

Report to Cabinet Member for Resources

Decision to be taken on or after 27 August 2019

**Decision can normally be implemented at least
3 working days after decision has been signed.**

Cabinet Member Report No. R06.19

Title: Old County Offices Redevelopment

Date: 16 August 2019

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Local members affected: Cllr Raj Khan

There are confidential appendices to this report, which are exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 because they contain information relating to the financial or business affairs of any particular person (including the authority holding that information).

Summary

The redevelopment of Old County Offices has progressed through outline planning for redevelopment into accommodation units which through rental and/or sale will provide BCC with an ongoing revenue stream, reduce its ongoing maintenance costs and address the buildings dilapidation.

The retention of the façade of the OCO building is also seen as a key component of the Waterside North, Aylesbury Town Centre regeneration.

This report seeks authorisation to progress through to RIBA Stage 3 and complete works to inform the Full Business Case

This work is linked to the following BCC corporate Level 0 objectives:

- L0 – 1 Ensuring Buckinghamshire is thriving & attractive
- L0 – 3 Creating opportunities and building self-reliance

Recommendations:

Authority to fund & progress RIBA Stages 2-3

1. Authority is given to the Director of Property & Assets in consultation with the Executive Director for Resources, Section 151 Officer and Cabinet Member for Resources to fund and progress with works to complete RIBA stages 2 – 3 (including surveys, professional fees and further design development) in accordance with the Old County Offices (OCO) Redevelopment Business Case – detailed in the exempt report in Part 2 of this report. The output from RIBA Stage 3 will inform the Final Business Case which will require further approval in due course.

Authority to agree contracts and manage RIBA Stages 2-3

2. Authority is given to the Director of Property & Assets in consultation with the Executive Director for Resources, Section 151 Officer and Cabinet Member for Resources to tender, agree terms, complete contracts then manage relevant contracts to complete works up to end of RIBA Stage 3 redevelopment (surveys, professional fees and further design development) within the financial parameter listed in the exempt report in Part 2 and as per resourcing parameters as laid out in Part 1 Section C Resources Implications.

Cabinet to note request for finance for RIBA stage 2-3

- 3 This report seeks funding only to progress the project to the end of RIBA Stage 2-3 whereby the project can then be reassessed with costs, design and risks better defined, with a maximum sum provisionally agreed with a Contractor before being formalised in a Design and Build JCT Construction Contract for the Contractor to take the project to full completion. This will be summarised in the Full Business Case and it is only at this stage that BCC will need to commit to the full value of the development.

Currently £727k has been released in the Capital Programme to progress the OCO development. It is now estimated that it will cost a total of £878k to deliver the end of RIBA Stage 3. Therefore this is an additional request for £151k to top up this fund.

The Final Business Case to progress the development will be submitted to the Property Board, in Summer 2020.

Authority to set up Property Management Company

- 4 Authority is given to the Director of Property & Assets in consultation with the Executive Director for Resources, Section 151 Officer and Cabinet Member for Resources to progress with setting up a commercial trading company wholly owned by the Council to manage the Councils interests in acquisitions, developments and delivering income from these developments

A Final Business Case highlighting the process and benefits will be submitted to Property Board in Summer 2020.

Authority to market units for sale or rental on completion of redevelopment

- 5 Authority is given to the Director of Property & Assets in consultation with the Executive Director for Resources, Section 151 Officer and Cabinet Member for Resources to tender, agree terms, complete contracts, then manage the relevant contracts to complete the sale or rental of the 51 residential units, taking all appropriate actions on appropriate contract terms, in accordance with the financial parameters and tenure mix determined within the Final Business Case.

A. Narrative setting out the reasons for the decision

Background and Reasons

In 2013 Buckinghamshire County Council (BCC) and Aylesbury Vale District Council (AVDC) began working in partnership to deliver improvements to the town centre of Aylesbury in order to increase its vitality and prosperity.

The key benefits to this programme were to safeguard the future town centre's ability to compete regionally in terms of its residential, retail and commercial offer to the locality. In particular this programme will redevelop and reuse empty or surplus properties into useful income generating properties or enhanced public spaces that add value to the centre of the town whilst maintaining its heritage and protecting significant buildings.

The Councils worked together with Aylesbury Vale Advantage acting as a facilitator to develop a masterplan that informed future projects in the town centre in particular the Waterside North Regeneration Programme.

