

London Borough of Barnet
Accommodation Options Review
Strategic Outline Case (SOC)

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1 Executive Summary

This document is the Strategic Outline Case (SOC) for Barnet Council's office accommodation provision from October 2015 onwards.

The SOC has been completed in accordance with HM Treasury's Green Book 'five-case' business case principles and therefore includes the following:

- Strategic Case – setting out the context for the Council's office accommodation, current arrangements and the case for change, constraints and investment objectives;
- Economic Case – appraising the options for office accommodation for Barnet, and the preferred way forward;
- Commercial Case – indicating the commercial implications of the preferred way forward;
- Financial Case – indicating how the preferred way forward could be funded; and
- Management Case – outlining the initial plans for delivery to manage the way forward.

The SOC has been prepared to enable officers and members to review the accommodation options in order to establish and agree the preferred way forward in terms of the Civic Estate from 2017 onwards.

Subject to approval of the SOC, an Outline Business Case (OBC) will be prepared with additional detail for consideration in June 2015.

The current Civic Portfolio comprises four buildings situated at Units 2 and 4 North London Business Park (NLBP), Barnet House and Hendon Town Hall.

The key factor which enables the council to restructure the Civic Estate is the ability to break the occupational lease in NLBP Unit 4 in October 2015. This will enable the council to take a two stage approach to revising the Civic Estate by consolidating into the existing buildings in the short term (e.g. 2015-2017).

Consequently LBB have options to meet the target aim of securing a minimum saving in the operational cost of the portfolio over the period 2013/14 to 2023/24 of £40.3m.

Following a long list appraisal of potential options, three short list options have been identified and subsequently appraised:

- **'Do Nothing'** as a baseline – continuing with leases in both the NLBP sites and Barnet House;
- **'Do Minimum'** – exiting from NLBP Unit 4 and consolidating into NLBP Unit 2 and Barnet House; and
- **'Do Maximum'** – develop new, specialist accommodation at Grahame Park in Colindale to move into in 2017, having consolidated as per the 'Do Minimum' option beforehand.

Do Maximum has emerged as the preferred option at this stage. By moving the LBB office accommodation on to a freehold basis, avoided rental costs are sufficient to provide a strongly positive projected NPV over the 34 year period where capital financing would be sought. It also

provides potential strategic benefits in terms of the regeneration of the western side of the Borough.

In the shorter financial term, it exceeds the required savings in the Medium Term Financial Strategy, having incorporated financing costs and an allowance of the Minimum Revenue Provision.

The core Civic Estate therefore, from 2017 onwards, would comprise Hendon Town Hall and Colindale both of which are freehold holdings.

This will in effect eradicate the current lease obligations from, subject to final negotiation, 2020 onwards and under current market conditions create a valuable additional asset base for the council.

The development will be undertaken by the council direct through Re as Project Managers under a JCT Design and Build contract utilising a contractor from the approved London Contractors List. The current implementation plan allows for a planning application in March 2015 with a view to appointing a contractor by October of this year. The project will be managed by Re through the existing contractual arrangements.

In conclusion, the preferred way forward achieves the opportunity to secure significant savings in the current occupation of the Civic Estate whilst allowing the council to adopt a full Smart Working Programme

The preferred way forward identified within this SOC is to build new bespoke office accommodation at the Grahame Park Site, Colindale. This option meets all of the core criteria by ensuring that the council's future accommodation needs and investment objectives are met through securing the target savings and regeneration objectives. The chosen solution is capable of being sourced and procured under the existing LBB / Capita contractual arrangements.

An OBC, to be prepared for June 2015, will provide additional detail on the economic appraisals, including incorporation of financial risks and sensitivity analysis. It will also provide additional detail on financial consequences, the sourcing approach and the project management arrangements required to ensure successful delivery.

2 Strategic Case

This section details the strategic context and case for change for the London Borough of Barnet (LBB)'s accommodation options. It also sets out the risks, constraints and dependencies in which the business need will be taken forward alongside the investment objectives.

Strategic Context

Organisational overview

The London Borough of Barnet have an estimated office based staff requirement amounting to 2,308 individuals requiring office accommodation, with the majority based at the North London Business Park (NLBP) in the east of the Borough.

Capita are retained as LBB's Strategic Outsourcing Consultants and the estates and accommodation strategy is within their contractual remit.

Strategic drivers

LBB are committed to providing their staff and service users with office accommodation that provides a flexible working environment in line with modern working practices. In February 2014, LBB established a '*Smarter Working Group*' to assess accommodation needs in the future.

An agile working survey was undertaken in March 2014 to review the then existing occupational arrangements to inform the development of a future strategy based on smart working principles.

In order to meet the medium term financial challenges faced by LBB, in common with other local authorities, savings on accommodation are required. LBB's medium term financial plan includes savings of a minimum of £49.6m over the period to 2013-2023 (of which £40.3m is contractually agreed between LBB and Capita). These savings have been incorporated into budget baselines. Capita are working alongside the Council to achieve these savings, within their contractual obligations.

LBB are committed to regeneration of the Borough, and in particular within the Colindale area. Specifically, the Colindale Area Action Plan (CCAP) sets out the framework for future development and change in the local area.

The CCAP was prepared in partnership with key stakeholders and local communities in the area and represents the outcome of an intensive period of public consultation covering an area of approximately 200ha and includes an additional 10,000 new homes and a mix of retail, office and other land uses.

Case for Change

Current arrangements

Barnet's principal office accommodation is across three buildings as follows:

- Unit 4 North London Business Park – 169,000 sq ft
- Unit 2 North London Business Park – 44,754 sq ft
- Barnet House – 70,000 sq ft

Total – 284,000 sq ft

The Council intends to retain Hendon Town Hall for Civic Meeting and Ceremonial space which has been excluded for the purposes of the Accommodation Options Review.

The current office accommodation includes a significant amount of unused space and it is considered that alongside the introduction of flexible and agile working, the council could occupy a much smaller footprint in the future. It is currently envisaged that the revised estate footprint for the core Civic accommodation from 2015 / 2017 is in the region of 125,000 sq ft and from 2017 onwards 90,000 sq ft.

