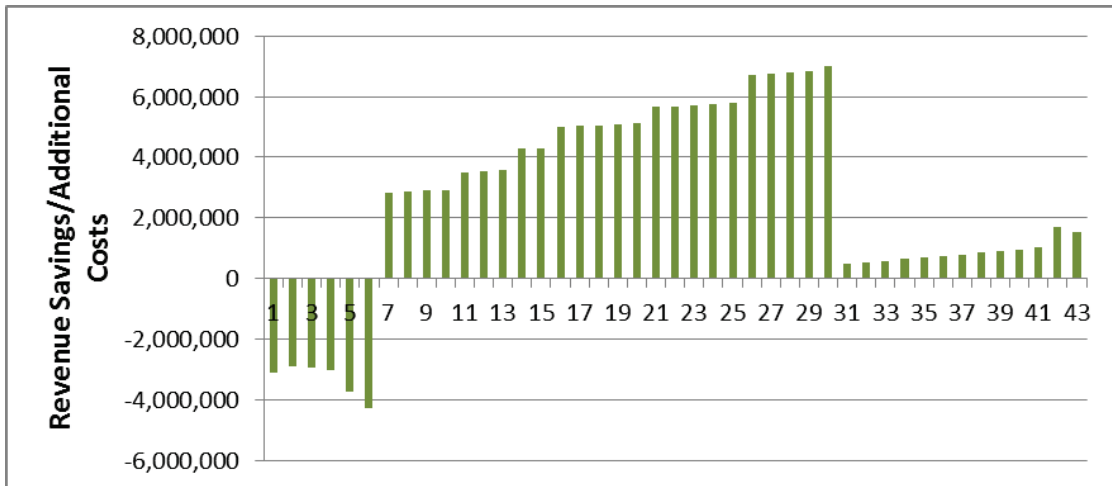
- 3.17 An underlying requirement of the relocation of the Civic centre is to assist the Council in achieving annual revenue savings targets for the medium term, including a reduction in the number of council offices. For the project to be deemed viable and affordable it has to achieve a reduction in the combined costs of providing the Civic centre with the release the value of the surplus sites which are all suitable for housing development. The financial analysis undertaken has compared the relative costs and benefits of various options.
- 3.18 The financial analysis uses Net Present Values which look at cash flows over a 40 year period for the Civic centre. We have made an assumption that the Council, where capital expenditure is incurred, will have to borrow all the sums required to facilitate this project and have allowed for the financing costs within the model. The financing costs are built up from interest charges and the minimum revenue requirement, based on the asset life of the capital expenditure.
- 3.19 This assumption requires that the Council prudently assess any additional borrowing and that sufficient headroom up to the Capital Financing Requirement (CFR) is available. In addition, any capital receipts derived from assets directly linked to this project have not been ring-fenced; with the

receipt being applied as per the strategic priorities of the Council. However, a corresponding revenue saving has been applied to the project to reflect this sales income and the benefits associated with proceeding with this project. Officers do however consider it prudent to ring fence the capital receipts to finance the project.

3.20 We have tested 7 potential civic centre options in the business case. Having previously identified the practical alternatives and the base case of staying in mulberry the results of these NPV's are shown in the table below. In each case the available disposal receipt and housing delivery from surplus stock has been modelled.

Civic centre Option	Description of Option	NPV	Number of Homes
Civic centre Option 1	Remain in 4 existing office buildings	£160.1m	170
Civic centre Option 3	New Civic centre at Commercial Road and remain in Gladstone Place and Albert Jacobs	£113.9m	481
Civic centre Option 5	Whitechapel only	£128.1m	778

3.21 There are additional revenue costs in the first 6 years which are attributed to the costs of constructing/leasing other buildings simultaneously with finishing the lease on Mulberry. These costs are unavoidable in modelling the schemes but in reality can be deferred to avoid there impact in this period. However, these upfront costs then provide significant revenue savings for the remainder of the 40 year period following the expiry of the Mulberry Lease. The annual revenue impact for Option 5 can be more definitively seen in the following chart:



- 3.22 In summary, the “Do Nothing” of Civic centre Option 1 has a total NPV of £160m and only produces 170 housing units, compared to the cheapest new build Civic centre Option 3 which has an NPV of £113.9m and 481 residential units. Doing nothing is therefore not an option.
- 3.23 Based on the financial analysis it is not financially viable to remain at Mulberry Place. The cheapest financial option of re-occupying 3 vacant office buildings has to be discounted as 2 of the buildings cannot be refurbished to meet modern office requirements.
- 3.24 Whilst the Commercial Road option is financially cheaper than Whitechapel, it won't deliver as many housing units and it won't enable the Council to have a key role in bringing forward its Whitechapel Vision, which will have a significant beneficial impact upon the local area.

Delivery and Procurement

- 3.25 The project cost for the new CCW is currently estimated at around £85 million depending on the extent of the development needed. This would be a significant debt burden for the council to carry without the capital receipts.
- 3.26 Even with the proposed capital receipts from disposals, there will be a significant shortfall in funding – the gap, which will need to be funded by the Council through debt. This debt has been modelled in the business case scenarios.
- 3.27 Essentially there are two distinct delivery models available and they are:
- A** to borrow the full amount of the cost, build out the new facility, sell the surplus sites and use the capital receipts to pay off the majority of the debt (financial model Option 5) or,
 - B** to enter into a packaged disposal and delivery model with a private developer (financial model option 8).

- 3.28 Officers have reviewed the delivery models and procurement within these to allow an informed decision to be made on the best route forward. The best route will depend on the:
- the very tight programme for delivery, and;
 - the risk appetite of the council.

Separate disposal

- 3.29 The disposal sites are a mixture of those currently available and those that will become so as a result of the rationalisation of the civic functions into the new CCW. The sites are all discrete sites capable of separate disposal and not links by proximity to each other.
- 3.30 The council could simply set about disposing of their surplus stock now and programme this out over the course of the next few years. Sales receipts could then, once achieved, be set aside for the delivery of the scheme.
- 3.31 As buildings become available the council would seek to sell these on the open market and receive best consideration for them. It is likely that the future use of these sites would be restricted to housing (though not necessarily) with planning compliant tenure mix.
- 3.32 Clearly the cash flow of capital values and sales receipts is not ideal and the council would bear the sales risk and cashflow implications of delays in disposals and market volatility.
- 3.33 This route allows the council to retain greatest control over outcomes but bear significant development cost and cashflow risk.
- 3.34 Disposals would be undertaken in accordance with the Council's disposal procedure. It is likely that this would be on an open market tendered basis as is normal for such disposals and buildings. The sites would be brought to the market as and when they become available and in line with any protocol agreed with the Commissioners. As required by the Secretary of State's directions given on 17 December 2014, the prior consent of the Commissioners would be required to each disposal.
- 3.35 If this option were followed then a developer-funded model will not be viable as there will be no development profit or upside for the developer other than on costs to the cost of the building. This would be an inefficient way of raising capital leaving only a traditional contract form such as design and build contract procured via OJEU open market tendering.

Packaged delivery and disposals

- 3.36 As an alternative approach the council could package all or some of the disposal sites together with the new civic centre project and tender this to the

market either using the OJEU process or a framework, if required due to time critical needs.

