

Agenda Item No 12

Executive Board

13 September 2011

**Report of the
Management Team**

Council Office Accommodation

1 Summary

- 1.1 The attached report (Appendix A) reminds Members of the serious Health & Safety issues arising from the poor state of the Council House's electrical installation and the ongoing issues with many other elements of the building's infrastructure. There is an urgent need to address all of these issues. The report sets out the background of the option appraisal and feasibility work carried out to date and builds on reports and presentations considered previously by Members.

Recommendation to Board

- a That the decision on the preferred option be deferred until later on in the meeting;**

Recommendation to Council

- b That the agreed preferred mechanism for progress on the project being reported back to Members be meetings of the Special Sub-Group; and**
- c That the most appropriate methods of keeping both staff and the public up to date with progress on this project in the future should include North Talk, the staff Insider newsletter and the Council's web-site.**

2 Background

- 2.1 The attached report was considered by Resources Board at its meeting held on 5 September 2011. The Board resolved that:-

- a The contents of the report be noted and the decision on the preferred option be deferred until later on in the meeting;

and Recommended to the Executive Board

- b That the agreed preferred mechanism for progress on the project being reported back to Members be meetings of the Special Sub-Group; and
 - c That the most appropriate methods of keeping both staff and the Public up to date with progress on the project in the future should include North Talk, the staff Insider newsletter and the Council's web-site.
- 2.2 At the same meeting, Resources Board also considered, in Part C of the agenda, the commercially sensitive aspects of this project. These details were also considered by Special Sub-Group at its meeting held on 22 August 2011. The recommendations of Resources Board and Special Sub-Group will be considered later on this Agenda at Item No 28.

3 Report Implications

3.1 Financial Implications

3.1.1 As set out in the attached report.

3.2 Links to Council's Priorities

3.2.1 As set out in the attached report.

The Contact Officer for this report is Richard Dobbs (719440).

Agenda Item No 8

Resources Board

5 September 2011

**Report of the
Management Team**

Council Office Accommodation

1 Summary

- 1.1 This report reminds Members of the serious Health & Safety issues arising from the poor state of the Council House's electrical installation and the ongoing issues with many other elements of the building's infrastructure. There is an urgent need to address all of these issues. The report sets out the background of the option appraisal and feasibility work carried out to date and builds on reports and presentations considered previously by Members.

Recommendation to the Executive Board

- a That Members note the contents of this report and agree on their preferred option;**
- b That Members agree on their preferred mechanism for progress on the project being reported back to them on an ongoing basis; and**
- c That Members consider the most appropriate methods of keeping both staff and the Public up to date with progress on this project in the future.**

2 Background

- 2.1 Officers have, for some time, been investigating options for refurbishing or replacing the main existing Council offices due to the deteriorating condition of the building's electrical installation and its central heating system. The Council House is thirty years old and much of its heating, electrical and lighting systems date from its original construction. Any upgrades or improvement works which have been carried out in the past have been added to existing infrastructure, which has not addressed the underlying weaknesses at the core of the building. Industry standard (CIBSE) life expectancy for electrical and lighting installations is 20 to 25 years, pumps have a similar life span while boilers are expected to last no longer than 15 to 25 years. Similarly, pipework has a life of between 25 and 30 years. All of these key elements have increasingly shown signs of significant fatigue over recent

years. One of the buildings five main boilers has failed. It is obsolete and cannot be repaired. Pipework has leaked through “pinhole” breaches at several locations throughout the building. In addition, the windows, roof and access control system are all failing or obsolete.