There is a break clause, in October 2015, for NLBP Unit 4, which LBB served notice to determine in late 2014. The lease on NLBP Unit 2 expires in July 2020 and the lease on Barnet House expires in September 2032.

Business needs

The Agile Working Survey established working practices at LBB, and the extent to which teams might adapt to a future agile shared desk policy.

All office based staff members (989) were invited to participate in the survey, with a 41% completion rate. In addition to the survey, additional interviews were undertaken with service delivery team leaders and other staff members.

The outcome of the Agile Working Study was a recommended desk ratio for office based staff of 69%, equivalent to a ratio of '7:10'. This is based on average office occupancy for all work style types including a 'buffer' allowance to absorb variations in work patterns.

The Smarter Working Group has approved an overall optimum office footprint of 90,000 sq ft., with appropriate parking and catering arrangements to be incorporated in the preferred way forward.

Where possible, LBB has a strategic desire to regenerate the western side of the borough where a greater number of LBB service users are located. Within the CAAP area, a western Barnet location, there is a potential site – at Grahame Park – for a multi-storey scheme, incorporating offices, residential apartments, community use and public space.

Investment objectives

The core investment objectives for LBB accommodation are as follows:

- Deliver a minimum of £40.3m gross savings in the civic accommodation by September 2023 in accordance with the contractual obligations between LBB and Capita;
- Provide modern, flexible office accommodation of 90,000 sq ft;
- To use the Civic Estate as a regeneration tool;
- To maximise the occupational use of the Civic Estate through smart working;
- To focus council's facilities in a location which is accessible to the majority of users.

Constraints

There are a number of constraints for LBB to consider in its approach to office accommodation:

- 2017 is the earliest date for delivery of 'new' office accommodation arising from major works, either from a refurbishment or new build;
- There is a strategic desire for LBB offices to remain within the Borough and be accessible to service users;
- Funding for any proposed changes would need to be within the parameters of the LBB Capital programme and existing resource budgets; and
- Any new office provision needs to remain attractive and convenient for staff, including access to public transport and appropriate parking provisions.

Dependencies

Negotiations with the owners of Barnet House and NLBP Unit 2 will be required for any changes to lease end dates. A deal has been negotiated, pending legal completion, such that it will be possible for LBB to take over all of NLBP Unit 2, including the second floor currently occupied by Middlesex University without additional rentals.

There are costs associated with consolidating into the existing estate which we would broadly summarise as follows:

- Any options requiring the reoccupation of Barnet House would require refurbishment works costing an estimated **£2,100,000**;
- A future sum in relation to the dilapidations liability for Unit 2 from 2020 has been estimated at a current figure of **£70,000**;
- An IT provision of **£170,000** has been allowed for intensification of occupation;
- **£80,000** has been allowed for Legal costs;
- To ensure the agile working initiative takes place, an allowance of **£310,000** has been allowed for new office furniture;
- Whilst the 2nd floor of NLBP is rent free for two years, a sum of **£330,000** has been allowed to account for early possession.

LBB's office accommodation strategy and plans are dependent on the accommodation required being signed off and agreed by the Smarter Working Group.

Risks

The Strategic Risks for LBB to manage and mitigate as it considers its accommodation options are:

- Potential cost and time overruns resulting in new accommodation not being available on time and budgetary pressures;
- New accommodation being less attractive to staff or impeding their working arrangements;
- That there is staff resistance to a reduction in the parking provision and greater reliance on public transport;
- Resistance to cultural changes as the smart working initiative is instigated;
- Delays in the internal decision making processes results in the accommodation not being available for occupation by late 2017.

Conclusion

This section has out the strategic context and case for change for LBB's office accommodation and the investment objectives for different potential options.

In the following section, the Economic Case will set out and appraise the options for meeting these investment objectives.

3 Economic Case

The Strategic Case set out the rationale, context and constraints for office accommodation for The London Borough of Barnet. The Economic Case sets out the Critical Success Factors (CSF's) for the decision, appraising the long list of options to meet before outlining the potential costs and benefits of the short-listed options in order to indicate the preferred way forward.

Critical Success Factors

Based on the strategic drivers, business needs and constraints, the following Critical Success Factors (CSFs) have been established for LBB's approach to office accommodation:

- **CSF1:** Delivers required **efficiency** savings and affordable to implement
- **CSF2:** Alignment with Smarter Working Group approach to **desired working arrangements**
- **CSF3:** Alignment with the wider **strategic aims** of LBB
- **CSF4:** **Deliverability** within appropriate timescales and with minimal disruption to service delivery

Long list options appraisal

In accordance with HM Treasury Business Case best practice, at the Strategic Outline Case (SOC) stage, the long list consciously includes a wide range of potential options, including those which can be discounted through the appraisal process by considering them against the CSFs. It is therefore an appraisal of the ways in which LBB '*could*' have approached the office accommodation challenge rather than how they '*would*'.

At the conclusion of the long list appraisal, the emerging short list will represent the most realistic potential options worthy of full consideration.

The 'long-list' of potential options for Barnet's office accommodation is:

1. **Do Nothing:**
The status quo option. No change and LBB continue in occupation of both Units 2 and 4 North London Business Park and Barnet House. Break clause is not operated.
2. **Consolidate into Barnet House and NLBP Unit 2:**
Trigger the break clause on Unit 4 North London Business Park to determine occupation from October 2014 and consolidate into Barnet House and Unit 2, NLBP
3. **Alternative rental accommodation:**
This option provides a number of alternative approaches including either relocating back office staff to a cost effective out of borough location or severing all existing leases and identifying an alternative site.
4. **Consolidate with another local authority / public body:**
Consider amalgamating with another public body along the lines of the 'Tri-Borough' arrangement which Westminster Council, the Royal Borough of Kensington and Chelsea and the London Borough of Hammersmith and Fulham have entered into.