- 3.37 The council would be seeking a development partner in this instance that would use their knowledge of the market and access to funding, bear development risk, and cashflow the delivery of the project.
- 3.38 The development partner would need to be a significant entity or consortium with a substantial turnover in the order of three times the project value, including the value of the disposal sites.
- 3.39 The partner would receive the surplus sites to develop at nil value though required to deliver within whatever constraints (such as planning compliant housing) the council determined were right. In return the partner would develop the new civic centre in line with the council's brief and needs.
- 3.40 On completion of the civic centre this would be handed over to the council in exchange for the gap or shortfall in funding in a form commensurate with the chosen funding proposal. This could be a one off payment raised from debt or by way of staged payments over time, though this will attract additional cost to the Council.
- 3.41 The benefits of this structure are that the development partner will bear both the sales value risk and cashflow risk for the development. This would also allow the council to defer debt until the gap funding was needed at handover of the new building.
- 3.42 Significantly however the council will have less control over the outcomes and this is likely to cost more due to the offload of risk to the developer. Though when cashflowed over the life of the modelling period there is no significant cost difference.
- 3.43 The development partner model can be procured either by OJEU or more practically using a framework, which would significantly reduce the programme implications of procurement. There are a small number of frameworks that are available to which the Council has access. Because of programme constraints officers believe that it is advantageous to use a suitable and procurement compliant framework, which provides access to a very good selection of developers and minimises programme risk and procurement cost to the council.
- 3.44 Consideration has been given to use of the GLA's London Developer Panel, which is set up for residential led schemes. The framework was procured through OJEU by the GLA in order to speed up the process of development and was intentionally set up to give access to local authorities. The Panel comprises some 20 consortia with whom the project would be tendered and all of who have demonstrated their ability, track record and experience. However, the scheme is for residential-led schemes and it is clear that any mixed use elements must be properly ancillary to and in support of housing. This will likely present a challenge to a scheme which includes the CCW.

- 3.45 The council has undertaken some soft market testing to ensure that there is an appetite in the market for such a developer led proposal.
- 3.46 Additionally we have modelled the NPV of procuring the new building on this basis (financial model Option 8) which compares favourably with that of separate disposals and borrowing (option 7). The NPV's of the options are £127M and £128M respectively. The key financial advantage of the packaged model however is that there is potentially no negative financial impact of borrowing money in the short term whilst paying the outgoing costs on Mulberry Place as this debt will be carried by the developer partner

Design

- 3.47 If the council wish to proceed with a design and build contract to deliver the new civic centre rather than a packaged up development then the council should develop the scheme through to, or near to Planning. This will be needed to ensure cost certainty in the tendering process as the greater the design certainty the better the market will price the work. Additionally there will be less opportunity for cost increases during the delivery period from design evolution and change.
- 3.48 If however the decision is made to progress the new civic centre with developer led model, packaging up the major housing sites, the council must decide on the extent to which they design the new buildings or allow the developers freedom to design their proposals. In each cost the total cost of design would be broadly the same.
- 3.49 To date the council has led a team working at RIBA stages 0-1 covering strategic definition and some briefing. This is not enough at the moment to take the project, which is complex in terms of scale, deliverability and complexity through to procurement.
- 3.50 Essentially whatever route is adopted, the full design costs for the civic centre would be in the order of 12% of the build cost or around £12 million. This is approximately the fee cost regardless who and how the project is taken forward.
- 3.51 Fees are normally split into design stages as determined by the RIBA plan of work. At whatever stage the design is passed from client to contractor or developer there is normally a level of redesign. In reality the duplication of design is limited though this will depend on the level of control that the client wishes to have. The greater the control the less duplication there is; more importantly, for the council, it offers greater control over cost and programme certainty.
- 3.52 In broad terms the fee costs over the life of a project with fees of £12 million would be:

Stage	Description	Cost	Proportion of the total fee	Aggregate fee
1	Preparation of Brief	£1.2M	10%	£1.2M
2	Concept Design	£1.8M	15%	£3.0M

3	Developed Design	£1.2M	10%	£4.2M
4 onwards	Technical Design	£7.8M	65%	£12.0M

3.53 With this in mind there are three options available to the council:

1. To design through to RIBA stage 3 and obtain planning consent
2. Complete a brief based on the work to date and allow the developers to bring forward their designs and to obtain planning consent around the completion of Stage 1.
3. Follow a halfway house in which the council undertake sufficient investigations and design to ensure that the new building will deliver but allow the developers to bring forward their own solutions to this – RIBA Stage 2.

Design to planning RIBA Stage 3

3.54 Essentially this is the model adopted for the majority of council projects in recent years including Blackwall Reach and the Ocean Estate. The model drives certainty of deliverability and cost as delivery partners will then know what they are required to deliver and are able to price this upfront in the knowledge that it can be delivered.

3.55 This will also give the council control over the end product and therefore, up to contract the cost of the scheme. This will however place a cost burden on the council to cashflow the process through to contract. Flexibility is also lost in terms of allowing the market to find cost effective solutions to the delivery of the building. These fees will however only be abortive or wasted if the scheme either does not go ahead or the design is significantly changed post contract. Due to a significant level of developer design still being required the overall cost to the council would be the highest and risk of deliverability the least.

