

Executive

REFURBISHMENT OF OLD BODICOTE HOUSE

5 October 2009

Report of Chief Executive, Strategic Director Customer Service & Resources and Project Manager, Improvement Agenda

PURPOSE OF REPORT

To approve refurbishment works to Old Bodicote House and necessary funding for this and associated accommodation works

This report is public

Appendix 1 and 2 are not for publication as they contain exempt information of a description contained in paragraph 3 Part 1 Schedule 12A of the Local Government Act 1972

Recommendations

The Executive is recommended:

- (1) To approve the business case for the refurbishment of Old Bodicote House into serviced office accommodation
- (2) To approve sufficient funding in the capital programme for;
 - (a) the refurbishment works in accordance with the sum set out in Appendix 1 subject to final design refinements and subsequent contract sum;
 - (b) the extension of Bodicote House car park, in accordance with the sum set out in Appendix 1
 - (c) the outstanding sum required to complete essential fire safety and other improvements to the stairwells of Bodicote House, to the sum of £40,000
- (3) To award the design and built contract for the refurbishment of Old Bodicote House to the preferred contractor in accordance with the recommendation in Appendix 1.

- (4) To commission agents to identify and secure tenancy for Old Bodicote House during the execution of the works to ensure the earliest possible tenancy.

Executive Summary

Introduction

- 1.1 This report highlights out the progress to date in undertaking the Accommodation Review of council assets and identifies the additional works required to complete this.
- 1.2 As part of these additional works, a business case is presented for the refurbishment of Old Bodicote House into contemporary serviced offices that will provide an ongoing income stream for the council, and restore the property to fit its Grade II listed status. A design and build tendering exercise has been undertaken to arrive at a firm cost for the works, and the results of this are presented as part of Appendix 1 to this report.
- 1.3 The costs of other associated works (an extension of Bodicote House car park and the completion of safety works at Bodicote House) have also been identified and are presented in the report for approval

Proposals

- 1.4 It is proposed that the old House refurbishment works described be undertaken to ensure the council can best utilise its property asset and secure tenancies that will produce annual income.
- 1.5 It is further proposed that an extension to the existing Bodicote House car park be undertaken to ensure sufficient capacity is available for both prospective tenants of Old Bodicote House and the existing use of Bodicote House. Also, that outstanding works at Bodicote House are completed to achieve safety standards and improve the presentation of the stairwells.

Background Information

- 2.1 The council's Asset Management Plan was adopted by Executive on 27 April 2009. It sets out the ambition to create and maintain new sources of income that can be used to sustain an appropriate level of future capital investment. A further ambition is to offer facilities for partner organisations to occupy, generating income for the Council, and potentially reduce the financial support those partners require while seeking to increase income by offering additional services to tenants, enabling the Council to offset part of its fixed overheads against this service charge.
- 2.2 The main strategy for achieving the ambitions of the Asset Management Plan for the council's operational assets has been through its Accommodation Review, triggered by the loss of Charter Community Housing from accommodation leased at Old Bodicote House and the depots at Thorpe Lane Banbury and Highfield Bicester. An Accommodation Board, comprising

Executive Members and senior council officers, has overseen the delivery of the Accommodation Review, namely;

- the development of one stop shops in Banbury, Kidlington and Bicester to make access more equitable across the district and improve front-line delivery of services;
- the refurbishment of Bodicote House to improve its efficiency and reduce operational space requirement, enabling the transfer of staff from Banbury Town Centre Offices;
- the transformation of the former Town Centre Offices into a new GP-led health centre for Banbury in partnership with NHS Oxfordshire, giving a long-term income stream for the council;
- the redevelopment of the council's depots at Thorpe Lane to make more efficient use of space, reduce energy consumption, prevent the possibility of pollution, and release surplus space for disposal.

2.3 With Old Bodicote House now largely vacant there is a pressing need to utilise this important asset. The Accommodation Board has concluded that its refurbishment into contemporary serviced offices will provide an ongoing income stream for the council, and help restore the property to a condition befitting its Grade II listed status.