5. **Retain Barnet House and build another:**

This option assumes that LBB exit both North London Business Park buildings on or before 2020 and construct a smaller bespoke development for their own occupation whilst retaining Barnet House until 2032.

6. **New office accommodation on the Grahame Park site in Colindale:**

This option assumes that LBB occupy either as leaseholder or freeholder, a new bespoke development on the Grahame Park site in Colindale from 2017 onwards.

7. **Build new office accommodation elsewhere:**

As above, but look for an alternative location other than the Colindale site.

8. **Debt and asset sale:**

This option is based on a model undertaken by a number of other bodies whereby all of the existing civic accommodation alongside other surplus properties would be sold to an institution / fund / investor (e.g. MARS and PEARS group) who would take over the liabilities usually subject to a balancing in payment. This would enable the council to effectively start again in terms of the civic accommodation with a clean sheet.

9. **Consider a full 'commissioning' model;**

This option assumes that all of LBB's office accommodation would be provided through a service contract

10. **Consolidate into all current LBB surplus accommodation:**

Using surplus accommodation throughout the portfolio, to accommodate users, who cannot fit readily into the reduced estate.

11. **A full 'hub and spoke' operation:**

Reconsider the current 'central HQ' model and move to a full 'hub and spoke' operation with a number of smaller offices based around the Borough.

This long list of options is appraised against the CSFs identified above and in the following table;

- **Green** assessment indicates fully meets;
- **Amber** assessment indicates partly meets; and
- **Red** assessment indicates does not meet.

Option	CSF1: Efficiency	CSF2: Desired Working Arrangements	CSF3: Strategic Aims	CSF4: Deliverability
Do Nothing	Will not deliver the required savings, leaving a significant budget gap	Adequate space but would represent a missed opportunity	A neutral impact – no negative consequences but a missed opportunity	No significant change required

Option	CSF1: Efficiency	CSF2: Desired Working Arrangements	CSF3: Strategic Aims	CSF4: Deliverability
Consolidate into Barnet House and NLBP Unit 2	Delivers savings in the period up to 2017 but no further savings from that period onwards	Opportunity to deliver planned changes	A neutral impact – no negative consequences but a missed opportunity	Achievable within planned timescales, but requires efficient planning and delivery given October 2015 break date is looming
Alternative rental accommodation	Potential to deliver savings	Opportunity to deliver planned changes, but potential disruption for staff	Dependent on location and nature of accommodation, could potentially facilitate greater access to LBB services	Would require an 'interim' solution whilst new accommodation is investigated and procured
'Out of borough'	Potential to deliver savings	Opportunity to adapt working arrangements, but not in alignment with Smarter Working Group approach and vision	LBB does not a strategic aim of moving staff and operations out of borough for efficiency purposes	Very challenging within required timescales
Consolidate with another local authority	Potential to deliver savings	Opportunity to adapt working arrangements, but not in alignment with Smarter Working Group approach and vision	LBB does not a strategic aim of moving to a Tri-Borough style of operation	Very challenging within required timescales

Option	CSF1: Efficiency	CSF2: Desired Working Arrangements	CSF3: Strategic Aims	CSF4: Deliverability
Retain Barnet House and build another	Potential to deliver savings. Would require up-front investment from LBB, which would require inclusion in the Capital Programme and retention of two sites would limit efficiency gains	Opportunity to deliver planned changes	Dependent on location and nature of accommodation, could potentially facilitate greater access to LBB services	Would require an 'interim' solution whilst new accommodation is developed
New office accommodation on the Grahame Park site in Colindale	Potential to deliver savings. Would require up-front investment from LBB, which would require inclusion in the Capital Programme	Opportunity to deliver planned changes	Meets strategic regeneration aims	Would require an 'interim' solution whilst new accommodation is developed
Build new office accommodation elsewhere	Potential to deliver savings. Would require up-front investment from LBB, which would require inclusion in the Capital Programme	Opportunity to deliver planned changes	Dependent on location and nature of accommodation, could potentially facilitate greater access to LBB services	Would require an 'interim' solution whilst new accommodation is developed and the identification of suitable premises may delay timescales further
Debt and asset sale	Potential to deliver savings. Scale and scope very unpredictable without further investigation	Opportunity to deliver planned changes, but potential disruption for staff	LBB does not have a strategic aim to proceed on this basis	Very challenging within required timescales
Operate a full 'commissioning' model	Potential to deliver savings. Scale and scope very unpredictable without further investigation	Opportunity to deliver planned changes, but potential disruption for staff	LBB does not have a strategic aim to proceed on this basis	Very challenging within required timescales

Option	CSF1: Efficiency	CSF2: Desired Working Arrangements	CSF3: Strategic Aims	CSF4: Deliverability
Consolidate into all current surplus accommodation	Unlikely to achieve savings, and would require significant investment into customising existing estate for accommodation. Not assessed as financially feasible	Does not align with the Smarter Working Group plans for accommodation. Less scope for flexible working within a highly geographically diverse workforce.	Dependent on location and nature of accommodation, could potentially facilitate greater access to LBB services	Very challenging within required timescales
'Hub and spoke'	Unlikely to achieve savings, and would require significant investment into new premises with an appropriate size / scale and geographical footprint	Does not align with the Smarter Working Group plans for accommodation. Less scope for flexible working within a highly geographically diverse workforce.	Dependent on location and nature of accommodation, could potentially facilitate greater access to LBB services	Very challenging within required timescales

From this long list appraisal, the following conclusions can be drawn:

- Considering new office accommodation on the Grahame Park site in Colindale has a number of advantages. It could deliver savings (pending further investigation in the short list appraisal), meets a primary regeneration objective of LBB and can be designed around optimal working arrangements. It would, however, entail potential disruption for staff and does require an 'interim' solution whilst the site is developed. It is a preferable option to others which involve the building of new accommodation as it is in an ideal location for regeneration (and is easier to make firm cost estimates for the short list appraisal);
- Consolidation into Barnet House and NLBP is a suitable 'Do Minimum' option that should continue to the shortlist. It is preferable to seeking alternative rental accommodation as it is both a potential interim solution that can be delivered relatively quickly and it involves less disruption for staff;
- 'Do nothing' is not a desirable option as it does not deliver the savings required against LBB's budget baseline. It should, however, be retained for the short list appraisal as a comparator option to test others against; and

