Northamptonshire County Council

Project Angel

Full Business Case

Executive Summary
1. **Executive Summary**

This Full Business Case (FBC) is for the provision of a new office building to be built on Angel Street in the centre of Northampton.

The FBC has been prepared using the agreed standards and format for business cases, as set out in Treasury Guidance and reflecting SORP 5 principles.

The FBC is the third of four primary reports, initially commencing with the Strategic Outline Case (SOC), the Outline Business Case (OBC) (Cabinet approved October 2012), this Full Business Case (FBC) and lastly the Final Business Case which will be prepared post construction/occupation and will outline whether the project met fully its objectives, benefits realisation etc.

The approved format is the Five Case Model, which comprises the following key components:

1. the **strategic case** section. This sets out the case for change, together with the supporting investment objectives for the scheme.

2. the **economic case** section. This demonstrates that the organisation has selected the most economically advantageous offer, which best meets the existing and future needs of the service and optimises value for money (VFM).

3. the **commercial case** section. This sets out the arrangements for the design and build contract.

4. the **financial case** section, which confirms funding arrangements, affordability and the effect on the balance sheet of the organisation.

5. the **management case** section which details the plans for the successful delivery of the scheme to cost, time and quality.

1.1. **Strategic case**

The strategic case that underpins Project Angel in supporting national, local and organisational agendas is strong.

Over the course of this Parliament, the government has taken significant action to reduce costs by increasing the efficiency of the public sector. The Budget 2014 announced that the Government Property Unit will increase its work with local areas on better use of public sector assets. Project Angel is well placed as a ‘Strategic Public Asset’ to support the aims of the national budget through its significant contribution to the required organisational revenue savings, and its ability to act as a collaborative hub with partner organisations.
Northamptonshire Enterprise Partnership (NEP) is a Local Enterprise Partnership (LEP) with a clear objective: to increase the prosperity of Northamptonshire’s businesses by supporting the creation of better quality private sector jobs. The objective is to bring together local authorities and the private sector to help promote grass-roots economic recovery; to stimulate job creation and growth according to local priorities.

Project Angel contributes to the strategic priorities of the Strategic Economic Plan by:

- “Growing Our Businesses – meeting the current and future demands of business” – through the provision of flexible accommodation to meet the current and future needs of the organisation;

- “Growing Our Businesses - developing our future workforce” – through the provision of apprenticeship opportunities;

- “Growing Our Places – environmental sustainability and energy” – through the provision of a sustainable building;

- “Growing Our Places - office floor space” – through the provision of modern, efficient and flexible accommodation.

Northamptonshire’s growth proposition to central Government is further outlined in ‘Northamptonshire’s 10 Point Plan’ 2013. Project Angel is quoted in the 10 Point Plan as a specific example under the ‘Public sector land and buildings’ section within the plan as follows:

“Northamptonshire is being increasingly proactive in the way in which public sector land holdings and buildings are being used. The goal is to reduce costs to the public sector through consolidation of assets and modernisation and enable new jobs and homes to be created.

A specific example is the £43m investment in Project Angel (due for completion by 2016). This includes a new headquarters building for the County Council and will act as a catalyst for further regeneration and private sector investment in the central and waterside areas of Northampton. This is part of a wider programme of activity and the Northampton Alive initiative. The County Council estimates that Project Angel will save it £54m in future running costs and bring £12m into the town centre.”

Local Public sector bodies are promoting Northampton Alive; a delivery plan which builds on the heritage, culture and record of enterprise in the town, linking in with both the Central Area Action Plan and the Enterprise Zone. It covers a series of major improvements to the area being delivered in unison and together, these key projects will increase the size of the town centre by more than a third over the next decade and seek to capitalise on the investment by businesses such as Avon, Cosworth and Carlsberg in the town. Project Angel is one of the projects featured.
Council Plan and Medium Term Financial Plan

On an organisational level, the Council Plan sets out the strategic direction for Northamptonshire County Council; provides the framework for the development of project plans and the prioritisation of resource allocation; outlines what the Council is trying to achieve for the customers and communities of Northamptonshire, and the context in which this is taking place; namely an environment of significant economic, social, demographic and legislative change. Project Angel specifically contributes to the following themes:-

Table 1: Northamptonshire County Council – Project Angel contribution to Strategic Goals

<table>
<thead>
<tr>
<th>Strategic Goals</th>
<th>Key Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprising Public Sector</td>
<td>Asset Utilisation Strategy</td>
</tr>
<tr>
<td></td>
<td>Maximise the utilisation of assets</td>
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<td></td>
<td>Self Financing</td>
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<td>Return on investment</td>
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<tr>
<td>Innovative Public Sector</td>
<td>Next Generation Working</td>
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<td></td>
<td>Flexibility and smart working</td>
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<td></td>
<td>Exploit Technology</td>
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<td></td>
<td>Maximise investment in IT</td>
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<td></td>
<td>Ambitious Partnerships</td>
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<tr>
<td></td>
<td>LGSS / other partners / strategic alliances</td>
</tr>
<tr>
<td>Increasing the wellbeing of your community</td>
<td>A prosperous county</td>
</tr>
<tr>
<td></td>
<td>Regeneration</td>
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<tr>
<td>Trusted Brand</td>
<td>Value</td>
</tr>
<tr>
<td></td>
<td>Providing value for money</td>
</tr>
<tr>
<td></td>
<td>Pride</td>
</tr>
<tr>
<td></td>
<td>Proud of Northamptonshire as a place to live and work</td>
</tr>
</tbody>
</table>

