

APPENDIX 3

Workstyles Phase Three: Risk Summary

Assumptions and Risks

Construction: Refurbishment projects by definition carry more risk as there will inevitably be unforeseen issues uncovered and there is the potential for unexpected cost rises. A construction cost rise of 10% would result in a reduction in savings of £85,000 to fund financing costs associated with the additional borrowing. However, the construction costs include significant contingencies which have been calculated based upon the experiences of Workstyles Phases One and Two as well as industry standard assumptions for contingency planning. Structural Engineers and Mechanical & Electrical advisors have helped inform the Quantity Surveyor in bringing forward detailed estimates for the construction costs to reflect the specific construction issues for each building.

Capital Receipts: Market conditions are uncertain which may impact on realising the estimated capital receipts; however as part of the business case, soft market testing has been carried out on both Hove Town Hall and Kings House. The results of the market testing were encouraging with five national developers expressing an interest in both sites. Disposal of the sites will still however present a risk, as any delay with the sale of buildings within the estimated timeframes could create additional short term financing costs and reduce savings. The valuation of Kings House is based on redevelopment to residential including the provision of 40% social housing and a significant allowance for S106 requirements. However if the sale proceeds are reduced by 10% this will reduce the savings by £72,000 per annum because of increased financing costs. If Kings House/Hove Town Hall and other associated sites remain vacant for an extended period of time, there could be significant security and maintenance costs, however, contingencies have been factored into the business case to support these costs through the implementation period.

ICT and Technological: Workstyles requires significant changes to the ICT infrastructure and service offering. Significant additional ICT resources have been factored into the business case to manage this. However the implementation would still rely on strong links and co-working with the individual service areas and an integrated approach to business process redesign. ICT has been stretched to capacity with current security compliance requirements. Many of the changes being made for security reasons will also provide long term benefit to the Workstyles project but there are undoubtedly timing and prioritisation challenges to be overcome. Therefore, the technology work package remains as a high risk area in terms of budget implications and its ability to deliver throughout the programme and this will need to be carefully managed and the programme work will be prioritised.

Backscanning: Implementation of Electronic Data and Record Management (EDRM) and back scanning of files are essential to support the overall Workstyles implementation. This however comes at a high cost to the

organisation and scanning cost estimations can only be done more robustly after the initial business analysis work is carried out per service. For the purpose of the business case, a pragmatic approach has been taken. A separate project manager will be assigned to monitor this risk. Any additional costs over and above the estimates should be met by services directly.

Planning: Planning consent has always been considered a high risk in relation to the change of use from office to residential of Kings House and potential loss of employment space. Since the Accelerated Workstyles report in October 2012, Planning Policy has produced two separate Planning briefs for both Kings House and Hove Town Hall. The current 'permitted development' policy does not apply to Kings House as it is a Listed Building, so it will have to be marketed as an office for a year to prove its use is redundant. Marketing as a residential use cannot therefore commence until late 2014, however this still gives a potential developer enough time to seek full consent and enable a site start as soon as the Council vacates in 2016.

External changes to the programme and accommodation need: The size of the workforce within the organisation is assumed to remain the same within the next 3-5 years. This may change significantly, depending on several factors such as the effects of Voluntary Severance, budget pressures, central government directives on new initiatives or withdrawal of existing funding, grants and pressures from third party organisations. If the organisation workforce reduces this would provide an opportunity to let the vacant modernised office space within the commercial market place.

Under Option B there may not be a new modern suitable office (Building 'X') available to rent when needed. Again in this option, if a separate purpose built or new office building is to be purchased, this would be subject to the timeline of a separate external programme, which might not fit into the timetable. For the purposes of the business case, costs based on a currently available office space in Hove have been incorporated.

Political: Under Option B, it might be perceived that the main administration function of the council is shifting from Hove to Brighton as the existing Council Chamber and associated member services will be removed, however alternative provision would have to be made e.g. the developer should provide a multi use community space within the new development and/or further use could be made of Portslade Town Hall.

Risk Conclusions

All three options have associated risks and opportunities. Options A and B are about contributing to the council's priorities through modernising the council aiming at a high performing workforce and better service delivery for our citizens. They will also produce overall savings in proportion to the amount of work and required changes at Hove Town Hall. Both rely heavily on the disposal of Kings House and parts of Hove Town Hall; however the soft market testing has revealed that there is interest from developers in both sites.

Option A produces better financial efficiencies and opportunities to contribute to the changing council demands and improve service delivery. Both create capital receipts for reinvestment in property and technology and significant revenue savings both directly and indirectly through productivity and efficiency

gains. They provide other advantages that support the regeneration of the City, additional financial benefits associated with new home bonuses, council tax, business rates and reductions to our carbon footprint. Option B carries more risk in that it is predicated on the requirement for extra services, staff and functions being met through either the acquisition of a purpose built modern office or leased modern offices yet to be identified. Option A challenges the need for an extra building through extensive improvements to Hove Town Hall, better use of under-used space and conversion of part of the banqueting areas to offices. It suggests that part of the Hove Town Hall (25%) Church Road could be disposed of for commercial use or possible serviced offices.