- A number of long list options are not suitable for further consideration on the shortlist as they are either (or both) not strategically aligned to LBB's directions or are not deemed financially deliverable within the required timescales. This include 'out of borough', sharing with other local authorities or public bodies, a debt and asset sale, a 'commissioning' model for accommodation, using all surplus accommodation or a hub and spoke approach

Short list options appraisal

Based on the long list appraisal undertaken above, three options have been selected for the short list appraisal:

- **'Do Nothing'** as a baseline – continuing with leases in both the NLBP sites and Barnet House;
- **'Do Minimum'** – exiting from NLBP Unit 4 and consolidating into NLBP Unit 2 and Barnet House; and
- **'Do Maximum'** – develop new, specialist accommodation at Grahame Park in Colindale to move into in 2017, having consolidated as per the 'Do Minimum' option beforehand.

The economic appraisal of these short listed options has been undertaken over a 34 year period, to reflect the proposed length of borrowing required to finance development of new accommodation in the 'do maximum' option.

Annex B details the full assumptions and underlying workings of the economic appraisal of these options. Key assumptions are:

- The ongoing costs of the 'Do Maximum' option reflect interest payments (assumed rate 3.34%) and the Minimum Revenue Provision (MRP) set aside for debt repayment to be included in LBB annual accounts. This has been deemed as more appropriate for the economic position of LBB than including the full £32.8m estimated borrowing requirement upfront;
- In accordance with the HMT 'Green Book' guidance on investment appraisals:
 - A discount rate of 3.5% has been applied to reflect the time value of money and establish the Net Present Value (NPV) of each option;
 - All costs are in today's prices, with the exception of scheduled 'rent review' uplifts included in the Do Nothing and Do Minimum option.
- The initial move to consolidated accommodation in the and Do Minimum and Do Maximum options takes place in October 2015; and
- The move into the new accommodation at Grahame Park in Colindale in the Do Maximum option takes place in October 2017.

The summary options appraisal conclusions are illustrated in the table below.

Option (all figures in £m)	Do Nothing	Do Minimum	Do Maximum
Implementation Costs	0.0	-3.7	-6.2
Ongoing Accommodation Costs	-348.7	-167.3	-131.6
Income	0.0	26.1	26.1
Savings against Do Nothing baseline	0.0	348.7	348.7
Net Savings	0.0	203.8	237.0
Net Present Value (3.5% per annum applied)	0.0	111.5	126.3

This demonstrates that over a 34 year period to 2048-49, both the Do Minimum and Do Maximum options deliver significant savings against the Do Nothing 'baseline' by reducing the accommodation footprint of LBB. It also demonstrates that the Do Maximum option delivers further savings by removing rental costs from LBB. The combination of interest payments and MRP is low enough per annum to justify the investment in build costs.

We have made no allowance for maintenance or life cycle costs in relation to both the 'Do Minimum' and 'Do Maximum' options and allowances will need to be made in the Outline Business Case (OBC) which will reduce the net savings figure.

The Financial Case will assess the medium term financial implications, against LBB baseline budget assumptions, of the preferred option.

The Outline Business Case (OBC) will review the risks and assess any 'optimism bias' within the projections to include a sensitivity analysis to demonstrate variations dependent on the key input assumptions.

Conclusion

This Economic Case indicates the preferred way forward for Barnet's office accommodation is to proceed upon the basis of a new build development at Grahame Park, Colindale, from 2017, having initial consolidated office accommodation into Barnet House and NLBP building 2, from October 2017. This delivers significant savings against LBB's current office accommodation footprint. It has the potentially significant strategic advantage of moving LBB onto a 'freehold' rather than 'leasehold' basis for accommodation and will also leave the authority with an asset of potentially considerable residual value.

In accordance with best business case development practice, further detailed analysis on the short list of options will be undertaken in the Outline Business Case, to be presented in June 2015.

The Commercial Case will now outline how this preferred option can be sourced. The Financial Case will indicate the potential affordability and financial viability this approach before the Management Case makes initial proposals for the implementation plan, governance approach and management of risks.

4 Commercial Case

The Economic Case sets out the preferred option for Barnet's office accommodation from October 2015. This Commercial Case indicates how this could be 'sourced', including the high level commercial and negotiation approach.

Required services

As described within Section 3 - Economic Case, the preferred option centres on the premise of constructing a new purpose built building for occupation by the authority.

The council is able to utilise its existing contractual arrangements with Capita to facilitate a redevelopment at Colindale through a Design and Build Contract.

In terms therefore of the required additional services, these will comprise three principle areas as follows:

- Full development support services as set out under the section below: Capita / Re
- Development contractor: To be appointed through approved London list Re / LBB
- Funding: LBB

Sourcing approach

The physical development will be undertaken through a JCT design and build contract project managed by Re on behalf of the council appointing a contractor from the approved GLA London contractors list.

Re is a joint venture company co-owned by Capita and LBB designed to deliver development and regulatory services.

The appointment of the contractor will require a full OJEU process which it is envisaged will be managed by Re, in association with the LBB procurement team.

In terms of the Re / Capita inputs, the services that Capita will provide through the existing contractual arrangements are as follows:

- A. Preparation of the outline design (See Annex A)**
- B. Submission of a full planning application**
- C. Cost Consultancy**
- D. Project Management**
- E. Development Management**

Commercial implications

Through utilising the existing Capita / LBB contract alongside the council's internal procurement team, we believe that the commercial risks can be minimised and Capita's extensive experience in development management will ensure that the commercial negotiations will be conducted to the maximum possible benefit of the council.

Personnel implications

The LBB / Capita contract is for a term of ten years which will ensure continuity of approach and personnel throughout the development period enabling the scheme to be completed in a timely manner for occupation by 2017. There are no TUPE requirements in relation to this project.