The Medium Term Financial plan (MTFP) forms an integral part of the Council’s corporate planning process and provides the financial expression of the Council Plan, setting out the financial strategy and financial envelope within which the Council must operate.

The way public services are provided will now undergo their biggest ever transformation if they are to survive. The MTFP outlines how the Council is planning to respond to these challenges by transforming with new focuses, new ways of working and new priorities as identified in the Council Plan.

Project Angel is a fundamental part of the MTFP; in fact without this project, further efficiency savings would be required to fill the funding gap created by maintaining the status quo.


The Asset Utilisation Strategy (AUS) has been reviewed and whilst the main principles remain the same, a small number of key themes have been developed to drive focus and prioritisation.
- **Strategic Land Holdings** - maximise major development and infrastructure projects optimising the future use of Council land to promote environmental and economic improvements

- **Assertive Rationalisation** - more rigorously review/challenge with a move from the current status of the estate.

- **Community Use** - review the commercial basis of how ‘3rd sector’ use Council property

- **Maximising Returns** - timely marketing of surplus property/land to achieve maximum value/return or driving strong income streams from surplus property/land

- **Partnering** - actively work with partners (both public and private sector) to review (a) shared use of assets, (b) maximise respective rationalisation opportunities and (c) joint mutual benefits

The main difference between the revised AUS and the former is a fundamental shift towards Partnering, Innovation and Intervention within the property and development market to stimulate and maximise opportunity to optimise value and return. The former AUS, although extremely successful, was more inwardly focused, which complimented the Council’s priorities at the time. The new required direction is much more outwardly focused. This shift in focus is mirrored by the aims of Project Angel, which has positioned itself as a Strategic Public Asset, seeking to encourage collaboration throughout the public sector.

**Next Generation Working Programme**

NCC and LGSS are jointly introducing a long term business change programme, branded "Next Generation Working" (NGW). This is aimed at all NCC and LGSS staff, wherever based. The programme builds on nationally established good practice principles of "smart working" with the vision being:-

- A more flexible approach to how, when and where work gets done, with whom we work and the tasks we work on

- A more flexible, mobile, IT confident and productive workforce

- Office environments and IT resources that are suitable for more flexible and mobile ways of working

- A "Digital First" approach, which makes information more easily accessible on line and reduces the need for paper documents, duplicate data entry and bureaucracy

Project Angel works in parallel with the NGW Programme in order to ensure that requirements are delivered to compliment the new building.
1.1.1. **Case for change**

The Council is working towards a more economic, effective and lower carbon state. It is also looking to ensure the staff are provided with the right resources to deliver a more effective service at reasonable cost. The Council is looking for every opportunity to work collaboratively with other public sector bodies to improve service delivery standards at a more manageable cost to the community it serves. The public sector generally is also looking to ensure that it uses its spending power to support regeneration and local economic growth.

The Council’s current buildings are part of an aged infrastructure that incur high maintenance liabilities, are expensive to operate and carbon greedy. Many do not enhance the Council’s public facing image and are inflexible and unwelcoming, with some being inappropriate for their current use. A number contain too many individual offices and flexible space is not easily achieved. It is difficult for some buildings to cope with the changes in technology. Directorates/Divisions are scattered, inhibiting transformation and integration both within the Council and working with other public sector partners.

The way we work continues to alter significantly, as does customer expectations regarding service delivery. The accommodation and organisational culture needs to change to meet these ever growing demands and Project Angel will accelerate this required journey. It also builds on the transformation pilot of Project N-Able at John Dryden House which has commenced the change journey in working practice.

Taking account of the above strategies and plans, the investment objectives/critical success factors for this project, outlined at OBC stage, remain in place at the FBC stage as follows:

- **Economy** – to reduce costs of operating NCC services
- **Effectiveness** – to improve the quality of services provided
- **Regeneration** – to generate economic activity in Northampton
- **Environmental Impact** – to reduce carbon footprint

In order to compliment the Council’s strategies, there is a drive to transform services and consolidate the offering to the customer – however this is very difficult to do from existing property and gain maximum benefits.

Through the work of the Asset Utilisation Strategy, collaboration has been ongoing with Council services in relation to property requirements and a series of ‘design principles’ for the portfolio have been developed. The concept of locality based ‘staff hubs’ and community based ‘spokes’ has also been developed in order to respond to the Council’s countywide reach. The property scope of Project Angel will cover the Northampton ‘hub’ only, as the remainder will be dealt with through other AUS projects.