- 2.2 The most pressing concern is the electrical installation. For several years, mandatory periodic inspections and tests of the electrical installation at the Council House have revealed its electrical installation to be in a very unsatisfactory condition. Remedial work to address the most urgent defects has been undertaken following each inspection, but the underlying causes have not been addressed due to their scale and the Council’s determination to integrate the necessary work into a wide-ranging, integrated and sustainable refurbishment of the Council’s office buildings.
- 2.3 The defects and areas of non compliance are categorised into four codes dependent on how serious the problem is. The Wiring Regulations definition of the codes is as follows:
- Code 1: Requires Urgent Attention
 - Code 2: Requires Improvement
 - Code 3: Requires further investigation
 - Code 4: Does not comply with current BS 7671 Regulations
- 2.4 The tests have identified large numbers of high priority items requiring corrective action. A total rewire has, on every occasion, been accepted as the only appropriate course of action. However, given the cost and potential disruption of a complete rewire and the other wide-ranging issues affecting the Council offices, it has not been possible to proceed until an outcome from the broader review of office accommodation had been reached.
- 2.5 In the intervening time, in recognition of how serious the problem is, the Council has carried out annually, full inspection and testing of the electrical installation and undertaken where possible the urgent items of work. It should be noted however that some code 1 & 2 items of work cannot be addressed outside the scope of a total rewire; for example: replacement of brittle wiring to light fittings (priority 1) and unsatisfactory cable management (priority 2). Occupancy within the Council House has been kept as low as reasonably practicable, flexible working practices have been introduced, lower power IT equipment is now utilised throughout the building and a power regulator has been installed on the building’s incoming supply to stabilise and reduce electrical load across the building. In addition, all high wattage appliances have also been removed.
- 2.6 In addition to the periodic inspections and tests, several Electrical Consulting Engineers have also been engaged to evaluate the installation, mainly in conjunction with the Accommodation Project. In September 2009, RPS Gregory was commissioned to undertake a condition survey and feasibility study on the electrical and mechanical installation.

- 2.7 RPS Gregory advised that the typical life expectancy of both an electrical and heating and ventilating installation is 25 years. The electrical installation at the Council House is over 30 years old and in very poor condition, they strongly agreed with the conclusions of the periodic inspections and previous conclusions from electrical contractors that the offices should be completely rewired.
- 2.8 Clearly, such issues need to be tackled as soon as possible as the programme of remedial action taken to date is becoming increasingly ineffectual. Health & Safety remains a top priority and, therefore, increased visual inspections, particularly of light fittings, are now being carried out in order to address the issues identified in the most recent electrical inspection report to ensure that the building remains safe to occupy. The Council spends in excess of £30,000 per annum on the enhanced inspection and remedial repair programme alone. The issues with the electrical installation increase the Council's risk substantially. The latest fire safety inspection independently recommended a complete rewire of the building, particularly as IT loading had increased substantially and far exceeded the original electrical design specification.
- 2.9 A Fire Risk Assessment was carried by Vulcan Fire Training on 9 March 2010. A major cause of fire within buildings is from faulty electrical installations and appliances; hence the condition of installations is a significant factor in Fire Risk Assessment process. The periodic inspections and tests reports were made available to Vulcan who identified the electrical installation as a 'Significant Hazard'. A complete rewire was recommended for the building with a target completion date of 31 March 2011 specified in the Risk Assessment. A comprehensive 100% 'invasive' inspection and test of the electrical installation, the most thorough to date was carried out under the direct supervision of RPS Gregory, and completed in December 2010. The inspection and test identified an extensive list of items requiring corrective action, the majority of which were categorised as high priority.
- 2.10 As an urgent interim measure to reduce any potential risk from fire or electric shock, an instruction was placed with the Council's Housing Direct Works to undertake all the most urgent Code 1 items. This work was completed by the end of April 2011. This work has gone some way towards reducing the risk posed by the unsatisfactory electrical installation. Vulcan Fire Training have acknowledged that the fact that the Council had taken steps to mitigate the risk and had an approved commitment to undertake a rewire imminently may be viewed as reasonably practical. The risk, however rests solely with the Council. The Council's insurers have been informed and are satisfied with the approach that the Council has taken so far, but they have again stressed the need for the works identified in this and previous reports to be carried out as soon as possible.