This was defined through 7 strategic phases, set out below:

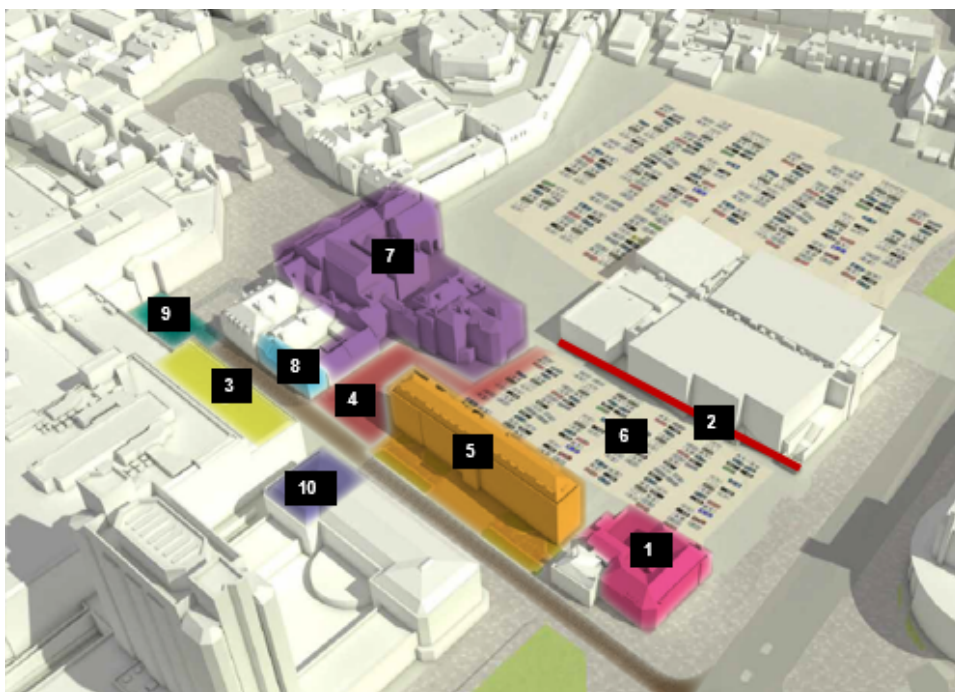
Waterside North Regeneration Programme

- Phase 1 OCO Decant / NCO Restack – completed Nov 2014
- Phase 2 OCO Dem. & Construction of temp Car Park – completed Nov 2015
- Phase 3 Redevelopment of Mezzanine and Ground Floors NCO – completed 2018
- Phase 4 OCO Redevelopment – programmed for completion Feb 2022
- Phase 5 Walton Street Public Realm – on hold until town centre regeneration programme agreed
- Phase 6 Judges Lodgings Redevelopment – dependant on OCH Complex appraisal
- Phase 7 Old County Hall & Court Redevelopment /Police Headquarters – Police HQ completed May 2019

Over the following six years many work streams evolved and have been completed leading up to the remaining two major redevelopment projects of Old County Offices and the Old County Hall complex. The table below illustrates the completed works to date on this Programme and their financial and non financial benefits:

Completed works	Benefits	Financial benefits
New County Offices remodelling	2013 enabled OCO decant	
Old County Offices decant	2014 enabled car park construction	
Purchase of Police Complex	2014 enabled car park construction and Police HQ A3 project	
Judges Lodgings refurbishment	2014 maintaining heritage, enabled decant from Porters Lodge and improved office facilities	
Porters Lodge refurbishment	2014 enabled lease as office space to BBF - also linked to OCH workstream	
Mezzanine floor refurbishment	2016 enabled improved training and meeting space in NCO	
Old County Hall exhibition suite	2015 maintaining heritage and enabled letting space and meeting space	£10,000 pa
Demolition of OCO & Police complex	2015 enabled car park construction	
Waterside North Car Park construction	2015 enhanced public parking spaces	£240,000 pa
Police HQ prep for occupancy	2016 enabling A3 lease	
Old County Hall cellar / cells > Spa	2017 enabled Spa lease	£22,000 pa
Annex A	2017 enabled lease as office space to BBF - also linked to OCH workstream	
SIMS/FMS training suite created in NCO	2017 enabled decant of Annex B	
Annex B decant	2017 enabling OCH workstream and saving running costs	
5-7 Walton Street decant	2017 enabling OCH workstream and saving running costs	
Arches Suite purchase	2018 strategic purchase linked to OCH workstream	
Listed gaol wall	2018 maintaining heritage	
23a Walton St - tree/wall	2018 enabling lease at Police HQ	
Police HQ	2018 generating income through lease	£95,000 pa
Lending Library	2018 improving facilities for public and releasing Study Centre for redevelopment	
		£367,000 pa
Future works		
Old County Offices	generating income from letting apartments or capital receipt from sale of redeveloped property	tbc
Public Realm	public benefit from enhanced environment	
Walton St incl taxi rank	public benefit from enhanced environment	
5-7 Walton St / Annex B	linked to OCH workstream	tbc
Study Centre	releasing space in NCO and new Council Chambers plus revenue opportunities from conference facilities & cafe	tbc