In line with the project’s critical success factors, a benefits model has been developed, highlighting the main benefits linking from individual project work streams, through
intermediate and end benefits, and how these support the achievement of organisational strategic objectives. Benefits associated with Project Angel fall under three categories:-

a) Benefits that are under the direct control of Project Angel
b) Organisational benefits that Project Angel contributes towards and may influence, but are defined, managed and monitored through other programmes (i.e. Next Generation Working)
c) External benefits that Project Angel may contribute towards but are not monitored through the project (i.e. economic prosperity and environment)

Realisation arrangements for those benefits under the direct control of Project Angel have been developed and are outlined in section 1.5.4.

The project continues to monitor risks, constraints and interdependencies and these are regularly reviewed in line with project progress.

The Strategic Case overwhelmingly demonstrates that Project Angel continues to:

- Meet both national and local agendas
- Complement numerous existing Council policies
- Complement other town centre regeneration projects and in particular, Enterprise Zone innovation
- Meet all design principles of property use
- Enable customer focussed activity to be delivered within the wider ‘hubs and spokes’ model
- Drive forward and keep the momentum of the efficiency agenda

1.2. Economic case

This section of the FBC documents the procurement process and provides evidence to show that the most economically advantageous offer has been selected, which best meets service needs and optimises value for money.

The OBC went through a process of selecting an option from a long list through to a short list before identifying the optimal solution. The preferred and agreed option at OBC stage was as follows:

**Option 2** – a new build within Northampton Town Centre

On 9th October 2012, Cabinet approved the Project Angel Outline Business Case and endorsed the continuation of the project up to the point where there is a preferred construction contractor. Cabinet delegated authority to the Director of Environment, Development & Transport to award the necessary contracts to progress to this point, subject to consultation with the relevant portfolio holder, the Director of Legal Services, the Head of
Procurement and the Director of Finance. This was undertaken via the Project Angel Programme Board.

The Council Cube highlights the importance of Next Generation Working in delivering its future strategies. This confirms the need to develop a smarter working style and to work more closely with partners/providers to derive further benefit. However there is also recognition that significant cultural and operational change will be required in order to effectively implement these arrangements, which is being addressed by the Next Generation Working Programme.

Project Angel’s challenge therefore is to create the next generation of flexible workplaces that will support this. The key elements for this approach are:

- **A Menu of Work-settings.** A truly flexible workplace that supports the whole range of activities that staff undertake;

- **Technology.** The exploitation of technologies and adoption of appropriate behaviours will allow Project Angel to develop a truly flexible workplace.

- **Behaviour Change.** By implementing a structured change management plan via the Next Generation Working Programme,

- **Shared Spaces.** The smart working approach allows for wider operational integration and an opportunity for partners to share space promoting closer working and improved collaboration.

It has been recognised that the Council’s space requirements may vary over time, therefore to pre-empt and manage this, space will be designed to be separable, enabling potential lease, and consideration will be given to potential additional occupants i.e. other NCC staff or partners.

1.2.1. **Travel Plan / Car Parking Strategy**

The new building itself will offer a number of facilities to support sustainable travel, including secure cycle parking, changing rooms, showers and drying facilities. In addition there will also be the provision of 136 under-croft car parking spaces within the confines of the site.

Northamptonshire County Council has no other alternative owned car parking provision and all other town centre car parking, with the exception of limited on-street parking, comes under the auspices of Northampton Borough Council tariff car parks. Recent Northampton Central Area Parking Strategy studies of Northampton town centre car parks have concluded that there is sufficient car parking within the town to cope with this additional demand, there being only a current 50% occupancy rate. NBC also continues to review car parking availability to the south of the town centre in line with Enterprise Zone developments.
To mitigate the financial impact for staff, an agreement has been reached with Northampton Borough Council for NCC/LGSS staff to make use of town centre car park, at a reduced rate to the normal tariffs via a salary sacrifice scheme, similar to the arrangement that NBC has in place for its own staff. This scheme is entirely voluntary and the Council has no contractual obligations to provide parking for staff.

The scheme will commence for those staff based at County Hall, the majority of whom make use of the Council’s Angel Street car park, when construction commences early 2015.

The Council continues to liaise with NBC regarding implementation of car parking facilities for the wider staff group post-occupation.

In addition, Project Angel is committed, via the planning permission conditions/Section 106 agreement, to implementing a Travel Plan. This proposes 46 initiatives to deliver the national target of a 20% shift in private car use to sustainable travel modes over a five year period from occupation. Those measures include travel awareness-raising initiatives, travel co-ordination, and others directly relevant to the council’s Next Generation Working programme. This will be managed by an appointed Travel Plan Coordinator with a specific remit to enable, implement, and monitor the Travel Plan.