Minimal further design RIBA Stage 1

3.56 This is not a model that the council has used before and essentially requires the bidders to undertake a substantial amount of work at bid stage, which for the unsuccessful bidders will be abortive. This may mean that the council has to underwrite some of these fees in order to ensure that there is sufficient appetite in the market to bid. The underwritten cost would be lost. The successful bidder would in any event seek to recover their bid costs in the overall project thus not saving the council money but simply cash flowing the design stage.

3.57 Significantly the council will lose control and choice, unable to necessarily take the best design options due to cost and potentially being forced to adopt “clever” developer design that ticks the scoring boxes and is cost effective but does not deliver the innovation that is sought from the market.

3.58 There is no certainty that the successful proposals will secure planning consent or be deliverable thus placing the delivery of the new building on programme at risk.

- 3.59 Despite the reduced level of investigation and design there would be significant pre-contract costs for the council and the saved costs being investigation and design would simply be paid for by the council post contract.
- 3.60 Of particular note and as a lesson learnt on a recent major capital project, where a limited amount of design development is undertaken funders will often seek to cover off their risk by prolonged post contract negotiations which delay the project, introduce increased risk of challenge to the final deal and seek to push risk back to the Council

Half-way house RIBA Stage 2

- 3.61 In essence this is the model adopted for the Poplar Baths and Dame Colet development. The council would undertake a significant amount of engineering investigation and design together with pre-planning work with English Heritage and LBTH Planning. The bidder would then bid against a known baseline that they could be measured against and the council could have an increased level of certainty over deliverability and cost.
- 3.62 This model also allows the developers to be innovative in response to the brief, enabling them to push the boundaries of design and space utilisation as well as offer additionally to the scheme such as alternative uses.
- 3.63 There is a cost impact pre-contract for the council but this would be less than the full design option and significantly the works would not be abortive as they would all be needed by the bidders but paid for only once.

Cost control and Risk comparison

- 3.64 Cost control and risk vary through the different models as the council retains or abdicates control. The following table sets out broadly the cost risk matrix of the three options.

Delivery Model	Upfront cost to LBTH	Overall cost	Control	Risk
Full LBTH design	High	High	High	Low
Min LBTH design	Low	High	Low	High
Halfway House	Medium	Most cost effective	Medium	Low

Governance

- 3.65 As previously discussed it is proposed that the council adopts the Government's Managing Successful Programmes governance model for the delivery of both the new civic centre and the council's business change programme. The proposed structure fits well with the current structure of the council's governance and will give both full and even input into the programme and organisational change.
- 3.66 A sponsoring group will comprise senior officers (CMT) and be chaired by the Mayor. A separate monitoring/overview group should also be set up, potentially including or consisting of members of the Overview and Scrutiny

Committee, which would meet twice yearly. This will allow direct and open oversight into the project as well as cross-party and cross-council support and input.

- 3.67 Within the group will be the Senior Responsible Officer (SRO) who it is proposed would be a corporate director (or specialist new post) of the council in order to ensure very senior representation and a high level leadership and focus across all aspects of the project delivery.
- 3.68 Because of the seniority of the SRO it is proposed that they are supported by a programme director (PD) in the form of the Service Head of Corporate Property and Capital Delivery, for the delivery of the new facility. The PD will not sit on the sponsoring group though may be called upon to report to and assist the SRO in their duties. The main responsibility of the PD will be the day-to-day leadership of the programme and driving it forward.
- 3.69 In order to address the programme imperatives it is suggested that a separate SRO and programme/project board be set for the building project. This would still report into the sponsoring group and have close links with the council's business change programme but would allow the project to move forward at a different pace.
- 3.70 The SRO and PD will co-chair their programme boards and it is currently envisaged that the SRO would be Corporate Director, Development & Renewal, supported by Service Head, Corporate Property & Capital Delivery.
- 3.71 The programme manager will be a new post as will be the main building project manager.
- 3.72 The programme support office will vary in size over the course of the project and many of the positions could be filled with existing staff though they will need to move full time into the support office.

