

**BETTER UTILISATION OF PROPERTY ASSETS (BUPA) - PHASE 1 PROJECT
BUSINESS CASES**

To: Cabinet

Date: 23rd February 2010

From: Corporate Director: Finance, Property and Performance

Electoral division(s): All

Forward Plan ref: 2010/010

Key decision: Yes

Purpose:

- Cabinet is asked to consider the BUPA phase 1 projects Business Cases and supporting information. (provided separately for Cabinet as part of the information pack)

Recommendation: Members are asked to:

- i) Approve the continuation to design and implementation stages of the suggested options, (at which time formal consultation will take place with any service users / employees impacted by the proposed changes).

a) Learning and Development Facilities

Business case 0B, i.e. To continue the operation of the Professional Development Centres while reducing external expenditure on hire of facilities for training through a more concerted use of other council training rooms and negotiated contracts with external suppliers.

b) Outdoor Education Centres

Business case 2, i.e. to fund the installation of sprinklers and a number of other safety and energy use improvements for Burwell House and Stibbington.

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1. BACKGROUND

- 1.1 Project Business Cases have been produced for two further Better Utilisation of Property Assets (BUPA) projects (three having been approved by Cabinet in November of last year). The Business Cases are driven by the Authority's priorities and service principles as well as reflecting the cost/benefits of options and include an assessment of a number of non-financial criteria (Including sustainability, regeneration and partnership working) and of risk.
- 1.2 Over the long term, it is required that the considerable benefits of BUPA will be realised by the Council. Sequencing of projects will be key to ensuring that the balance of investment and returns on investment is optimal. BUPA continues to represent value for money to the organisation despite the lower values that will be realised on properties compared to the high point of the market.
- 1.3 The process for selecting priority projects began with the Suitability Survey in 2007. This was followed by involvement from service through workshops. The Programme Board and Team have worked through the original ideas to develop the scope of the projects.
- 1.4 Further projects are emerging and there will be a continuing process of assessment at Cabinet.

2. MAIN ISSUES

- 2.1 A total of five First Phase Projects have been carried forward to Business Case stage. Three were presented at Cabinet in November 2009 and two more are presented to this Cabinet meeting.
- 2.2 Business Cases were produced with the collaboration of services with regard to specific schemes and in relation to input into the Programme Board. A considerable amount of data was collected in each case to inform the creation of a number of options. Each option was subject to a financial assessment that demonstrated the Net Present Value/Cost, Revenue Cost, Operating Cost, Capital Cost and Affordability. Where identified, a number of sensitivities were tested and the resulting analysis is represented in each Business Case.
- 2.3 In addition, options were assessed against a number of standard objectives (Non-financial scores) linked to the Council's vision and targets including environmental performance, contribution to regeneration, service improvement etc (see Business Cases for complete list).
- 2.4 Where reference is made to 'the sub-group', this group was convened on a number of occasions to carry out a more detailed assessment by Members ahead of reporting to Cabinet. The Members are Cllr John Reynolds, Cllr Sir Peter Brown, Cllr Roy Pegram and Cllr David Harty.
- 2.5 The complete Business Cases are attached as appendices included as part of a separate information pack to Cabinet Members and Group Leaders. Summary information is shown in Sections 2 and 3 of this report.

2.6 Learning and Development Facilities Project

2.6.1 Cambridgeshire County Council (CCC) uses a combination of three Professional Development Centres (PDCs), a number of other rooms in corporate offices, libraries and other CCC buildings and external hire of facilities to deliver training to employees and partners.

2.6.2 There are a number of key drivers including:

- Significant expenditure on hire of external facilities.
- The unsuitability, as indicated by the Suitability Survey of 2007, of main training sites in Trumpington, Godmanchester and Wisbech which include transport, layout, access and facilities.
- The opportunity to make more efficient and concerted use of other council facilities e.g. meeting rooms in existing CCC buildings.