Conclusion

This Commercial Case has indicated the sourcing approach that Barnet propose to deliver the preferred option. In accordance with business case best practice, this will be further developed and confirmed within the Outline Business Case (OBC) to be prepared for June 2015.

5 Financial Case

The Economic Case indicated the preferred way forward for Barnet's office accommodation. This Financial Case indicates the budgetary, financial and affordability considerations of this approach.

In accordance with business case best practice, the Financial Case includes VAT, inflation and depreciation considerations which are excluded from the Economic Case.

Funding requirements

The preferred option emerging from the Economic Case requires estimated 'up front' funding of the development of £32.8m. This will be included within LBB's capital programme and could be funded from capital receipts or from Public Works Loan Board borrowing. A 30 year loan to be repaid upon maturity, with an interest rate of 3.34% is, in either cost, a suitable proxy upon which to base financial planning (and the economic appraisal).

The Economic Case considered this long term, strategic investment over a 30 year period. The revenue funding requirements of LBB are, of course, initially over a shorter term timeframe. LBB have a Medium Term Financial Strategy (MTFS) requirement to save £40.3m over the period up to 2024.

In accordance with the projections in **Annex B**, both the Do Minimum and Do Maximum options from the Economic Case meet this initial target, as illustrated in the summary below.

Financial implications to 2023/24 / £m	Do minimum	Do maximum
Baseline accommodation cost ('Do Nothing')	90.6	90.6
Proposed total accommodation costs	51.9	47.8
Income	(6.4)	(6.4)
	45.6	41.4
Net Saving	(45.0)	(49.2)
MTFS target	40.0	40.0
PSR target	9.6	9.6
	49.6	49.6
Gap to MTFS + PSR target	4.6	0.4
One-off cost (excluding construction costs*)	4.0	6.5

The figures above are without any discounting applied, and include Minimum Revenue Provision (MRP) considerations.

Affordability considerations

As demonstrated above, the Do Maximum option is within LBB financial projections over the overall period. Further detailed consideration of the funding of the 'one-off' implementation costs, and the approach to the capital financing provided will be outlined in the Outline Business Case.

Projected Income and Expenditure Account implications

The summary above outlines the full accounting implications of the preferred option. This will be outlined in additional detail in the Outline Business Case, including full projections.

Projected Balance Sheet

The preferred option will include an additional freehold asset on the LBB balance sheet. In accordance with existing accounting policies, it is intended that this building asset will be depreciated over 50 years, and the MRP will be calculated based on these timescales. It is feasible that the asset will be revalued over its life, and could have a material residual value for LBB. The MRP is therefore being calculated on a highly prudent basis.

A full projection of the balance sheet implications of the preferred option will be incorporated in the Outline Business Case.

Conclusion

This Financial Case has indicated the financial implications of the preferred way forward. The preferred option is within the current budget parameters and baselines of LBB.

In accordance with business case best practice, the funding and affordability considerations will be further developed and additional detail and certainty incorporated with the Outline Business Case to be presented in June 2015. In particular, additional sensitivity analysis and consideration of risk and 'optimism bias' will be applied to the financial projections.

6 Management Case

The Economic, Commercial and Financial Cases have indicated the preferred way forward for Barnet's office accommodation approach. This Management Case provides outline approvals for the project management, governance, implementation, risk management and benefits realisation that will be required to ensure successful delivery.

Project management arrangements

As set out under section four, the physical project management of the new build at Colindale will be undertaken by Re under the existing contractual arrangements. The following key roles will have lead personnel appointed:

- ***Development Programme Lead***
- ***Design***
- ***Planning***
- ***Finance***
- ***Project Manager***
- ***Appraisals***

Implementation Plan

We have attached **at Annex C** an implementation plan in relation to the first phase of the proposed Colindale development.

The development timeline addresses the activities required to be undertaken by the project management team and key outputs for the period December 2014 – October 2015 at which time tender documents for the construction period will be prepared and issued.

Governance arrangements

In terms of governance by the Council, implementation of the preferred way forward is devolved to the Accommodation Implementation Programme (AIP).

The Programme Board comprises officers from both LBB and Capita, supported by building surveying, the Smart Working team and the Estates team. The Programme Board reports to the Assets and Capital Board on a monthly basis.

Approvals

The strategic outline case will be submitted to the March Assets and Capital Board for approval and subsequently to the ARG Committee.

Risk management arrangements

We have identified the key risks in relation to the project and considered how these should be mitigated in order to minimise the risk of delays in taking possession of the new building and staff dissatisfaction resulting in the possible loss of key employees unwilling to make the transition to the west of the borough.

The management of risk relating to the building programme will fall to the project and development management team who will seek to ensure that the contractual arrangements allow, as far as possible, for the financial risk to be passed to the contractor wherever feasible.

Consequently where financial risk will fall to the council as the end user, an element of mitigation has been provided for within the development appraisals which have been reflected within the Economic Case at section 3.

The approach to management and mitigating the key risks is shown at **Annex D**.

Benefits realisation approach

In order to ensure that as an absolute minimum the gross contractual target saving of £40.3m (forty million, three hundred thousand pounds) is achieved over the period 2013-2023, the cost benefit model will be reviewed monthly and the results reported to the Assets and Capital Board throughout the development period.

The programme manager will be responsible for ensuring that the proposed target savings are realised alongside the project management and development teams who will monitor both savings / costs and development progress and have primary responsibility for preparing monthly reports.

Conclusion

This Management Case has proposed the implementation, governance and risk management arrangements that will be in place to enable successful delivery of the preferred way for Barnet's office accommodation. These proposals will be further developed in the Outline Business Case.

Annex A – Design Services

Introduction

The design for new JV Offices in Colindale has been developed on the basis of the brief formulated with the OARS team.

It is representative of the provision of staff co-located into one signature building in Colindale as part of the Barnet Councils aspirations for the wider regeneration of the Colindale Area.