1.2.2. Commercial / Retail Space

The OBC incorporated provision for commercial opportunities in the form of retail/convenience store provision to the St John’s Street frontage and cafe provision on the corner of Fetter Street and Angel Street. Following an independent report, it was concluded that whilst there was sufficient demand for a catering unit by the main building entrance; there was insufficient interest from the market to warrant speculative development of a commercial store fronting St John’s Street.

Discussion has been ongoing, culminating in agreement with LGSS – Organisation Workforce Development (OWD), regarding the utilisation of the St John’s Street frontage for a training and development centre.

There has been initial interest from the market regarding operating the cafe, notably without any advertising to date. Subject to approval of the FBC and subsequent construction contract award, a strategy for marketing this opportunity will be developed and implemented.

Commercial opportunities arising from third party occupancy proposals will continue to be reviewed as the project progresses.
1.2.3. **Future of the County Hall Site**

The future of the County Hall site remains an integral element to the programme. The Council will retain the Democratic Will area, Judges Lodgings, Centre Block, the Old Constabulary Buildings and, in partnership with Northampton Borough Council, improve the current forecourt car park into enhanced public realm.

It is proposed that NBC purchases (a) both the Old Gaol Block, to enable extension of the museum, and the Guildhall Road Block, to be used by the University of Northampton to house their Art and Design/Fashion studios within the Cultural Quarter and (b) 6 Angel Street, which will enhance NBC’s adjacent Vulcan Works refurbishment plans and better the public realm offer immediately opposite Angel and indeed County Hall itself.

The proposed alternative use of these properties totally compliments and indeed betters the Cultural Quarter aspirations and further supports the town centre regeneration agenda.

Future uses for the Old Constabulary Buildings, the Centre Block and the Judges Lodging’s remain under review.

1.2.4. **The Procurement**

The use of a two stage approach to the appointment of the Design and Build Contractor was approved, consisting of:

**Stage 1** – procurement of Design Services for Project Angel via a restricted procedure

**Stage 2** – procurement of the Design & Build Contractor for Project Angel, who will be responsible for the design and construction of the new building.

In accordance with the Public Procurement regulations, the Design Services opportunity was advertised in the Official Journal of the European Union (OJEU), published on 29th January 2013. Following the pre-qualification process, the project team developed a tender document including a comprehensive design brief. Candidate organisations were asked to respond to 27 questions derived from the design brief and focussed upon how organisations would fulfil the requirements established therein. The tender submissions were of an exceptionally high standard and demonstrated that the bidders had followed the brief provided. Following tender evaluation, the contract for the provision of Comprehensive Integrated Design Services relating to the proposed Angel Street development was awarded to BDP Ltd.
To support Stage 2 of the procurement process, BDP Ltd., in conjunction with the Project Angel team developed the design through RIBA Stages C – D. This has enabled application for and successful award of planning permission in May 2014. Planning conditions have been received which include:

- Submission of detailed design/samples of certain elements
  - Facade materials
  - Landscaping
  - External lighting
  - Car Park shutters
  - Levels
  - Acoustic reports/noise validation
- Archaeology recording
- Construction Environment Management Plan
- Method for dealing with contaminated land/remediation

Work will continue throughout the life of the project to discharge these conditions in conjunction with NBC – the planning authority.

Further development of the design by BDP Ltd. and the Project Angel Team to RIBA Stage D+ enabled the production of a comprehensive set of Employer’s Requirements (ER’s) documentation.

Employer’s Requirements are the collection of documents that describe the client’s requirements for the project including:

- Scope of service
- Design intent
- Specification for the building
- Allocation of risk

The ER’s support the original intent for the project as outlined in the OBC, to create a strategic public asset capable of adapting to the changing needs of the Council. The design has taken account of the British Council for Offices (BCO) best practice guidance, and has been developed with the impact of lifecycle costs in mind.

There are a number of areas where design development has changed between the OBC, written in October 2012, and this FBC. These changes have been made following robust review from the project team and were endorsed by the Programme Board. These are outlined in table 2 below:-
Table 2: Design differences between OBC and FBC

<table>
<thead>
<tr>
<th>OBC Position</th>
<th>FBC Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>St John's frontage to be occupied by a retail outlet - to be fitted out by retail occupier</td>
<td>St John’s frontage to be a mixture of office accommodation (Level -1) and meeting/training space (Level -2).</td>
</tr>
<tr>
<td>NIA minimum of 14,250m²</td>
<td>ER’s have been tendered on the basis of 14,492m² NIA. This includes space for both the retail cafe and external plant areas/energy centre. This area measurement excludes space allocated to car parking.</td>
</tr>
<tr>
<td>140 car parking spaces</td>
<td>138 car parking spaces provided – (136 in basement and 2 to service yard).</td>
</tr>
<tr>
<td>No requirement for sprinklers</td>
<td>Sprinklers installed to office areas (not a statutory requirement but included in line with good practice).</td>
</tr>
<tr>
<td>Rain water to discharge direct into main drainage network</td>
<td>Rain water to pass through attenuation tanks to limit volume of flow into drainage network.</td>
</tr>
<tr>
<td>Building to be operationally commissioned in June 2016</td>
<td>Building to be operationally commissioned in November 2016.</td>
</tr>
<tr>
<td>No requirement anticipated for further archaeological investigation of the site</td>
<td>Substantial archaeological investigation required – linked to planning conditions.</td>
</tr>
<tr>
<td>Soft landings not considered.</td>
<td>Soft landings included.</td>
</tr>
</tbody>
</table>