Waterside North Programme - visual



1. Police HQ & enabling works to 23a Walton St
2. Listed Gaol Wall
3. Lending Library
4. Public Realm
5. Old County Offices
6. Waterside North Car Park
7. Old County Hall complex
8. 5-7 Walton St & Annex B
9. Walton Street & taxi rank
10. Study Centre & café

Currently, the Old County Offices (OCO) building requires expensive and comprehensive internal and external refurbishment in order to bring the building back to any kind of use. Refurbishment works include large amounts of asbestos removal, complete mechanical and electrical modernisation and full roof replacement.

Irrespective of whether the proposed redevelopment of the building progresses, considerable expenses are necessary to both maintain the building in its existing condition and return it into a state that is fit for purpose. A redevelopment project for the building will absorb the substantial repair and maintenance required whilst also providing the opportunity to generate income for the Council in the long term, as per the strategic objectives of the County Council. Moreover, if left in its current condition there is a high risk of further damage to the building incurring further costs and H&S hazards.

Due to such limited parking in the area and the cost for refurbishment, the option to return the building back to office use either for the new Council or for long term leasing was deemed as too expensive therefore 4 other options were reviewed.

To progress the project, studies have been commissioned to quantify the project cost for redeveloping the OCO building into residential units. The most financially stable of these options lay with the proposals to redevelop the building into 51 accommodation units – made up of 9x Studio, 14x One bedroomed and 28x Two bedroomed apartments.

Subsequently we have reviewed the proposal and tested the market by seeking intelligence and professional guidance from external stakeholders to help inform the best way forwards:

- ✓ Connells Estate Agents – local and regional market intelligence re housing sales and rental trends
- ✓ AVDC – collaborating on similar projects and Town Centre redevelopment plans
- ✓ Richard Court Architects – design and layout options
- ✓ Kevin Scott – planning consultation and applications
- ✓ Wilmott Dixon – further design options and costings
- ✓ Turner & Townsend – cost management, analysis, procurement guidance and Project Management advice

Internally we have been working closely with:

- ✓ The Property team including Facilities Management
- ✓ The Finance team for input and advice on all financial matters
- ✓ Cabinet Member for Resources, Leader and Executive Director for Resources have been informed and consulted at various stages of progress culminating in this latest Business Case

Return on investment can be gained from 2 options:

- 1 Redevelop to 51 units then immediately sale of all units could realise a return on investment of 1.6% and retain the leasehold or
- 2 Redevelop to 51 units then rent all units with a view to a sale in the future could realise a return on investment of 30% and 59% and retain the leasehold

Further benefits are detailed in Section B Benefits below. Details of the breakdown of finances, are included in Part 2. Return on investment for rental options are also highlighted in Part 2 with options to rent and sell at 8 years and rent and sell at 20 years. Both provide medium and long term income for BCC

In order to confirm full costs for redevelopment we propose to commission surveys and an enabling works package to inform a full finance appraisal at the end of RIBA Stage 3 before progressing. This is the basis for seeking approval for an initial budget of just under 10% of the total estimated costs

Due to the nature of the contracts there is no further commitment for BCC to progress past each RIBA Stage if the financial business case is not acceptable

Output expected at the end of RIBA Stage 3:

1. Surveys completed to inform cost analysis on asbestos removal and building strip out, roof and grounds surveys
2. Project Management, Cost management and Design Team contracted up to end Stage 4
3. Detailed Design completed and costed
4. Planning application determined
5. Full Business Case with final designs and costs for delivery to inform a decision by Cabinet/Executive to progress or not

B. Other options available, and their pros and cons

The alternative options evaluated for redeveloping the OCO building are as follows:

Please note that a decision to rent or sell is not needed until Full Business Case reporting stage