2.6.3 Table 1. Summary of the Options Considered in the Business Case for Learning and Development Facilities.

	Option 0A	Option 0B	Option 1	Option 2A	Option 2B	Option 3A	Option 3B
Description	Baseline	Enhanced Baseline	New Training Centre	No PDCs – All External	No PDCs - Enhanced	Mix – 2B & Retain Cambridge (C) PDC	Mix – 2B & Retain CPDC
Net Present Cost (40 Year) (including operating expenditure)	£15.2m	£14.4m	£28.0m	£14.1m	£14.7m	£14.6m	£15.9m
Net Capital Expenditure (40 Year)	£1.3m	£1.3m	£6.8m	£-1.2m	£-1.2m	£0.9m	£-0.9m
NET operating expenditure (at year 11)	£750k	£694k	£1.1m	£824k	£864k	£824k	£864k
Non-financial score	206	201	264	183	180	157	144

2.6.4 Sensitivities were tested including external expenditure reduction and increased capital receipt.

2.6.5 The key risks to the project have been identified as:

- Difficulties in engaging key services.
- CCC employees do not buy in to the option.

These and other identified risks in this project and the others will be managed using the council's recognised processes for risk management.

2.6.6 The suggested option for this business case is 0B, i.e. To continue the operation of the Professional Development Centres while reducing external expenditure on hire of facilities for training through a more concerted use of other council training rooms and negotiated contracts with external suppliers. An opportunity to re-configure space utilisation more widely rests with a future review of the Shire Hall project or alternatively an opportunistic purchase may provide improved training accommodation should the council take the decision to pursue this.

2.6.7 The sub group expressed no significant concerns in respect of this option. It was agreed that increased use of community facilities for council training

courses could bring cost benefits to the council while channelling money into local communities.

2.7 Outdoor Education Centres

2.7.1 The council has three services - Grafham Water Centre, Burwell House and Cambridgeshire Environmental Education Service (CEES) (delivered from facilities at Stibbington and Upware) providing three different areas of focus to deliver Learning outside the Classroom. The services provide a wide range of learning experiences including in history and the environment.

2.7.2 There are a number of key drivers including:

- A requirement to mitigate health and safety risks.
- A requirement to improve energy efficiency.

2.7.3 Table 2. Summary of the Options Considered in the Business Case for Outdoor Education Centres.

	Option 0	Option 1	Option 1a
Description	Baseline	Property Upgrades	Option 1 + value engineering
Net Present Cost (6 Year) (including operating expenditure)	£0	£678k	£584k
Net Capital Expenditure (6 Year)	£0	£733k	£631k
NET operating expenditure (at year 5)	£0	£1.2k	£1.2k

2.7.4 An initial sensitivity analysis on Option 1 produced the recommended Option 1a which represents a value engineered position. An analysis of the increased borrowing pressure due to delay in realising the capital receipt/s required to meet the costs was also carried out.

2.7.5 The main risks to delivering options 1a include:

- Loss of bookings whilst work is undertaken
- Additional work uncovered during delivery

In the case of the latter, a condition survey was carried out in order to identify whether any additional major issues existed. None were found. In the case of the former, the work will be scheduled to minimise the impact and the services concerned will work to use alternative sites where required.

2.7.6 The suggested option for this business case is Option 1a, i.e. to carry out the list of works detailed in the Business Case.

2.7.7 The sub group emphasised that delivering value for money in the works conducted was essential and that negotiations with contactors should aim to achieve further savings on the costings laid out in Option 1a. In addition the sub group felt that, following the condition survey, unless a genuinely unforeseeable issue occurred, the contingency should remain unspent.

2.8 Related property issues of note

2.8.1 There is clear correlation between the BUPA Programme and its projects and Making Cambridgeshire Count (MCC), in particular the MCC Asset Project launched in January 2010.

2.8.2 The current integrated plan includes figures from the approved Business Cases for projects seen by Cabinet in November 2009. The projects referred to in this paper have either been forecast according to position at the time or not included where the Business Case was not far enough advanced.

2.8.3 The Workwise project on the Shire Hall Campus was completed this month. A 6-month follow-up report will be produced.

2.8.4 An additional project to provide funding to complete the March Highways Depot Office is subsumed within the Environment Services budget.

