

Hungate Ad-Hoc Scrutiny Review

Detailed Budget History

1. At Hungate Ad Hoc Scrutiny Committee on Thursday 12 January 2009, Members requested:
 - a further breakdown of the Budget History for the Administrative Accommodation Project expenditure at July 2008 and
 - clarification of the NPV (Net present Value) Analysis for the Administrative Accommodation project located at the Hungate site
 - Information with regards to the costs of leases and carbon costs as part of the Hungate budget

2. Table 1 below was presented to Members at the meeting on 12 January 2009 and a further explanation of these costs is reported below.

Table 1 - Budget History Accommodation Project

Workstream	October 2006 Exec report	July 2007 Exec report	June 2008 Exec report	Expenditure @ July 2008
Land Assembly				
Land Assembly Fees	£8,000	£2,300	£3,683	£3,683
Peasholme Hostel	£1,400,000	£1,800,000	£1,800,000	£735,597
Ambulance Station	£1,200,000	£1,248,000	£1,249,225	£1,249,225
Archaeology			£72,555	£47,555
Total	£2,608,000	£3,050,300	£3,125,463	£2,036,060
Design & Construction				
Construction	£26,782,067	£25,834,000	£29,334,000	
Risk		£1,060,000	£1,060,000	
Furniture	£1,300,000	£1,500,000	£1,500,000	
Fees		£2,805,000	£2,805,000	£1,625,272
Total	£28,082,067	£31,199,000	£34,699,000	£1,625,272
Property Exit				
Property exit fees	£555,629	£539,062	£626,290	£333,675
Social Services Adaptations	£60,000	£1,060,000	£1,000,000	£99,198
Dilapidations	£1,344,552	£1,344,552	£1,250,000	
Repairs and Maintenance	£439,339	£667,717	£668,000	
Total Property Exit	£2,399,520	£3,611,331	£3,544,290	£432,873
Other Costs				
Facilities Management	£99,000	£101,994	£101,994	£36,010
ICT	£861,149	£861,540	£861,540	
User Change Management	£491,051	£474,472	£326,274	£161,914
Project Management	£832,290	£828,842	£1,081,311	£535,016
Risk/contingency	£274,879	£176,512	£64,128	
Total	£2,558,369	£2,443,360	£2,435,247	£732,490

Total project budget	£35,647,956	£40,303,991	£43,804,000	£4,827,145
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3. It is currently difficult to breakdown the costs incurred at July 2008 in table 1 into those which remain relevant to the administrative accommodation project going forwards and those costs which cannot be incorporated in to the revised building solution. This can only be determined once a new solution has been chosen. The Council is currently undergoing a procurement process which is at an early stage and therefore it is not possible to specifically identify which costs already incurred will be relevant to the further development.
4. However, on a summary basis the following explanation will give Members an idea of the costs that will still be relevant.
5. Land Assembly Costs – the expenditure incurred for the relocation of the Peasholme Centre provides a new facility that meets the required registration standards. The costs of the Ambulance station and archaeological investigations will have added value as a cleared site that is recoverable if sold at the right time on the open market.
6. Design & Construction – the fees incurred related to the building design at the offices proposed at the Hungate site and include both in-house and appointed consultant fees, procurement costs and planning fees. It is possible that some of these design principles maybe used by the future developer. Therefore some of these costs could be relevant to the new administrative accommodation building.
7. Property Exit – all of the expenditure incurred on the property exit strategy should be relevant. This includes renegotiated leases, disposals, professional and legal fees. The exit strategy remains the same whether the Council moves into an Office located in Hungate or to an alternative location. Costs incurred to prepare for the move into a new building remain the same so the Council is fit to move the work done is not redundant and will still be used.
8. Other Costs - Project Management and Facilities management costs have been incurred over the life of the project, of which most will be attributable to the administrative accommodation project going forwards. Much of the expenditure would have resulted from identifying the needs of the business, space awareness requirements, organisational change etc. These costs will be essential to future development and will continue to be relevant to the project.
9. Other costs – User Change Management expenditure could be partially relevant to the new offices, as costs have been incurred to develop user requirement and the change management processes of the business to make the new office accommodation increasingly efficient. This documentation collated will be relevant to the new building.
10. Members requested details with regards to the NPV (Net present Value) Analysis of the Administrative Accommodation project when it was to be located at the Hungate site. Net present Value is a measure of the total discounted value of all the cash inflows and outflows from a project.

11. In the report to Executive June 2008, in order to measure the viability of the Administrative Accommodation project two measures of affordability were developed:
 - a) The Net present value of the savings that the Council would achieve over the next 30 years by moving to the new offices
 - b) The short term indicator which measured the initial revenue impact of the transition to the new buildings. This was referred to as the early years deficit and would be funded from the Council's venture fund, which stood at £4m and would therefore have no impact on the Council Tax payer.
12. The NPV analysis reported to Executive in June 2008 showed a net present value saving as being £4.768m of moving to a new location rather than continuing in current administrative offices. Over the long term it is beneficial for the Council to build new administrative office accommodation rather than staying in current locations as a saving results.
13. The short term indicator showed that the early years deficit was £2.094m. This is the cost of undertaking the project in the early years until the breakeven position is reached and then a saving over the life of the project.
14. In future the financial position of the new administrative accommodation project being located as a result of the developer procurement process will be reported to Executive.
15. Finally, members also requested information with regards to costs of leases and carbon costs as part of the Hungate budget. Leases costs (more accurately known as rental costs) and carbon costs are not costs that are included in the Hungate budget of £43.804m. Lease and carbon costs are costs incurred by the Council, along with many other revenue costs, whether or not the Council stays in the current administrative accommodation or moves to the Hungate site. The levels of these costs would change depending on whether the Council stayed in the current administrative accommodation or moved to the Hungate site.
16. The revenue costs, which include the lease and carbon costs, are taken into account in the finance model that calculates the NPV (net present value) analysis. As previously stated, the NPV analysis shows a saving of £4.768m if the Council moves to the Hungate site rather than stays in the current accommodation. The NPV analysis saving of moving to the Hungate site compared to remaining in current administrative accommodation indicates that the revenue costs incurred, along with the Hungate budget capital costs, would be lower over the life of the project.
17. With regards to the carbon costs, whilst the administrative accommodation proposal for Hungate was being decided, modelling and feasibility analysis were undertaken to select the most appropriate technologies to meet the Council brief of delivering a sustainable development. Those technologies included within the final planning submission for the Hungate site included ways of reducing carbon costs.
18. In the Executive report that went to Members on 17 June 2008, paragraph 40 detailed some of those technologies: Bio Diesel – fuelled combined heat and power

(CHP) system, natural ventilation, a mechanical cooling system, electric lighting system, rainwater harvesting, fully integrated drainage system & proprietary extensive green roof system.

19. Specifically carbon costs related to the Bio Diesel – fuelled combined heat and power (CHP) system: to deliver at least 20% of the energy used on site by renewable means including electrical energy, heating demand and cooling demand (via absorption chillers) to the building using renewable fuels which will provide a significant reduction in CO₂ emissions (1290 tonnes p.a.) which equates to a 86% reduction on the current administrative portfolio.