3 Options Appraisal

- 3.1 Originally, when Interserve and their architects, Archial, were commissioned, it had been assumed that land sales could potentially fund any refurbishment or new build in order to make the project cost neutral. It had also been envisaged from the outset that the project could potentially be of significant benefit to other public agencies, as well as the Borough Council and initial options appraisal work was, therefore, jointly funded by NWBC, Warwickshire County Council and Warwickshire Police. The credit crunch, the subsequent recession and the prevailing economic climate have meant that the various options and funding strategies have had to be reassessed and ways of ensuring the economic viability of the scheme have been explored in increasingly greater detail.
- 3.2 Initially, Interserve and Archial were asked to look at four main options:
- Refurbish the existing offices
 - Refurbish the offices and extend the building to enable partners to be accommodated (including a police station and library)
 - Provide all the necessary accommodation within a new, purpose built facility on Woolpack Way car park
 - Locate the new building on the current site of the Memorial Hall and Library (with or without the existing PCT facility)
- 3.3 As the project progressed, other options were also considered including the availability of existing office accommodation which could be bought or rented. Such opportunities within the Borough are limited, but two potential sites were identified in Coleshill. Both buildings were thoroughly investigated and evaluated, but neither site proved to be economically viable and they have both subsequently been sold for redevelopment. Officers continue to investigate other potential solutions, including the possibility of long term leases, but financial modelling has shown that this is a much more costly option than a refurbishment of the existing Council house building. A multiple site solution has also been considered, but there are numerous barriers to this including cost and the limited availability of suitable sites.
- 3.4 Before abandoning the potential of a new build solution completely, officers investigated the potential of the current Council House site to release capital through redevelopment as a food store or similar retail/mixed use development. Commercial property experts Lambert Smith Hampton were commissioned to undertake a market testing exercise to assess the site's potential retail value in the current market. Their report concluded that, although the land would attract a premium, it was not significantly high enough to cover the cost of new build and was also a funding strategy which carried the greatest potential risk.

4 Feasibility

- 4.1 The Council had most recently been looking at three options:

- Option 1 - minimum refurbishment (taking into account latest building regulation requirements) to accommodate just the Borough Council at the lowest possible cost.
- Option 2 – more significant refurbishment and restructuring to free up maximum floor space to rent out to private or public agencies.
- Option 3 – a major refurbishment of the building to accommodate a separate police station, library and office space for County Council staff.

4.2 Following the Comprehensive Spending Review and the recent constraints placed on the budgets of the Borough Council and its partners, it has emerged that neither the County Council nor the Police will be able or willing to take anywhere near as much accommodation space as had previously been anticipated. Warwickshire County Council is not looking to increase its requirements from existing levels for the time being while the Police are looking to rent between 40m² and 70m² of office space on the top floor of Old Bank House with a view to relocating to the main Council House building once refurbishment work has been completed.

4.3 This means that the options which the Council can realistically pursue have become very limited. Given the current funding restrictions, in addition to the minimum refurbishment option which would address the Council House building's main infrastructure issues, officers have also been investigating the cost and feasibility of initially addressing only the building's electrics and moving on to other elements of the required works as and when individual services or components fail. These two approaches are compared below.

5 Summary of Options

5.1 Option 1 - Low Cost Rewire.

5.1.1 This would comprise of utilising low cost components, retention of existing ceilings and layouts where possible, but with the removal of partitions to provide sufficient capacity but incorporating new fire and intruder alarms, access control, etc.

Commissioning Period 6 weeks

Design Period: 8 weeks

Tender Period 4 weeks

Initial Contract Period approx 25 weeks, Night time work, phased

5.1.2 The cost of this option covers lighting and electrical installation, fire and security alarms, IT containment, internal CCTV, wiring to mechanical plant and door access controls). Structural work, internal doors and walls and associated building work will also be required, as will some new furniture (to enable the necessary cable management and ensure better, more efficient use of space). Another cost element is for new IT infrastructure and those costs are based on assessments which have previously been reported to

Members as part of the cost figures collated for different Accommodation Project options. Officers are continuing to review the specification for IT data cabling requirements to obtain a more accurate cost estimate. If, for example, telephony is integrated into the rest of the building's data cabling through a system called VOIP which utilises the internet rather than using separate cables to handle voice calls, this could have an impact on the overall cost, but would not significantly effect the cost comparisons set out in this report and would apply equally to both options. The remainder of the initial capital cost is comprised of professional fees, preliminary expenditure and costs to cover contingencies and risk.