Programme

- 3.73 As previously noted the programme is tight and mitigation is in place as noted in section 8.
- 3.74 Whichever procurement route is adopted there a number of key milestones that must be met to drive the project forward and these are tabulated below.

Milestone	Completion
Cabinet Decision to proceed	April 2015
Prepare briefs for Consultant team procurement	April 2015
Procure Consultant team	July 2015
Design and procure due diligence and briefing	October 2015
Issue OJEU notice	October 2015
Procurement	12 Months
Contract award	October 2016

Planning period	April 2017
Construction	Three Years
Completion	May 2020

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 This report brings forward the delivery and procurement proposals for the new Civic Centre following the decision of the Mayor in Cabinet (5 February 2014) that confirmed that the former Royal London Hospital site in Whitechapel was the preferred option for the location of the new civic centre. The Council has subsequently completed the purchase of the site from the Bart's Health NHS Trust.
- 4.2 Following the acquisition this report now seeks approval to develop the scheme design to RIBA Stage 2 level, and to determine the preferred procurement method to be adopted for the construction of the new civic centre.
- 4.3 The council pays approximately £5 million per annum in lease and service charges for the Mulberry Place building and in the longer term officers consider that the lease is unlikely to be extended beyond its June 2020 expiry date. It is therefore necessary that alternative arrangements for a civic centre are put in place now in order to generate long-term savings. The report outlines the reasons why the lease is unlikely to be extended in paragraph 1.5.

Financial Modelling and Outline Business Case

- 4.4 As outlined in previous reports, the council appointed an external property management company advisor, GVA, to undertake financial modelling to inform an outline business case assessing various options for the relocation of the civic centre. The assessment compared the capital and running costs of each option together with a high level net present value calculation, calculated over a 40 year period.
- 4.5 The assessment was based on historic information held by the council in relation to annual running costs of its existing premises, with the major construction and capital costs of the proposed new buildings being assessed by GVA.
- 4.6 All options were assessed against a base position, i.e. that the council remains at Mulberry Place and is able to extend the lease beyond 2020. Although this option is now considered to no longer be feasible, it remains the basis against which alternatives have been assessed. The report provides background to the main options previously considered in relation to the siting of the proposed Civic Centre in Whitechapel in paragraphs 3.10 to 3.24.

- 4.7 Financial assessment of all the options proposed showed that significant savings are achievable compared to the baseline position, both on a Net Present Value as well as a total cashflow basis. However, as highlighted in previous reports, it must be stressed that the alternative options all involved significant capital expenditure over the years from 2016 to 2019.
- 4.8 With both options, over a 40 year period significant savings could be achieved compared to the existing arrangements. However, the relocation will take a number of years to complete, with savings only being realised from 2020 onwards. In the medium term revenue costs will increase while the rationalisation takes place.

Adoption of Capital Estimate for Design to RIBA Stage 2

- 4.9 As part of the budget process for 2014-15, funding of £12 million was set aside as a provision for the development of the new Civic Centre. The site was formally acquired in January 2015. After allowing for associated fees and taxes, an uncommitted sum of just in excess of £2,500,000 remains. This report seeks approval to utilise this sum to complete the design to RIBA Stage 2 with a view to procuring a delivery partner. A corresponding capital estimate of £2,500,000 is therefore sought which will be fully financed from the earmarked resources remaining.
- 4.10 On completion of the design to RIBA Stage 2, as outlined in paragraphs 3.60 to 3.62, the Council will be in a position of being able to invite bidders to bid against a known baseline against which they can be measured, meaning that the Council will have an increased level of certainty over deliverability and cost. There will however still be scope for the developers to be innovative in relation to design and use of space.
- 4.11 At that stage further reports to Council will be presented to seek approval for the proposed funding arrangements for the full project and the necessary capital estimates to be adopted with full budgetary provision identified within the Council's capital programme. These will be based on a full assessment of the financial implications and identification of resources available, and will necessitate an evaluation of the impact on the Council's borrowing requirement as well as the medium term revenue implications. The funding requirement will depend upon the disposal process adopted.