2.4 The council's partnership with NHS Oxfordshire on the lease and conversion of its Town Centre Offices for use as a GP surgery has provided a model for the design and build aspects of a conversion of Old Bodicote House, and also for the provision of managed services that can provide an income stream for the council.

2.5 There are outstanding works on Bodicote House that require completion. Although the refurbishment of Bodicote House was substantially completed in March 2009 some elements of the contract were excluded from the works to minimise the financial impact to the council while still allowing the relocation of staff. These now need to be implemented to ensure the council meets all relevant building and safety regulations. It is proposed that these works be undertaken along with the decoration of the main stairwells.

Old Bodicote House – Current Condition and Use

2.6 Old Bodicote House was used as decant and storage space during the improvements to (main) Bodicote House, and now has limited occupation and use;

- A ceremony room and associated storage space are occupied by the Oxfordshire County Council's (OCC) Registration Service, based on user rights dating back to April 1974. Essentially these give OCC an interest equivalent to a freehold for as long as they have use of the property.
- OCC also occupy two rooms under a lease dated 13 November 2001, which grants a term of 10 years from 4 September 2001. These are rooms used by their Registrars for births and deaths registration.
- Other rooms on the Ground Floor are used to hold training events, house a (redundant) bulk mailer and folding machine, and to store unused computer equipment and servers for the building.

Business Case for Old Bodicote House Refurbishment

- 2.7 The current condition of the building, particularly its floor, means that Old Bodicote House requires improvements if it is to be rented to potential occupants. Without some remedial works the building will not achieve its potential income, and it is more likely that it will remain partly or completely vacant.
- 2.8 In considering how best to revitalise this important council asset the Accommodation Board concluded that the most appropriate course of action was to test the market for the cost of refurbishment works, with a specification to include;
- A lift to all floors of the building to improve access and Disability Discrimination Act compliance
 - Strengthening of the floors to meet likely business usage
 - Improvements to toilets and kitchen facilities
 - Restoration of the building to its original condition as far as possible, where cost effective
- 2.9 A firm of commercial chartered surveyors was commissioned In order to evaluate refurbishment proposals, assess the economic viability of the project, judge the market for this accommodation and also the income the council can hope to generate. The full report is attached as Appendix 2. It is proposed that these agents are commissioned to assist the council in identifying potential tenants and securing tenancies as soon as the design for the refurbishment works are approved to ensure for rental income as early as possible.
- 2.10 The table below shows how even with a very modest assumption on occupancy rates the proposal will repay the initial investment within five years and could go on to provide an annual income of up to £189,000 for the council thereafter. The table also shows how the same investment made elsewhere will accrue a far smaller return than that of rental income.

Tender estimate:	£650,000					
Charge:	£30	per square foot for serviced offices				
Rentable Area:	7000	square feet				
Interest rate:	1.5%	3.0%	3.0%	4.0%	4.0%	4.0%
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Likely income						
Occupancy	25%	50%	70%	80%	90%	90%
Annual income	£52,500	£105,000	£147,000	£168,000	£189,000	£189,000
Cumulative	£52,500	£157,500	£304,500	£472,500	£661,500	£850,500
Opportunity costs						
Invested income	£9,750	£19,793	£20,386	£27,997	£29,117	£30,282
Cumulative	£9,750	£29,543	£49,929	£77,926	£107,043	£137,325
Difference	£42,750	£127,958	£254,571	£394,574	£554,457	£713,175