3. **SIGNIFICANT IMPLICATIONS**

3.1 Resources and Performance

- The following tables overleaf summarise the financial impact of the proposed options, separating net capital expenditure, project costs less asset sales (capex) and net revenue costs, new costs of operation less current costs of operation (revex).
- Please note that baseline revenue expenditure is not reflected in the figures for Outdoor Education Centres. These figures are not included because (unlike with the Learning and Development Facilities project) this project simply requests capital investment with no options impacting significantly on revenue (beyond very short-term).

Table 3. Capital Receipts and Expenditure for the Preferred Options.

	2009/10	2010/11	2011/12	2012/13	2013-18	Total
	Net Capex	Net Capex	Net Capex	Net Capex	Net Capex	
Learning and Development Facilities (Option 0B)	£31,478	£31,478	£54,248	£31,478	£157,390	£306,072
Outdoor Education Centres (Option 1a)	£0	£631,196	£0	£0	£0	£631,196
Total	£31,478	£662,674	£54,248	£31,478	£157,390	£937,268

Table 4. Revenue Implications of Preferred Options.

	2009/10	2010/11	2011/12	2012/13	2013-18	Total
	Net Revex					
L&D Facilities (Option 0B)	£776,086	£777,503	£779,944	£701,097	£3,526,735	£6,561,366
<i>Baseline</i>	<i>£751,086</i>	<i>£752,503</i>	<i>£753,919</i>	<i>£755,336</i>	<i>£3,797,927</i>	<i>£6,810,772</i>
Outdoor Ed Centres (Option 1a)	£0	£1,200	£1,200	£1,200	£6,000	£9,600
<i>Baseline</i>	<i>£0</i>	<i>£0</i>	<i>£0</i>	<i>£0</i>	<i>£0</i>	<i>£0</i>

Total	£776,086	£778,703	£781,144	£702,297	£3,532,735	£6,570,966
Baseline	£751,086	£752,503	£753,919	£755,336	£3,797,927	£6,810,772

Table 5. BUPA Projects to date – Capital Summary Table*

Committed Spend	£18.9m
Committed Sales	£2.5m
Balance	£16.4m

Table 6. BUPA Projects to date – Revenue Summary Table*

Planned Spend	£89.8m
Baseline Spend	£85.3m
Balance	£4.5m

*Figures for the preferred options laid out in this paper have been included in figures above.

** Figures for Shire Hall Option 0A have been included over 10 years pending a further decision on the Shire Hall site.

- In terms of net capital costs the BUPA programme over its ten-year life was planned to yield a net cash benefit of £18.6m, the majority of this benefit coming from the full Shire Hall replacement project and non-ring fenced asset sale proceeds. The programme cash flow and budget allows for net capital spend amounting to £10.1m up to and including 2010/11 with significant sales proceeds being delivered from 2012/13. In an overall cash flow approach the proposed options are affordable provided asset sales yields as originally envisaged are delivered over the period 2013/18 (considered a manageable risk as property values should recover from the current position over that frame).
- In terms of revenue implications the BUPA Programme was not reliant on any revenue savings when initially approved though revenue savings were expected to be generated that could be applied to improve the management of the facilities (e.g. support longer opening times). Some net additional revenue costs have been identified from the programme for the first three projects however further savings are likely to be driven out as the business cases progress and further projects are brought forward.

3.2 Statutory Requirements and Partnership Working

- Key risks - The approval of the recommended option for Outdoor Education Centres would see the mitigation of risk to the health and safety of employees, visitors and in particular residents in the two centres in scope.

3.3 Climate Change (Includes any climate change, greenhouse gas emissions and environment implications and where significant, they are set out below)

- There are no significant implications for any of the headings within this category.

3.4 **Access and Inclusion** (*includes inclusion, crime and disorder, the voluntary Sector, equality and diversity and transport implication and where significant, they are set out below*)

There are no significant implications for any of the headings within this category.

3.5 **Engagement and Consultation** (*includes community engagement and public consultation and where significant, they are set out below*)

There are no significant implications for any of the headings within this category.

Source Documents	Location
BUPA Learning and Development Facilities Project Business Case. BUPA Outdoor Education Centres Business Case	Room 300, Shire Hall, Cambridge