Procurement Method

- 4.12 The report sets out various procurement methods that could be utilised in relation to the construction of the Civic Centre. These are shown, together with the relative advantages and disadvantages of each option, in the table in Section 2.
- 4.13 The relocation of the civic centre will require major capital investment which would have to be financed from within the limited resources available to the capital programme. The report indicates that depending on the scale of the development, the estimated costs of the Civic centre construction are approximately £85 million (paragraph 3.25). A full assessment of the funding

sources will be undertaken once these costs are finalised, however it is assumed that there will ultimately be a requirement for significant borrowing to be undertaken with the consequential impact on revenue budgets of the debt charges. Modelling suggests that these on-going additional revenue costs will rise significantly until the expiry of the Mulberry Place lease, with the costs being incurred at a time when the Medium Term Financial Plan of the council is already demonstrating the need for significant annual budget reductions. Additional revenue savings would need to be identified in addition to the on-going savings targets that have been assumed within the MTFP, and in order to mitigate these costs it will be necessary to generate capital receipts from asset sales to 'cross subsidise' these costs.

- 4.14 The financial modelling that has been undertaken assumes that surplus council owned assets are disposed of to part fund the significant capital expenditure requirement. The realisation of capital receipts from the disposal of assets that are declared surplus to the council's operational requirements is essential if the relocation project is to be viable. Previous reports provided authorisation to proceed with the disposal of assets to finance the relocation, but the risk of not generating sufficient sale proceeds rest with the Council.
- 4.15 The council has a statutory duty to ensure that any decision is justified on a value for money basis, with the wider potential regeneration benefits being considered in addition to the business case. The 'Whitechapel Vision Economic and Employment Impacts Study' report previously considered by Cabinet set out the anticipated impact on the Whitechapel area of the proposals within the masterplan area. These are not easily financially quantifiable but should be considered in the context that relocation of the civic centre will support the regeneration of the area.
- 4.16 Any relocation to a new civic centre will necessitate consideration of various council working practices, including those relating to flexible working, as well as an assessment of the on-going IT requirements.
- 4.17 As stated above, it should be noted that at this stage sufficient funding has only been set aside for the site purchase and initial design work. Any decision in relation to construction and development will be subject to further Council decision based on a full assessment of the financial implications and the agreed procurement route.

5. LEGAL COMMENTS

- 5.1. The Council has an obligation under section 3 of the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (the best value duty). One way that the Council seeks to deliver this duty is by complying with its procurement procedures. The general principal is that the Council achieves best value by subjecting spend to competition and choosing the winning bidder by applying evaluation criteria showing the best and appropriate mix of price and quality.

- 5.2. The construction work is of a value in excess of the European threshold (currently approximately £4.3 million for works) as set down by the new Public Contracts Regulations 2015. Therefore, the competitive exercise must comply in all respects with the requirements of the Public Contracts Regulations and with European Law.
- 5.3. The report recommends an option involving procurement of a development scheme through the use of a suitable framework agreement. In order for the Council to be able to procure in reliance on a framework agreement with appropriate Developers, the framework itself must have been procured in compliance with the European law and additionally the following requirements must be satisfied:
- The Council is immediately identifiable in the relevant OJEU advert as a potential user of the framework;
 - The OJEU advert includes the types of works required by this development; and
 - The estimated value of the overall framework has sufficient capacity to include the full cost of the procured development.
- 5.4. The London Development Panel Framework has been considered, but this may well have to be rejected as the framework was set up for housing developments and the associated inclusion of commercial properties was intended to be in respect of commercial buildings that directly supported the housing that was developed or formed part of the infrastructure.
- 5.5. A number of the other options tabled in this report lead to a splitting down of the overall project or delivery in different forms. However, the value of the cost of the development of the Civic Centre alone is greater than the relevant European Threshold and therefore use of any framework for works that may or may not be developer led must also comply with the requirements outlined in paragraph 5.5
- 5.6. The report also proposes that consultants be engaged to provide the required professional and technical services to undertake investigations, complete the design to RIBA stage 2 and procure a delivery partner. The current European Threshold (the estimated contract value beyond which the European Regulations will apply) for services is approximately £172,000. Any of the associated professional services contracts with an estimated value in excess of this must be tendered in accordance with the Public Contracts Regulations 2015. A pre-procured framework may be used although this is dependent upon the terms of reference under which the framework was originally procured and the requirements stated in paragraph 5.3 must be observed.
- 5.7. It is proposed to only procure part of the professional and technical services required for the proposed development (i.e. to RIBA stage 2). It may be preferable, however, from a procurement perspective to anticipate using consultants through the whole period of the development. This is because