In accordance with the Public Procurement Regulations, the Design & Build Contractor opportunity was advertised in the Official Journal of the European Union (OJEU), published on 7th February 2014. The notice sought to procure the services of an organisation to construct a new civic-office building in the centre of Northampton at the Council’s Angel Street Site, including the novation of the current design contract to the successful bidder, who will have overall responsibility for the delivery of design and build phases of the project. Following the pre-qualification process, the 4 highest scorers at PQQ phase were invited to tender (ITT) and were issued with tender documentation based upon the Employer’s Requirements documentation. Early in the ITT phase, one company withdrew from the process, leaving 3 organisations taking part in the ITT process.

Candidate organisations were asked to respond to 28 questions derived from the Employer’s Requirements and focussed upon how organisations would fulfil the requirements established therein. The Invitation to Tender document was constructed in sections in order to facilitate effective and efficient evaluation. This involved evaluation of both technical and commercial elements. In order to identify the ‘preferred bidder’, all tender submissions were subjected to a Best Value for Money (BVFM) calculation. The potential provider with the lowest BVFM score was identified as the ‘preferred bidder’.
Following evaluation, a report on the ITT evaluation and the outcome to ‘preferred bidder’ stage, was submitted to and approved by the Project Angel Board in September 2014. Consequently Galliford Try Construction Ltd. was awarded ‘preferred bidder’ status, as they evidenced within their submission that they are best able to meet the requirements of the brief in regard to affordability, deliverability and viability.

It should be noted that, at this stage, no contract has been entered into with Galliford Try Construction Ltd., however a process of further tender clarification is in progress, including undertaking further site surveys and reviewing potential further value engineering options, to enable finalisation of the contract sum. Due to the scale and complexity of the project, and therefore ensuring sufficient information is available for all parties to mitigate the associated risk burden, clarification with the ‘preferred bidder’ will continue post-October 2014 Cabinet. Therefore, Cabinet is requested, via the attached report, to approve delegated authority to the LGSS Director of Finance and in consultation with both the Director of Law, Property and Governance and the relevant portfolio holders, to award a contract within the allocated capital budget to Galliford Try Construction Ltd. (Design and Build Contractor) to construct the Project Angel new build once final contractual agreement has been reached. This will then enable closure of the procurement process.

Within the Design and Build Contract is a provisional sum to provide furniture, fixtures and equipment (FF&E). The strategy, procurement and installation plan will be agreed with the engaged Design and Build Contractor during the autumn months of 2014.

The Economic Case documents the procurement process and provides evidence to show that the most economically advantageous offer has been recommended for approval, which best meets service needs and optimises value for money.

1.3. Commercial case

1.3.1. Agreed products and services

The arrangements for the design and build contract allow for the construction of a new corporate facility over five levels comprising office and meeting space, integrated car parking, kitchenette facilities, central courtyard/pedestrian street and all associated ancillary areas, including external and landscaping works as described in the prelims at Angel Street, bounded by St John’s Street and Fetter Street, Northampton, NN1 1ED, and the Employer has supplied to the Contractor documents showing and describing or otherwise stating his requirements (the “Employer’s Requirements”).
1.3.2. Key contractual arrangements

The County Council will enter into a contract with the successful contractor using an amended JCT Design and Build Contract, 2011 edition. The JCT form of Contract is a well-known, industry recognised, form of contract that ensures the apportionment of risk is well understood.

The main amendments to the standard form of contract are:

- The Contractor’s Proposals DO NOT supersede the Employer’s Requirements.
- If any conflict between the Employer’s Requirements and the Contractor’s Proposals or within the documents is found, the Employer has the right to decide which option shall apply at no extra cost.
- The Contractor shall be liable for design work carried out by the novated design consultant prior to novation.

Additionally the following provisions of the contract have been adopted:

- The contract sum shall be a fixed price (i.e. no inflation fluctuations apply)
- The contract has provision for sectional completion, requiring the contractor to complete the café shell prior to completion of the main building (to allow time for a tenant to fit-out the café in time for occupation of the building).