The Design options for the siting of the new building allow for a baseline of strategic decisions that will continue to employ key stakeholder and landowners to inform the progression of the project through to the next stages of design and land assembly. Our strategic design options have explored different configurations and opportunities to assemble a development site suitable for the new offices that addresses the adjacent regeneration schemes at various stages of design, procurement and construction.

Design Criteria

The design options for the new offices have been developed on the basis of integrating with the strategic regeneration schemes of; Grahame Park; Platt Hall; and Beaufort Park.

In addition a number of the Barnet team from Re and Capita are embedded in the Peel development attending key workshop and stakeholder meetings support the Redrow design team in the master planning of the former MET Police site.

Due to the ongoing Highway Capacity Study for the Colindale area a number of common strategic design criteria have been identified

Detailed traffic modelling has been undertaken to develop the CAAP transport infrastructure requirements and identifying Corridors of Change within Colindale. A number of developments have already been constructed or have planning permission and other development sites are in the process of developing planning applications. The process has resulted in changes to the delivery phasing and programme, initially developed in 2007. There have also been changes in local and regional transport policies and network conditions. This has resulted in a requirement to review and refresh the transport infrastructure requirements.

Building Brief

The New Office will be designed on the basis of providing Grade A specification office accommodation. Office spaces will be large open plan environments, supported with essential core circulation meeting rooms and facilities to support business operations. The structure will consist of a reinforced concrete frame. Internally the offices will be fitted out to a first class standard with Grade A finishes throughout. The Mechanical and Electrical system will compliment the office standards by providing a highly sustainable environmentally controlled BREEAM Excellent building.

Scheme design proposals are being prepared incorporating Design Brief Particulars (below) together with ongoing technical consultation with Genesis, the London Borough of Barnet, Planning, Re and Capita's multidisciplinary design team. The design has been approached in a methodical manner commencing with collation of information available concerning the physical, legal, and architectural constraints associated with the site. The project team are in the process of developing the brief further, following the initial studies undertaken to support a new office development of this scale in Colindale. The following design criteria is indicative only, subject to further detailed site investigation and report analysis, ongoing surveys, third party information, technical dialogue, public consultation to support and validate a detailed planning application.

Design Brief: Particulars

General: The proposed development site will be used for the provision of New Offices for the London Borough of Barnet. The current scheme will be an eight storey (to be confirmed) complex with basement parking, housing fifty four (tbc) car parking spaces including disabled bays, bicycle store and bin storage.

Project Outcomes

Brief, Design and Quality Control

- Co-ordinate with Consultants the preparation of the design brief. Amplify the design brief as necessary during design development. Incorporate any changes and obtain Employer authorisation. Issue to consultants.
- Establish the responsibilities of Consultants, contractors and sub-contractors.
- Report Consultant scheme design proposals to Employer.
- Report preferred components, drawings and specifications prepared by Consultants to the Employer and obtain approval. Arrange amendments, if required, and submit final proposals to Employer for approval.
- Check that Consultants review build ability and the technical design of proposals with specialist contractors.
- Establish procedures for checking that the consultants' designs conform to the project brief.
- In conjunction with Consultants, advise on the need for quality assurance schemes, defects insurance and product guarantees.

Reporting and Meetings

- Establish appropriate channels of communication between members of the project team.
- Establish meetings structure. Lay down procedure for convening, chairing, attendance, function, frequency and responsibility for recording of meetings and circulation of information. Monitor communications and distribution of information.

- Check appropriate information is provided to the Employer. Notify the Employer of decisions required from him.
- Agree with Consultants their reporting and recording procedures.

Programming

- In conjunction with the multi disciplinary design consultants, prepare and maintain a master programme from concept to completion to record principal activities and identify critical dates. Verify and incorporate Consultants' programmes for production of detailed design information. Monitor progress.
- Check that applications for statutory consents, government grants etc. are submitted in accordance with the master programme.
- Advise the Employer of information required, recommend appropriate action, stakeholder engagement and obtain authorisation where required.

Statutory and Compliance

- Co-ordinate and support negotiations with planning authorities.
- Check with the architect the form and content of planning applications. Progress the planning process and arrange that the project team carry out a check of all approval/refusal documents. Check that Consultants implement and deal with any conditions attached to a planning consent.
- Check with the Consultants, which other statutory approvals are required and that application for approval are submitted. Check that Consultants apply for amendments to statutory approvals granted when required.
- Check that the Consultants obtain clearance from health and safety and fire officers.
- Advise the Employer on the requirements of the C (DM) Regulations 1994 in relation to the appointment of the planning supervisor, designers and principal contractor.

The following scope of service is to provide performance design duties The M&E services include the following systems:

Up to Submission of the Planning Application RIBA Plan of work Stage 3

- Developing the approved concept design to show spatial arrangements, types of construction, materials, appearance and detailed proposals for structural and building services systems and updated outline specification.
- Consult with Statutory Authorities on developing the design proposals with the Client.
- Providing information for updating construction cost estimates.
- Produce visual montage in support of planning application.
- Preparing and submitting application for detailed planning permission.

Annex B – Additional detail on economic and financial appraisals

LONDON BOROUGH OF BARNET/CAPITA

05 March 2015

Final Accommodation		NLBP4		
		NLBP2		
		Barnet House		
		Additional rental area		
		Additional developed		
Current Actual Costs of Existing Accommodation September 2013 - March 2017			90,600,000	90,600,000
Proposed Accommodation costs				
Sub total				
Barnet Implementation Costs	NLBP 2 DELAPS Provision (2020)		70,000	70,000
	Moving cost		220,000	740,000
	IT Infrastructure Cost		170,000	670,000
	Legal Cost		80,000	160,000
	Lease break interest and Lease 2 over payment		30,000	30,000
	Fit-Out Cost		1,620,000	2,810,000
	NLBP2 & 4 office furniture reprovision		330,000	330,000
	Advanced occupancy cost NLBP2			213,000
	Additional office accommodation 24 months 20,000 ft2		1,500,000	1,500,000
	BH Additional running Costs Oct 2015 - March 2017		Included in Barnet House Running Costs	
	BH Additional running Costs Oct 2015 - August 2023		Included in Barnet House Running Costs	
	BH Mothball costs from April 2017		Nil	Nil
	OARS Delivery Fee		Deleted	Deleted
Total Costs			4,020,000	6,523,000
Income	Rental rates, charges & costs from CCG		-1,460,000	1,460,000
	Rental, rates, charges & costs from Re		-4,920,000	4,920,000
	Rental income from Barnet Homes		Not Applicable	
Total Income			-	6,380,000
Net Saving against current cost			41,020,000	42,667,000
Net Contractual Guarantee			36,640,000	36,640,000
Variance Against net Contractual Guarantee			4,380,000	6,027,000