consultants will likely have ownership of intellectual property rights and an in-depth understanding of the project, having taken part in the design of the scheme. If, as proposed, the professional and technical services are not procured through to completion, then a further competition will be required for the next stage of services. Under a further competition there is no guarantee that the original professional service provider will win and therefore be able to be used throughout the remainder of the project.

- 5.8. The options in the report include disposal of properties identified in paragraph 3.11, either as part of a development agreement or by separate sale. Under section 123 of the Local Government Act 1972 the Council may dispose of its land in any manner that it may wish. However, except with the Secretary of State's consent or in the case of a short tenancy, the consideration for such disposal must be the best that can be reasonably be obtained. This obligation will need to be complied with, whichever of the options is adopted.
- 5.9. On 17 December 2014, the Secretary of State made directions in relation to the Council pursuant to powers under section 15(5) and (6) of the Local Government Act 1999. Those directions are in place until 31 March 2017. The Secretary of State appointed Commissioners whose prior written agreement is required to the disposal of property other than existing single dwellings for residential occupation. This requirement will apply to the disposal of the sites listed in paragraph 3.11 of the report.
- 5.10. The directions made by the Secretary of State also require that during the direction period the Council must adopt all recommendations of the statutory officers (relevantly the head of paid service, the monitoring officer and the chief finance officer) in relation to entry into contracts, unless the prior agreement of the Commissioners is obtained not to do so.
- 5.11. Before awarding the contracts, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector equality duty). The level of equality analysis required is that which is proportionate to the function in questions and its potential impacts and consultation may be necessary in order to fully understand the needs of the people who have protected characteristics (as defined under the act) affected by changes caused by this project.
- 5.12. Any consultation carried out for the purposes of assessing the impact of the development should comply with the following criteria: (1) it should be at a time when proposals are still at a formative stage; (2) the Council must give sufficient reasons for any proposal to permit intelligent consideration and response; (3) adequate time must be given for consideration and response; and (4) the product of consultation must be conscientiously taken into account. The duty to act fairly applies and this may require a greater deal of specificity when consulting people who are economically disadvantaged. It may require inviting and considering views about possible alternatives.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 Consideration has been given to the potential impacts of choosing one of the options set out in the report on people with protected characteristics within the meaning of the Equality Act 2010. An analysis document is in preparation which will be tabled at the Cabinet meeting.
- 6.2 One of the issues with buildings of a certain age, including many of the assets currently in the council's ownership, is that they are not fully accessible for those people with physical disabilities, and ensuring full accessibility and DDA compliance will be prohibitively expensive. The purpose-built civic centre development will allow the council to design the building so as to ensure it is fully accessible. This will be specified as part of the design process to ensure it is a central consideration in the design of the building.
- 6.3 When compared to Mulberry Place, the central location, transport links, and design of the purpose-built civic centre in Whitechapel Road will increase the openness and approachability of the civic centre, encouraging participation and engagement in the democratic process as well as facilitating easier access to services. In addition, a new purpose-built council chamber can design out many of the physical issues that exist with the Mulberry Place council chamber. This includes poor acoustics and limited sight lines, hampering involvement in the democratic process.
- 6.4 Any procurement exercise will ensure that equalities and diversity implications – and other One Tower Hamlets issues – are addressed through the tollgate process, and all contracting proposals are required to demonstrate that both financial and social considerations are adequately and proportionately addressed.
- 6.5 In particular the delivery of the new CCW will in line with all other major development projects ensure and require early consultation with the whole community and engagement to ensure that the maximum benefit can be drawn for the local community in terms of employment and training.