The contractor is contractually bound to:

- Obtain BREEAM Excellent (minimum) for the building.
- Obtain EPC B as a minimum for the building
- Provide apprenticeship opportunities in accordance with the County Council’s requirements.
- Take the risk on ground conditions.
- Provide a performance bond for 10% of the contract sum
- Provide insurance. A summary of the main requirements are outlined below:-
  - Contractor’s insurance - injury to persons or property - £10m
  - Employer’s Liability Insurance – minimum £10m
  - Insurance of Works (Option A)
  - Cover for pollution & contamination claims - £5m sub-limit
  - Professional Indemnity - £10m
  - Professional Indemnity period – 12 years

Given the rising market conditions created by the increased vitality in the economy generally, and certain parts of the construction industry in particular, the inclusion of fixed price clauses will protect the County Council from inflation costs during the build. It should, however, be noted that the tender returns do reflect the rising market with levels of overhead and profit not seen since before the start of the current recession.
1.3.3. **Agreed implementation timescales**

Within the ITT documentation programme dates were published to all bidders, requiring practical completion of the building on, or prior to, 4th November 2016. The detailed programme of the ‘preferred bidder’ will continue to be scrutinised and clarified through to the point of contract award, however it will remain in line with the high level milestone dates indicated.

1.3.4. **Personnel Implications**

As the majority of staff in scope will be relocating within the same town, it is not anticipated that there will be any significant personnel implications as a result of this project. Should any Transfer of Undertakings - Protection of Employment (TUPE) Regulations 1981, apply, appropriate advice will be sought from HR i.e. as a result of contracted out services if applicable.

1.3.5. **Accountancy treatment & Section 106 Contribution**

The assets underpinning delivery of service will be on the balance sheet of the organisation. The construction of a building complies with the definitions of the accounting standards and will be subject to revaluations every 5 years in line with the accounting policies of the organisation.

Alongside planning consent conditions is a Section 106 agreement, which is a developer’s (in this case NCC) financial contribution towards community benefits. This applies to Project Angel and a £346,000 contribution has been agreed with the Planning Authority, all of which is contained within the approved budget. In addition, as part of the St John’s development, Project Angel’s contribution to the widening of the road highway was a maximum of £731,000.

The commercial case confirms that there are suitable contractual arrangements in place to ensure the successful delivery of the required products and services for Project Angel.

1.4. **Financial case**

The financial model at OBC assumed, and at FBC confirms, a maximum capital expenditure of £53.933m, which includes construction costs, design fees, Section 106 payments, professional fees and capitalised interest costs, as outlined in table 3 below. This forms the capital budget envelope of the project. The final contract sum continues to be negotiated with the preferred bidder for the construction element but will be contained within this budget envelope.
Table 3: Capital requirement for Project Angel

<table>
<thead>
<tr>
<th>Capital Project Costs</th>
<th>OBC Oct-12</th>
<th>FBC Oct-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Budget, Design Fees and Section 106 Contribution</td>
<td>£ 42,975,000.00</td>
<td>£ 44,250,000.00</td>
</tr>
<tr>
<td>Project Angel Professional Fees</td>
<td>£ 6,397,000.00</td>
<td>£ 6,397,000.00</td>
</tr>
<tr>
<td>Capitalised Interest - construction phase</td>
<td>£ 4,561,000.00</td>
<td>£ 3,286,000.00</td>
</tr>
<tr>
<td><strong>Total Project Cost</strong></td>
<td>£ 53,933,000.00</td>
<td>£ 53,933,000.00</td>
</tr>
<tr>
<td><strong>Cabinet approval of capital expenditure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Previously approved - Project Angel professional fees</td>
<td>-£ 6,397,000.00</td>
<td></td>
</tr>
<tr>
<td>Previously approved - design fees</td>
<td>-£ 3,000,000.00</td>
<td></td>
</tr>
<tr>
<td>S106 St Johns contribution</td>
<td>-£ 731,000.00</td>
<td></td>
</tr>
<tr>
<td><strong>Balance requiring approval subject to CIIB protocols</strong></td>
<td>£ 43,805,000.00</td>
<td></td>
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</tbody>
</table>

In the OBC, the financial model indicated that the project would provide a cost avoidance of £54 Million over a 30 year period. The model has been updated for the FBC taking account of the assumptions indicated in table 4 below, the detail of which is outlined in section 5.3.1 of the Full Business Case. All impacts have a revenue effect over 30 years and the net result is that the model now shows a cost avoidance of £51 Million over 30 years, a variance of £3 Million, which is due to a variety of positive and negative variances in the OBC/FBC figures as information has become clearer since the initial OBC in 2012. The variance is in line with anticipated fluctuations over the life of the project, however it should be noted that the £51m figure continues to represent an extremely positive position. These assumptions remain achievable, prudent and continue to support the affordability of the project.