Note: The Review Period runs between September 2013 and August 2023

LONDON BOROUGH OF BARNET/CAPITA

OAR'S OPTION STUDY REPORT

05 March 2015

OPTION 1A - NLBP4 move into NLBP2 October 2015, NLBP and Barnet House Retained. No new offices

OPTION 3C - NLBP4 move into NLBP2 October 2015, NLBP and Barnet House move into new developed offices April 2017 - 90,000FT2

OPTION 3C NEW OFFICES RENTAL COST AT INTEREST CHARGE RATE OF £1,095,920/YEAR FIXED THROUGH THE TERM,

OPTION 1 BASE LINE - DO NOTHING					OPTION 1A VACATE 4 KEEP 2 AND BARNET HOUSE				OPTION 3C VACATE ALL OFFICES AND BUILD NEW			
YEAR	COST	BUILDING 2	BUILDING 4	BARNET HOUSE	BUILDING 2	BUILDING 4	NEW BUILD	BARNET HOUSE	BUILDING 2	BUILDING 4	NEW BUILD	BARNET HOUSE
SEPTEMBER 2013/ APRIL 14	RENT	410,000	1,400,000	440,000	410,000	1,400,000		440,000	410,000	1,400,000		440,000
	SERVICE CHARGE	130,000	570,000	0	130,000	570,000		0	130,000	570,000		0
	RATES	160,000	560,000	200,000	160,000	560,000		200,000	160,000	560,000		200,000
	SUB TOTAL	700,000	2,530,000	640,000	700,000	2,530,000		640,000	700,000	2,530,000		640,000
	RUNNING COSTS	250,000	620,000	280,000	250,000	620,000		280,000	250,000	620,000		280,000
	TOTAL	950,000	3,150,000	920,000	950,000	3,150,000		920,000	950,000	3,150,000		920,000
2014/15	TOTAL	1,630,000	5,390,000	1,570,000	1,630,000	5,390,000		1,570,000	1,630,000	5,390,000		1,570,000
2015/16	TOTAL	1,720,000	5,500,000	1,570,000	1,870,000	3,150,000		1,690,000	1,870,000	3,150,000		1,690,000
2016/17	TOTAL	1,750,000	5,660,000	1,570,000	1,950,000			1,850,000	1,950,000		1,715,520	1,850,000
2017/18	TOTAL	1,750,000	5,660,000	1,610,000	2,050,000			1,890,000			2,635,520	0
2018/19	TOTAL	1,750,000	5,660,000	1,650,000	2,130,000			1,930,000			3,555,520	0
2019/20	TOTAL	1,750,000	5,660,000	1,650,000	2,130,000			1,930,000			3,555,520	0
2020/21	TOTAL	1,850,000	5,780,000	1,650,000	2,172,500			1,930,000			3,555,520	0
2021/22	TOTAL	1,890,000	5,960,000	1,650,000	2,300,000			1,930,000			3,555,520	0
2022/23	TOTAL	1,890,000	5,960,000	1,700,000	2,300,000			1,980,000			3,555,520	0
2023/24	TOTAL	780,000	2,240,000	730,000	2,300,000			850,000			1,538,540	0
TOTALS		17,710,000	56,620,000	16,270,000	21,782,500	11,690,000	0	18,470,000	6,400,000	11,690,000	23,667,180	6,030,000
Sum			90,600,000			51,940,000				47,790,000		
			90,600,000			51,942,500				47,787,180		

Annex C – Implementation Plan

Colindale Hq – Development Timeline

Description Of Proposed Works/Tasks Etc	2014	2015										
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Phase 1 - Funding Required To Cover Project Costs Up To Receipt Of Planning	TBC											
Appropriate Testing To Determine Viability	>>>>>>>>											
Performance Agreements - Dedicated Services To This Project - Planning Etc	>>>>>>>>											
Lbb Ceo-Leader-Cath Shaw To Review Ward Members Consultation Pack	>>>>>>>>											
Consultation With Ward Members - Approval Required	>>>>>>>>											
Revisions Required To The Ward Members Consultation Pack	>>>>>>>>											
Consultation With Ward Members - Approval Required	>>>>>>>>											
Final Responses - Revisions To Local Community	>>>>>>>>											
Ward Members Revisions To Community Consultation Pack	>>>>>>>>											
Consultation With Local Community - Exhibitions (2 Evenings)	>>>>>>>>											
Project Website Page - Up To Date & Coming Soon - News about The Project	>>>>>>>>											
Product Initiation Document (Pid) Issues And Risks Log	>>>>>>>>											
Final Responses - Revisions To Local Community	>>>>>>>>											
Experts - Consultants To Be Appointed (Wax) & All Reports To Be Completed	>>>>>>>>											
Sos & All Other Consents Required To Dispose/Transfer Of Land Parcel	>>>>>>>>											
Extinguishing All Issues To Obtain Clear Title On Land Parcel	>>>>>>>>											
Final Pre Planning Meetings With Internal Regulatory Services	>>>>>>>>											
Planning Consultant's Statements & Documents In Support Of Application	>>>>>>>>											
Planning Registration & Statutory 13 Week Process												
Judicial Review Period 6 Weeks	No Re-Consultation Period Included											
Appropriate Parcel Of Land To Planning												
Tender Documents For Proposed Construction Works												