7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 7.1 The delivery of any new building is an opportunity to better the green credentials of the occupier and seek to improve their environmental effect.
- 7.2 The current Council stock is old and in poor condition with inefficient services and building fabric. The current town hall at Mulberry Place is also particularly ineffective in environmental terms.
- 7.3 The new CCW offers a number of opportunities to improve the green and environmental credentials of the Council.
- 7.4 The location of the CCW is in the centre of a public transportation hub offering the opportunity for all staff and members to get to the centre without the use

of private cars. The non-provision of car parking (other than disabled) will ensure that the travel carbon footprint of the staff is dramatically decreased.

- 7.5 The effective reuse of a substantial part of the original hospital building in recycling it will also reduce the level of new build whilst allowing the thermal and environmental services upgrade to take place. The new building will be designed to deliver an efficient and environmentally sustainable building replacing the existing dated and inefficient stock.
- 7.6 Finally and in many ways most importantly the new CCW provides the opportunity to change working practices, to reduce waste and paper resources and increase home working with more efficient systems.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1. There are a number of key risks that can be identified under the following headings

Programme

- 8.2. With no flexibility on the lease end date at Mulberry Place the delivery of the new CCW must happen on time. The best mitigation for this would be the use of a suitable and procurement compliant framework to allow an OJEU compliant procurement but in a shorter period of time.
- 8.3. There is sufficient time available to deliver the project but there is no float available in the critical path.
- 8.4. A timely decision is needed to enable the technical team to be appointed and the procurement and design to be started.
- 8.5. In order to mitigate some programme risk and additionally to enable greater certainty in design and therefore cost, it is proposed to let a separate enabling contract in the short term. This contract will strip the building of joinery, services, asbestos and redundant fabric and enable effective opening up and investigations. This will allow effective heritage asset assessment, structural investigations and design this contract will also allow the cleaning up of asbestos and weatherproofing the building to prevent degradation of the fabric in the interim period before works commence in earnest. It is estimated that this work will cost in the region of £2-3 million which is cost that will be incurred in any event.

Cost

- 8.6. The construction market is currently very active and there are shortages of both labour and materials. This combined with a pent up cost inflation from a long period of cost stagnation means that the coming years will see significant cost inflation, alongside developers being selective about schemes they will bid for.

- 8.7. The best mitigation is to buy early and fix costs.
- 8.8. Minimising uncertainty for the contracting market will mean less risk pricing. To this end the market has confirmed that the fuller the design the better before going out to tender.
- 8.9. Throughout the course of the project the business continuity plan will be developed reviewed and evolved looking at alternative risk mitigations for programme delays including alternative short term accommodation and working practices.

Interdependencies

- 8.10. The current depot on the Commercial Road site will need to be vacated in order to dispose of this site. The delivery of a CLC service delivery plan is critical to support the development of the depot strategy in order to give certainty over the vacant possession of this site.
- 8.11. Whilst the new CCW project has been progressing and has made a number of informed assumptions about the future look of the Council the Council has yet to even start looking at the business change and structure and size of the Council in the future. The proposed new CCW can accommodate a flexible approach to the future shape and size but this must be firmed up before construction and preferably before the scheme is tendered. Failure to do so would be an opportunity lost to the Council to ensure that the new CCW is a perfect fit for the long term and allow the delivery team to consider future flexibility within the building with regard complementary alternative use and income generation.
- 8.12. An indication therefore of the operational structure of the Council and directorate size would be a minimum requirement and would be needed by summer 2015.
- 8.13. CMT must commence the strategic review and business change of the Council.
- 8.14. The current 5 year asset strategy for the Council is due for updating and refreshing. This is currently proving difficult in the absence of information from some areas on their future needs. Without updating this strategy the Council runs the risk of not maximising its current stock and releasing further assets for disposal.

9. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 9.1 There are none specific arising from this report

10. EFFICIENCY STATEMENT

- 10.1 The review sets out to achieve service and financial efficiencies through the relocation of Town Hall facilities onto a purpose built site

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Appendix 1 – Equality Analysis (to follow)

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- None.

This page is intentionally left blank