- 5.1.3 The visual impact of this option would be negligible, as the new wiring would be concealed and the replacement luminaires would be surface mounted and similar to those being replaced. The electrical installation would be safe for use and fit for purpose for 25 years. Removing partitions would allow the building to be occupied to its full capacity. However, the necessary work to the other deteriorating elements of the building's infrastructure would be deferred until those elements failed completely. It is impossible to say how long this would take, but is likely to be only a few years.
- 5.1.4 Significant additional expenditure would be required to replace the failing heating systems, external doors and windows and the roof. There would be further costs arising from increased risks and contingencies, the effects of inflation and additional works. It is anticipated that phasing the work required to replace the heating system, roof, windows, ceilings etc across a longer timescale will cause greater disruption, require a number of individual tendering exercises, lead to longer lead-in and completion times, increase project management costs and lead to greater cost elements for prelims etc. These all have to be considered when comparing the two options set out here.

5.2 **Option 2 - Full Mechanical and Electrical refurbishment**

5.2.1 Comparative Overall Capital Costs 8% lower than Option 1

Commissioning Period	8 weeks
Design Period	12 weeks
Tender Period	5 weeks

- 5.2.2 Contract Period approx 90 weeks, includes allowance for decant (although a decision will need to be made as to whether a full or partial decant is required, although this will probably only be decided following the tendering stage when the different approaches and relevant costs can be evaluated).
- 5.2.3 This option provides for the replacement of all the heating and electrical components as well as all security, fire, CCTV, IT and access control systems and would include new suspended ceilings, as a consequence the investment would be easier to appreciate. The boiler plant would be similarly configured

to the existing layout but would be efficient, distributing controllable heating via panel radiators. Further capital expenditure would be required at a later date to cover the installation, primarily, of new windows as this provision had not been included in previous option appraisals but will need to be carried out within the life of the building. It should be noted that no renewable energies, heat source pumps, solar panels etc are included in this proposal. However, officers have commissioned (at no charge) a feasibility study to assess what work could be integrated into any refurbishment which would help the Council make its offices more efficient and environmentally sustainable. The costs and benefits of green technologies would best be assessed at the tender stage and incorporated if they provided sufficient benefit and were considered by members to represent value for money.

5.2.4 There are significant additional costs in incorporating renewable energies and more sophisticated energy saving features in the design, which are not currently included in the cost options. There may be opportunities, however, to attract grants and other funding for features that lower carbon emissions, save energy and are generally environmentally friendly. Officers are currently investigating a number of schemes and initiatives where this project may meet the qualifying criteria to receive funding. In particular, the existing arrangements for maintaining appropriate environmental conditions in ICT Comms. Room has been identified as inefficient and will merit its own specific consideration.

5.3 Comparison of Options

5.3.1 The capital costs of both options over the next 25 years are of a similar magnitude, but for the reasons set out in 6.1 above, the overall capital costs of Option 2 are approximately 8% lower than those for Option 1.

5.3.2 The existing revenue budget includes the current annual running cost of the Council House. Either option will impact on the current revenue budget, as there will be one off costs for each option and we will need to borrow to fund the capital work undertaken. The impact of both options is shown in more detail in the report which appears later in the agenda.

5.3.3 An assumption has been made in both options that an earmarked reserve previously set aside will be used to fund the decant costs and some of the initial capital expenditure, as well as the sale proceeds from disposing of Old Bank House. The remaining capital expenditure required will be financed through borrowing. Option 2 is more expensive in the first two years, but is then cheaper in year 3 onwards. Once all the work has been carried out in both options, the running costs for option 2 are £20,430 (nearly 30%) less per annum.

5.3.4 The capital and revenue costs can be brought together over a 25 year period to give the lifecycle costs of both options which shows that Option 2 saves around £460,000 over that period compared with Option 1.

- 5.3.5 It can be seen that Option 2 (full initial refurbishment) is the lower cost option in terms of capital outlay, total lifecycle costs and ongoing revenue implications. The two options include an element of demolition and building work to remove partitions and reconfigure cellular offices in order that the capacity of the Council House can be increased to accommodate all staff from Old Bank House as well as those organisations which currently rent space from us (including the arrangements currently being finalised with the Police). There would, however, be no further capacity within the building without a more fundamental overhaul of the existing flexible working arrangements. Both options would allow Old Bank House to be completely emptied and a capital receipt from the sale of that building has been assumed in both options.
- 5.3.6 It is recommended that Members agree to implement Option 2. Not only is this the cheaper option, but it also reduces disruption to both staff and customers in the long run as the work will be completed in one round. Risks are reduced and cost certainty increased through undertaking all necessary works at one stage. The Council will be assured of commissioning works at a time when construction costs are low and the completion of all elements of the refurbishment at one time will ensure that the works can be better integrated and that the relative life expectancies of the various elements are consistent.