Option	Scope	Scale of Ambition	Description
1	Do nothing	Status Quo	No development to the asset and keep as per existing. This option is the benchmark option i.e. should none of the other options be unable to show better value for money than the status quo – additional options will need to be considered
2	Dispose of Asset	Short term	Sell building as existing to a developer
3	Develop Asset for leasehold sale	Medium term	Develop asset into leasehold flats and upon completion, sell leases on 125 year leases for capital receipts
4	Develop Asset and rent units	Long term	Develop asset and rent completed residential units as residential landlord. Retention of asset will allow disposal/sale of freehold at a later date

Further detail on these options is available in the Outline Business Case attached

Benefits

By releasing the OCO for re-development the Council achieves the following non-financial benefits:

Investment Objective 1	Avoid the cost of refurbishing unsuitable stock and the excessive ongoing operating costs, and
Investment Objective 2	Form a more strategic and commercial approach to property management to achieve greater financial benefit to the Council through capital receipts from developments or revenue income from its estate
Investment Objective 3	Undertake sensitive redevelopment of the OCO building that delivers BCC's economic growth strategy and the housing targets for Aylesbury
Investment Objective 4	Better invest into BCC heritage buildings - Protect and enhance the OCO building and nearby listed buildings for future generations
Investment Objective 5	Enhance the neighbourhood and town centre, that is a welcoming place for all communities and leave a positive legacy for future generations
Investment Objective 6	Design and construction to enable the Council to efficiently manage and service the building after it is taken in use and save cost in the long term as well

C. Resource Implications

Proposed Next Steps for Resourcing the OCO Redevelopment

Please note the budget is already in place for RIBA 2 – 3 design development, and included in the existing Capital Programme.

Stage 1: Appointment of Consultants

It is proposed to appoint two external consultants to develop the project further up to RIBA stage 3.

The two consultant teams will include a Commercial Team and a Design Guardian Team. The Commercial team will include a Project Manager, Cost Manager and at later stages an Employers Agent to manage the construction contract. The Design Team would comprise of a Lead Designer, with supporting disciplines, whose main role would be, initially, to develop the design and then oversee the design as it is developed further and constructed by the Building Contractor.

These appointments would be tendered via the Crown Commercial Services (CCS) Direct Appointment mechanism, or NHS Framework as these OJEU compliant frameworks for services comply with all statutory requirements for public procurement as well as providing competitive rates which are capped by the frameworks. This will also allow for rapid appointment of both teams, with appointments being evaluated on both cost and quality.

At the end of RIBA stage 3 the consultants will deliver a Developed Design that will be submitted to the Local Planning Authority and a set of 'Employers requirements' that establish the Client requirements for the project.

Appointment agreements will include break clauses allowing for termination at any time along the RIBA Stages if the project does not proceed.

Stage 2: Appointment of a Contractor

There are three options to select a contractor on this project, due to the value of the Contract Works that are projected to be above the OJEU threshold.

Option 1

Use an OJEU compliant framework to appoint a contractor. BCC can award the works based on both price and quality – this appointment would take three months. This method is familiar to us and the most straightforward.

Option 2

Follow an EU restricted procedure, which would take longer (6 - 8 months). However this method of procurement is less familiar and would mean that the works contract is allocated on just price.

Option 3

Procure via the SCAPE framework, and employ Wilmott Dixon who have historic project knowledge and are familiar with the site, and have undertaken some design work and surveys. This has the advantage of mitigating any funds expended to them on abortive design work previously undertaken.

However, Option 1 would inject greater commercial competition into the project, potentially securing a better works contract sum, as well as bringing a fresh approach to the design and a new energy to the project. It is the method of procurement that carries less project risk.

The Works Contracts

The works will be contracted on a two stage basis, a pre-Construction Services Agreement and then a JCT Design and Build 2016 contract with BCC contract amendments. The contract amendments have been used on other BCC projects, and strengthen the BCC Client's position, pushing greater risk to the Contractor.

The two contracts mean that the Detailed Design at RIBA 4 will be undertaken by the Building Contractor with their own design teams, under a Pre-Contract Services Agreement, overseen by the Client consultant teams. This allows for the contractor to bring their sub contract supply chain into the project early with the aim of getting a competitive construction price, and for them to bring in their practical building knowledge.

When a contract sum has been established at the end of RIBA 4, BCC will enter a JCT Design and Build Contract 2016 (with BCC amendments) with the Building Contractor.