Procurement Process

- 2.11 Invitations to tender for a design and build contract for the Old Bodicote House refurbishment works were issued on 14 August 2009 to seven contractors selected through the Constructionline system. Key requirements for contractors to meet as part of the tender specification were;
- A comprehensive and cost effective solution that can be delivered within an estimated project budget of £650,000;
 - The development of commercially viable managed office space, giving maximum flexibility to adapt to the possible needs of future tenants and the best 'yield' for the council in terms of rentable space;
 - the building restored where possible to its original state using innovative and cost effective methods to meet the challenges this poses;
 - an attractive and comfortable facility for prospective tenants, with good facilities that will help the Employer ensure the office space can be rented easily, including a lift, improved toilet and kitchen facilities;
 - a safe and accessible facility that meets DDA and fire safety requirements as fully as possible;
 - an early completion of the refurbishment to allow early access to new tenants
- 2.12 Particular emphasis has been given in the tender specification to develop an overall package of improvements that enhance access to and around the building for staff and visitors. Key features of this are the provision of a lift and the installation of disabled toilet facilities, the current lack of which restrict the potential tenants of the building.
- 2.13 Tenders were returned on 21 September 2009, with those contractors shortlisted invited to present their proposals on 29 September 2009 to an evaluation panel and also key officers and Members from the Accommodation Board. The tender prices and recommendations from the evaluation panel are set out in confidential Appendix 1.
- 2.13 Invitations to tenders for the extension of Bodicote House car park were issued on 14 August 2009 using a tender list comprising four contractors considered for the Parson's Street Pedestrianisation project. Tenders were returned on 11 September 2009 and details are set out in confidential Appendix 1.
- 2.14 A quotation of £112,720 for the completion of accommodation works at Bodicote House has been obtained under the terms of the previous refurbishment contract. Available revenue funding of £43,000 has been identified from the property maintenance budget, along with unused capital of £30,000 relating to the window replacement programme, which will be vired across to meet the majority of the costs of these works. This then leaves a shortfall of £40,000 to complete the works.

Key Issues for Consideration/Reasons for Decision and Options

3.1 A key issue is that the proposed works represent a significant investment for the council which is not currently budgeted for in its capital programme.

3.2 The following options have been identified. The approach in the recommendations is believed to be the best way forward

Option One To approve all aspects of the accommodation works and the capital sums necessary to undertake them.

Option Two To approve only part of the works and funding. This will reduce the burden on the capital programme but carries the following risks;

- Without carrying out the refurbishment of Old Bodicote House the council may not be able to achieve the level of rental income predicted as the asset will not be as attractive to prospective tenants
- Similarly, without extending the existing car park this will make Old Bodicote House less attractive to potential tenants. The existing staff car park regularly becomes completely full as demand exceeds the number of spaces available.
- Aspects of the remaining accommodation works at Bodicote House are essential and must be carried out to ensure fire safety and meet current building regulations. While improving the decoration of the main stairwells is not essential, failing to undertake this work will undermine the standard of accommodation found elsewhere in the building.

Implications

Financial: There is no financial provision in the current capital programme for the Old Bodicote House refurbishment works or the Bodicote House car park extension. While sum capital and revenue funding has been identified for the remaining accommodation works to Bodicote House there is still a shortfall of £40,000. Funding approval will be necessary before the works can be executed.

The business case for the Old House refurbishment provides for an income of up to £189,000 per annum, which is estimated to repay the initial investment within five years.

Comments checked by Karen Curtin, Head of Finance
01295 221551

Legal: The refurbishment of Old Bodicote House will be subject to planning approval given its listed building status. The extension of Bodicote House car park is also subject to appropriate planning consent.

Comments checked by Liz Howlett, Head of Legal and Democratic Services 01295 221686

Risk Management:

A level of disruption to the Registrars has been anticipated during the build programme. These will be mitigated by ensuring contractors manage their work around marriage and citizenship ceremonies, and by relocating the Registrars' offices into Bodicote House for the duration of the works.

Risks around increased cost of works will be transferred to the contractor once the final design has been signed off. A contingency sum has been allowed for in the project cost as a safeguard against any specification changes arising during works.

The financial risks in the business case have been mitigated by employing a modest occupancy rate assumption for the first five years. The council will also use a property consultant at an early stage to identify potential tenants and secure tenancy agreements as soon as possible.

The project will be managed by a qualified Project Manager in accordance with the council's project management practice.

Comments checked by Rosemary Watts, Risk Management and Insurance Officer 01295 221561

Wards Affected

All

Corporate Plan Themes

A Value for Money Cherwell

Executive Portfolio

**Councillor Norman Bolster,
Portfolio Holder for Economic Development and Estates**

Document Information

Appendix No	Title
Appendix 1	Refurbishment of Bodicote House – Tender Approval
Appendix 2	Report from Chris White Consultants
Background Papers	
None	
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