6 Next Steps

- 6.1 The decision which Members have to take is which option to take forward to final design and implementation. As detailed above, doing nothing is not an option and refurbishment of the Council House building needs to be undertaken urgently. Members are asked to confirm which of the two options detailed above is the preferred option to be pursued.
- 6.2 It is recommended that a specialist contractor to Project Manage the design, tendering and delivery of the preferred option is appointed as soon as possible once a final decision has been made by Members. The role will include responsibilities for:
- Developing designs, specifications and tender proposals for the work to be undertaken, along with refinement of the cost estimates to reflect the agreed scope. The contractor, once appointed, should be tasked with beginning appropriate pre-tender work as soon as possible.
 - Advising on the most suitable procurement path
 - Detailing the programme, disruption and decant implications.
 - Providing advice on the most suitable procurement path whilst ensuring compliance with the Council's standing orders and financial regulations.
 - Acting on behalf of the Council in respect of the CDM Regulations.
 - Arrange for tenders on behalf of the Council, and provide tender analysis.
 - Ensuring that the project is delivered on time and on budget
 - Reducing the risks to the Council through close scrutiny and management of all aspects of the project's design, procurement and implementation at every stage of the programme.

6.3 The specialist contractor could be procured reasonable quickly using the framework arrangements currently in place with other public organisations within the region.

7 Police Accommodation

7.1 Following the Resources Board resolution in February, 2011 to rent office space within Old Bank House to provide accommodation for the local Safer Neighbourhoods Team upon closure of the Atherstone Police Station, officers have been discussing with the Police how their staff would be accommodated within Old Bank House, what internal changes may be required, issues around storage and negotiating the level of rent etc. Because OBH is Listed Building, any structural changes will require Planning consent as well as Building Control approval and the relevant applications will, therefore, be submitted directly by the Police in due course.

7.2 Officers will continue to discuss issues such as fire & security arrangements, IT, storage and internal alterations with the Police and the Heads of Terms documents are being drafted on that basis. The Police have now asked for four dedicated car parking spaces to be made available to them. This is a departure from their original stated requirements, but it is not believed that this will cause any significant issues for the Council.

7.3 The options set out in this report all include sufficient capacity within the Council House for the Police to move across with the rest of the staff who are currently based in Old Bank House once all necessary refurbishment work has been completed. This will help to secure the long-term provision of Police services within Atherstone.

8 Report Implications

8.1 Financial Implications

8.1.1 These are significant and some detail has been given in the body of the report. As mentioned earlier, both schemes will require some capital expenditure to be financed through borrowing.

8.1.2 Option 2 requires fewer capital resources and therefore lowers the external borrowing required. Both of these amounts are dependant on the sale of Old Bank House. If the Council chose not to sell Old Bank House, the borrowing for both options would increase leading to additional revenue costs of £25,000 per annum.

8.1.3 The impact on the current revenue budget of both schemes is given in 6.3.2, and these again assume the disposal of Old Bank House. A decision not to sell, would increase the running costs in both cases by £40,450 per annum, leading to an overall increase in revenue costs of £65,450.

8.1.4 An additional amount of £45,000 per annum was built into the current financial strategy for 2013/14 onwards. This would cover the additional running costs

for option 2, whereas option 1 would require a greater top up. The current strategy already requires the Council to deliver around £1.4 million of savings over the next three years. Any additional costs above the £45,000 already included will add to the savings required.

8.1.5 More detailed financial information is included within the main body and financial implications of the report which appears later on the agenda. Unfortunately, due to commercial sensitivity, it is not possible to reproduce those figures here.

8.2 Links to Council's Priorities

8.2.1 To make the Best Use of Council Resources.

The Contact Officer for this report is Richard Dobbs (719440).