Annex D – Risk Register

Risk Description <i>"There is a Risk that...."</i>	Risk Owner		Risk Outcome / Impact Assessment	Impact 5 = Critical 4 = High 3 = Medium 2 = Med-Low 1 = Low	Probability 5 = Occurred 4 = High 3 = Medium 2 = Med-Low 1 = Low	PRIORITY (Impact multiplied by Probability)	Risk Management Actions
	Organisation	Name					
...OF ARCHAEOLOGICAL ISSUES	Re	Martin Cowie / Mike Spyrides	IMPLICATIONS TO PROGRAMME	1	1	1	NO KNOWN RISKS, VERY LOW RISK, MAINTAIN A WATCHING BRIEF
...PLANNING CONDITIONS/SECTION 106 REQUIREMENTS WILL BE IMPOSED	Re	Martin Cowie	IMPACT ON COST	1	1	1	SPECIALIST PLANNING CONSULTANT HAS BEEN ENGAGED TO ASSESS AND LIAISE WITH PLANNING AUTHORITY, PLANNING CONSULTANT WILL LIAISE WITH L.A. TO MITIGATE IMPACT,
...OF ECOLOGY ISSUES	Re	Martin Cowie / Mike Spyrides	IMPLICATIONS TO PROGRAMME	2	1	2	ECOLOGY SURVEY TO BE CARRIED OUT
...OF ISSUES WITH HIGHWAYS, TRANSPORT AND PARKING	Re / LBB	Martin Cowie	POSSIBLE CHANGES TO LAYOUT	3	1	3	CONTINUE DISCUSSIONS AND MEETINGS WITH LOCAL AUTHORITY
....THERE WILL BE A DELAY IN THE FUNDING/LOCAL AUTHORITY APPROVAL	Re	Mike Sudlow	IMPLICATIONS TO PROGRAMME	2	2	4	FUNDING METHODOLOGY TO BE SUBMITTED & AGREED
..IF BUILDING REGULATIONS APPROVAL IS DELAYED	Re	Tim Mulholland / Mike Spyrides	IMPLICATIONS TO PROGRAMME	2	2	4	THE BUILDING HAS BEEN DESIGNED TO MEET CURRENT BUILDING REGULATIONS , DETAIL PROPOSALS WILL BE SUBMITTED TO THE BUILDING INSPECTOR FOR APPROVAL
....CONTRACTORS MAY NOT BE WILLING TO TENDER	Re	Tim Mulholland / Mike Spyrides	IMPLICATIONS TO PROGRAMME	4	1	4	TENDER AND PROCUREMENT STRATEGY INDICATES THAT CONTRACTORS ARE WILLING TO TENDER
...PWLFB FUNDING IS NOT AVAILABLE	LBB / RE	Mike Sudlow / LBB Finance Team	VIABILITY EFFECTED	5	1	5	EARLY NEGOTIATIONS TO SECURE FUNDING
....STAFF RESIST THE MOVE TO THE WEST OF THE BOROUGH	LBB / Re / CSG	Various	LOSS OF KEY STAFF MEMBERS	2	3	6	AGILE WORKING BOARD TO SET UP STAFF CONSULTATION
...STAFF RESIST GREATER DEPENDANCY ON PUBLIC TRANSPORT	LBB / Re / CSG	Various	LOSS OF KEY STAFF MEMBERS	2	3	6	ISSUE TRANSPORT PLAN
...REDUCTION IN FACILITIES EFFECTS OVERALL STAFF MORALE	LBB / Re / CSG	Various	LOSS OF KEY STAFF MEMBERS	2	3	6	NEW BUILDING WILL HAVE FULL FACILITIES AND STAFF CONSULTATION EXERCISE TO TAKE PLACE
...PLANNING WILL BE DELAYED	Re	Martin Cowie	DELAYS TO START ON SITE	4	2	8	PLANNING APPLICATION TO BE LODGED IN A TEIMELY MANNER, PLANNING CONSULTANT APPOINTED, REMAIN IN CONSULTATION WITH PLANNERS
...OF PLANNING PROCESS OBJECTIONS	Re	Martin Cowie	PLANNING AUTHORITY WILL DETERMIE IF OBJECTION IS MERITED	4	2	8	CONSULTATION AND PRESENTATION MEETINGS TO BE HELD IF REQUIRED ,MAINTAIN CONSULTATION WITH KEY STAKEHOLDERS
....THE CLIENT WILL CHANGE THE BRIEF	LBB	Various	IMPLICATIONS TO THE PROGRAMME/COST	5	2	10	ESTABLISH ROBUST BRIEF WITH THE CLIENT AND CONTINUE TO REVIEW, MONITOR AND ADVISE.
....OF LACK OF CARPARK ON SITE	Re	Paul Devitt	IMPACT ON DESIGN /LAYOUT	4	4	16	ALTERNATIVE LOCATIONS UNDER CONSIDERATION

.....THERE WILL BE RIGHTS OF LIGHT ISSUES	Re	Paul Devitt	IMPACT ON DESIGN /LAYOUT	3	4	12	DAYLIGHTING CONSULTANT ENGAGED
... THE BUILDING WORK OVERRUNS	Re	Mike Spyrides	IMPACT ON COST/PROGRAMME	5	3	15	PROGRESS AND PROGRAMME CONTROLS WILL BE IN PLACE TO MAINTAIN CHECKS AND EARLY WARNINGS, WITH PROPOSALS TO OVERCOME END DATE ISSUES.
...THAT THE DESIGN DOC DOES NOT MEET THE NEEDS OF THE USER COMMUNITY	Re / LBB	Various	IMPACT ON DESIGN AND LAYOUT	4	4	16	ENSURE DESIGN MEETS OCCUPIER NEED
... THAT THE DEFINED SPACE IS INSUFFICIENT TO ACCOMMODATE THE SPACE OF ALL THE WORK FORCE	LBB	Various	ADDITIONAL ACCOMMODATION REQUIRED	4	4	16	ENSURE DESIGN MEETS OCCUPIER NEED