The financial model is regularly updated as assumptions are firmed up or refined, interest rates change and valuations for the properties to be disposed of become clearer. This ensures that the revenue benefit over 30 years remains in line with the current available information and continues to take a prudent, realistic approach, which does not present an overtly optimistic outcome. Indeed, sensitivity analysis shows there could be a considerable improvement if rent was received for 3rd party tenants or if inflation runs higher than the moderate assumptions that have been included.
Table 4: Financial model variance between OBC and FBC

<table>
<thead>
<tr>
<th></th>
<th>OBC Position</th>
<th>FBC Position</th>
<th>Revenue effect on benefit over 30 years in £ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Utility Inflation assumed at 2%</td>
<td>Utility Inflation assumed at 4.5%</td>
<td>-3.0</td>
</tr>
<tr>
<td></td>
<td>Business rate inflation 2%</td>
<td>Business rate inflation 3.5%</td>
<td>8.0</td>
</tr>
<tr>
<td>B</td>
<td>Interest rate 4.8%</td>
<td>Interest rate 4.2%</td>
<td>4.0</td>
</tr>
<tr>
<td>C</td>
<td>St Johns frontage used as a retail unit and rent charged</td>
<td>St Johns frontage used by OWD for training with no rental income.</td>
<td>-5.0</td>
</tr>
<tr>
<td>D</td>
<td>The sale of part of County Hall, a freehold property at £2.450m</td>
<td>The sale of part of County Hall, a freehold property at £2.175m</td>
<td>-0.5</td>
</tr>
<tr>
<td>E</td>
<td>The sale of Northwood a freehold property included at £600,000</td>
<td>The sale of Northwood a freehold property included at £300,000</td>
<td>-0.5</td>
</tr>
<tr>
<td>F</td>
<td>For MRP purposes costs written off over life of building.</td>
<td>For MRP purposes costs written off over 60 years for new build and 10 years for major repairs.</td>
<td>-8.0</td>
</tr>
<tr>
<td></td>
<td>Capital risk reduction included in OBC model</td>
<td>No capital risk reduction included in FBC model</td>
<td>-2.0</td>
</tr>
<tr>
<td>G</td>
<td>Lifecycle costs for financial model provided on generic building prior to design phase</td>
<td>Lifecycle costs for financial model provided on Employer’s Requirements design</td>
<td>-5.5</td>
</tr>
<tr>
<td>H</td>
<td>Cleaning and repair costs included at £145k annually based on professional assumptions.</td>
<td>Cleaning and repair costs included at £195k annually to allow for potentially increased FM costs</td>
<td>-1.5</td>
</tr>
<tr>
<td></td>
<td>Utility Costs for the new building are £310k per annum based on professional assumptions.</td>
<td>Utility Costs for the new building are £200k per annum based on latest calculations for known M&amp;E.</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Cost Avoidance of £54 Million | Cost Avoidance of £51 Million | -3.0

Graph 1 below shows the revenue costs of the status quo option of remaining in the 12 existing properties if no action is taken, compared with the forecast revenue costs of the new build option from the financial model at the FBC project stage over the 30 years to 2044-45.
It is evidenced that, although there are some minor variances between individual year expenditure, the financial model at FBC remains comparable with the outcomes predicted at OBC stage, and as outlined in section 5.3.1 of the Full Business Case, with a variance of £3m.

Cost saving benefits, other than purely the building cost savings, are not built into the financial model and when these savings are taken into account, the overall affordability is increased accordingly. There are inter-related projects including I.T. and Next Generation Working that have their own budgets which are separate to Project Angel and are not included in the above amounts.

The Financial Case demonstrates that:-

- The financial model has been reviewed in line with updated information and continues to very positively demonstrate the affordability and viability of the project.

- The project continues to demonstrate value for money in terms of construction and year on year revenue savings

- The project continues to be contained with the OBC, and now confirmed FBC, capital financial envelope

- Financial benefits remain extremely advantageous to the Council, providing cost avoidance of £51 million over a 30 year period relating to the existing 12 properties, when compared to one efficient new build.
• Funding via the Public Works Loan Board remains the most cost effective method to finance the project

• The project continues to demonstrate numerous advantages for the town centre, local business, the local economy etc.

• Project Angel will be delivered at no additional cost to the tax payer. Over a 30 year period, Project Angel will save significant costs.

1.5. Management Case

The programme and project management will be compliant with the Council’s internal procedures and adhere to the Council’s constitution.

The project management arrangements will ensure the project is delivered to time and budget. Those arrangements will be based on robust procedures for managing risk, change control and budget monitoring. The project management arrangements will also ensure that the anticipated benefits are fully realised.

1.5.1. Programme management arrangements

Project Angel is one project under the umbrella of the ‘Programme Angel’. The scope of the programme is illustrated below in Figure 1.

Figure 1: Programme Angel scope

Although Programme Angel encompasses a number of projects/work streams, this FBC relates specifically to the Project Angel new build and funds associated.
The scope of Project Angel covers the new build construction; all relocation, occupancy and operational issues; property exit strategies and disposals; and any associated third party occupancy or commercial opportunities.

The County Hall project also reports to the Project Angel Programme Board, although this has its own dedicated Steering Group and associated budget.

Other non-property related/transformational requirements are contained within and managed by the Next Generation Working Programme portfolio.

The established governance structure for the programme is shown in Figure 2

*Figure 2: Programme governance structure*

To support the successful delivery of the new build construction, the Council has engaged specialist construction project management services via its major project delivery partner, Lend Lease Consulting Ltd. The project management arrangements for the new build construction are contained within the Project Execution Plan (PEP). The purpose of the PEP is to:-

- Promote delivery of project quality, cost and programme objectives;
- Set out approvals, reporting and other procedures; and
- Clarify scopes of work and roles and responsibilities
Delivery arrangements for all other work streams have been developed and all report to the Project Angel Programme Board.