At the end of each RIBA stage there will be a gateway evaluation of the developing project, within the project team, to examine design and cost. Value engineering will be undertaken as appropriate during each RIBA stage.

A more formal gateway evaluation of the business case can be held at the end of RIBA 3, when the design has developed, up to planning submission, and before the Building Contractor is appointed.

This will inform the Full Business Case which needs to follow Governance and approval before we can progress to RIBA stages 4-7

The appointed Contractor will then take the project from RIBA Stage 3 to RIBA Stage 6 (Handover) with the majority of risk and liability transferred to the Contractor delivering a good level of cost certainty to the County due to the agreed Fixed price contract sum.

Enabling works

As part of design development, and to develop costs certainty, 3rd party surveys will be undertaken to the building, and ad hoc works may be undertaken as a result of these for example; full Asbestos Removal & building strip out, which will bring the cost of these elements forward in the development programme and improve the end to end programme timeline.

Again this data provide more detail on potential costs and inform the Full Business Case

D. Value for Money (VFM) Self Assessment

This report seeks funding only to progress the project to the end of RIBA Stage 3 whereby the project can then be reassessed with costs, design and risks better defined, before formalising a Pre Contract Services Agreement, and a Design and Build Contract with a building Contractor.

It is only at the end of RIBA 4 that we will have a fixed contract sum for the JCT works contract. It is only at this stage a full commitment to the whole fund will be required.

There are 4 options listed in Section B, above, highlighting the potential way forward with this building – each has an estimated cost associated to it which is detailed in Part 2

E. Legal implications

Appointment of Consultants/Contractor via existing Frameworks

BCC's Standing Orders allow Officers to use an existing Framework Agreement providing the Council are legally entitled to use these Frameworks.

Works Contracts

All procurements undertaken and any contracts entered into must be in accordance with BCC's Standing Orders and, if above the relevant OJEU threshold, in compliance with The Public Contracts Regulations 2015.

Setting Up a Property Management Company

We will need to liaise with legal and external consultants to explore using/setting up a Property Management Company to manage our statutory landlord function

Sale or rental on completion of redevelopment

Section 123(1) of the Local Government Act 1972, provides the Council with the power to dispose of land and property, provided such disposition is made for the best consideration reasonably obtainable.

However, the General Disposal Consent 2003 removes the requirement for authorities to seek specific consent from the Secretary of State for any disposal of land where:

the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of:

- i) the promotion or improvement of economic well-being;
- ii) the promotion or improvement of social well-being;
- iii) the promotion or improvement of environmental well-being; and

the "undervalue" (i.e. the difference between the unrestricted value of the interest to be disposed of and the consideration accepted) is £2,000,000 or less.

Where the case does not fall within the terms of the Consent: an application to the Secretary of State for a specific consent is required.

Valuations both internal and external of the property confirm that the undervalue is less than £2,000,000

F. Property implications

This project forms part of Aylesbury Town Centre redevelopment programme, part of Property & Assets. Property and Finance have been consulted and have helped inform the Outline Business Case

G. Unitary Council

There are no implications or future commitments which may affect the Unitary Council.

The original Waterside North redevelopment programme which includes this project was developed in collaboration with AVDC and have been kept informed throughout. However there is a need through Governance to have this proposal approved through CMT, Property Board, Chief Executives Implementation Group and the Shadow Executive prior to appearing on the Forward Plan for Cabinet Members approval

H. Other implications/issues

None at this stage

I. Feedback from consultation, Local Area Forums and Local Member views

The local member has not been consulted directly other than by way of this report

J. Communication issues

We need to seek advice from Democratic Services and Communications Team on how this will be communicated post decision

K. Progress Monitoring

This project will follow the laid out Governance in Property & Assets; monthly highlight reports & project progress trackers and monthly through an OCO Project Board and the Property Progress Group

L. Review - Not applicable at this stage

Background Papers

Appendix 1 – Old County Offices Redevelopment confidential material

Appendix 2 – Rev 3 Old County Offices Outline Business Case

Your questions and views

If you have any questions about the matters contained in this paper please get in touch with the Contact Officer whose telephone number is given at the head of the paper.

If you have any views on this paper that you would like the Cabinet Member to consider, or if you wish to object to the proposed decision, please inform the Democratic Services Team by 5.00pm on 23 August 2019. This can be done by telephone (to 01296 382343), or e-mail to democracy@buckscc.gov.uk