1.5.2. Project Angel – project plan

The timeline for the delivery of the project from October 2014 to March 2017 is set out below in Figure 3:

*Figure 3: Project Plan – current timeline*

All key project milestones have been met to date. Progress against this plan is regularly monitored and reported to the Project Angel Programme Board.

1.5.3. Stakeholder Engagement and Communications

To ensure appropriate stakeholder engagement and that all relevant project information is communicated effectively; stakeholder engagement and communications are covered by a number of initiatives as outlined below:-

- Design Development - Technical User Groups
- Communication Strategy & Plan
- Employee Consultation Forum
- Engagement Strategy

All communications activity is aligned with the Next Generation Working Programme to ensure consistency of message.
As the project progresses into the next phase, an engagement strategy will be developed in conjunction with the Next Generation Working Programme.

1.5.4. Benefits realisation

The realisation of those benefits that are under the direct control of Project Angel is monitored by the Benefits Realisation Plan. This sets out measures and target timeframes for delivery, as well as identifying the work stream that is responsible for delivery. This plan is a ‘live tool’ and will continue to be reviewed and updated throughout the project.

1.5.5. Change and Risk Management / Project Assurance

Formal change management arrangements associated with the new build construction are covered via the Project Execution Plan. Change management associated with all other work streams is covered via the programme governance structure, with regular reporting and escalation as required to the Project Angel Programme Board.

Risk management across the full programme is carried out by the Project Team via regular risk workshops. This ensures that risks and issues are regularly reviewed, and where appropriate mitigating actions are put in place, or escalation to the Board occurs. Construction risk management for those items specifically associated with the new build element of the project are managed via the Project Execution Plan.

In addition to its own governance structure, Project Angel is subject to various independent assurance processes, as outlined below.

- Gateway Reviews
- Scrutiny
- Internal Audit

1.5.6. Post project evaluation

Post project evaluation will be undertaken to identify any learning from the project in order that this may be captured and built upon in future projects.

The outline arrangements for post implementation review (PIR) and project evaluation review (PER) have been established in accordance with best practice. The process is designed to be positive and to identify improvements to the delivery of future projects, and to enhance the effectiveness and efficiency of the Project Team.

In addition, a ‘soft landings’ approach to building handover has been procured as part of the new build construction contract, which will see the construction contractor obligated to
have regular contact with the Facilities Management Team over a 3 year period to ensure that building commissioning and handover are undertaken in an effective manner.

A Final Business Case will be prepared at project closure, to summarise post project evaluation activities undertaken and update on benefits realisation.

The management arrangements outlined demonstrate deliverability of the project and the Financial Case includes the approved budget, which will support the management arrangements proposed to deliver the project.

1.6. **Full Business Case Recommendation**

The Full Business Case continues to fully support Project Angel’s objectives. The FBC enhances the agreed assumptions within the OBC and indeed converts assumptions into actuals. The five case model continues to demonstrate a financially viable project which meets key goals and objectives aligning to various strategies and plans within the Council.

The FBC gives confidence of a deliverable scheme which fully supports the regeneration agenda for Northampton and enables the Council to deliver more efficient operations from a major single headquarters building.

In addition:

- Project Angel will be delivered at no additional cost to the taxpayer. Over a 30 year period Project Angel will save significant costs.
- It will be a catalyst for Northampton Town Centre regeneration.
- It will showcase NCC as a major investor in Northampton, boosting construction and stimulating regeneration, delivering a significant project within the Enterprise Zone.
- It will boost prosperity within the town, through increased spending in the town centre, and in the county, through improved economic performance of Northampton, as well as being supportive of the local community.
- Utilising the public sector’s spending power will significantly aid the regeneration and growth of the town centre.
- It is a transformation project that will give rise to better services in a cost effective way.
- It promotes public sector collaboration, potentially bringing about wider efficiencies to deliver improved customer outcomes.
- Project Angel comprehensively meets its critical success factors by:
  - Reducing the costs of operating NCC services
  - Stimulating more effective ways of working
  - Contributing towards the ‘Northampton Alive’ vision for Town Centre regeneration
  - Reducing carbon emissions
- It is a project in line with various strategic policies, addressing financial pressures and the national drive for economic growth.
- It provides value for money
• This new build project will increase local employment opportunities during both the construction stage (which is expected to promote and make best use of the Council’s apprenticeship initiatives) and longer term employment through additional economic activity being brought into the town centre.

• Releasing part of County Hall further increases growth and development opportunities in the town centre with its proposed re-use, working in partnership with the Borough Council and the University of Northampton, enhancing the Cultural Quarter offer for Northampton.

**Recommendation** – Project Angel progresses through its construction stage towards full occupation by the end of 2016.