



**REVISION TO
NORTH BELFAST
JOBS & BENEFITS OFFICE
ECONOMIC APPRAISAL**

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LIST OF ABBREVIATIONS

CPD	Central Procurement Directorate
DEL	Department for Employment and Learning
NPC	Net Present Costs
OGC	Office of Government Commerce
OJEU	Official Journal of the European Union
SSA	Social Security Agency
SSO	Social Security Office

1. INTRODUCTION

- 1.1 This submission updates the Economic Appraisal completed in October 2003 on the options for delivery of the North Belfast Jobs & Benefits office and should be read in conjunction with this document. Due to unforeseen factors and aspects outside the control of the project including the economic environment that prevails at this time, a re-evaluation of the options is considered necessary.

2. STRATEGIC CONTEXT

- 2.1 In line with Government policy, the Department for Employment and Learning (DEL) and the Social Security Agency (SSA) have the following aim:

To improve the economic and social conditions of those people and areas in greatest need, by providing a fair system of financial help for people who need it most, encouraging personal responsibility and improving incentives to work and save.

Within this aim our vision is that:

“We will deliver high quality customer-focused employment and welfare services in Northern Ireland.”

- 2.2 Jobs & Benefits is a key part of a major programme of reform and modernisation of the welfare system in Northern Ireland. The SSA, in partnership with DEL is introducing Jobs & Benefits, throughout Northern Ireland. The initiative provides an integrated work-focused service to people of working age putting the emphasis very much on getting people into work and helping them tackle their barriers to employment. The project reflects the Government's objectives nationally and is a key part of the SSA and DEL strategic plans. This cross-departmental change initiative has been set up to manage the implementation of legislative changes and process improvements to both welfare and labour market services.
- 2.3 The rollout of Jobs & Benefits involves moving from a dependency culture based on the premise of “what money are you entitled to?” to one based on the principle of “how can we help you become more independent?” The shift is seen as a major step towards the aims of increasing economic activity, reducing the number of workless households and encouraging more people to take up work.
- 2.4 To date 25 Jobs & Benefits offices have been rolled out across the province. The evaluation of impact of the introduction of Jobs & Benefits in these areas shows that on average the Jobseekers Allowance registers in the Jobs & Benefits offices is reduced by between 13% - 20% within 3 months of the introduction of the work focused service and these reductions are sustained.
- 2.5 In Spending Review 2004 and following sign-off of individual economic appraisals by DFP Supply the Agency and DEL secured a significant element of capital funding (£55m) to complete the rollout in the remaining 10 locations (Andersonstown, Ballymena, Ballynahinch, Bangor, Cookstown, Downpatrick, Newcastle, Newtownards, North Belfast (Corporation Street) and Strabane). Following confirmation on the availability of funding a procurement exercise was

commenced and has been ongoing over the last two years. However, this has proved more difficult than anticipated and despite repeated advertisements it has not been possible to secure appropriate sites for new purpose built offices in all locations.

3. PROCUREMENT PROCESS

3.1 Following sign-off by DFP (May 2006) of an economic appraisal confirming that the purchase of a new office to replace the existing Corporation Street SSO represented the preferred way forward, a procurement exercise was commenced in August 2005 for the North Belfast Jobs & Benefits office.

3.2 Based on advice from Central Procurement Directorate (CPD) a four stage procurement process was selected to secure the new Jobs & Benefits offices:-

- Stage 1 - Prequalification and establishment of a tender shortlist.
- Stage 2 - Competitive tender based on quality of building and development cost.
- Stage 3 - To identify the preferred bidder.
- Stage 4- Detailed Design, agreement of Contract Sum and Contract Award.

3.3 The benefits of such an approach are:-

- to test the market to identify suitable sites;
- to comply with Office of Government Commerce (OGC) guidelines to minimise the exposure to abortive design fee costs; and
- to derive the benefit of the early involvement of the bidding Developer's depth of experience.

3.4 Stage 1

3.4.1 Stage 1 of the procurement process commenced with the placing of an advertisement in the Official Journal of the European Union (OJEU) and locally in the Belfast Telegraph, Irish News and Newsletter in September 2005.

3.4.2 Eight Expressions of Interest were received in response to this advertisement by the closing date of 3rd October 2005. These were evaluated and scored against:

- the relative merits of each proposal;
- the viability of the programme in respect of planning and site ownership;
- the ability of the proposal to meet the business need;
- the availability of onsite car parking; and
- the location of the site.

3.4.3

3.4.4 Based on this evaluation one of the proposed sites fell outside the designated area acceptable location for the new office. The remaining submissions were ranked 1 – 7 by an evaluation panel with the top five being taken forward to Stage 2 (tender stage).

3.5 Stage 2

3.5.1 Tender documentation was issued to the five shortlisted developers from Stage 1 on 30th March 2006. Subsequent to this four of the developers withdrew from the competition. The remaining developer, Whitemountain (Construction) Ltd, submitted tender documentation and indicative costs on 22nd May 2006.

3.5.2 The tender was scored against a previously agreed matrix which set a minimum Quality Threshold Score of 65 set. Failure to achieve the minimum Quality Threshold Score would result in the tender not being considered further. Whitemountain (Construction) Ltd scored 78.56% in the Quality Scoring. As only one tender was received and in order to ensure Value for Money the Feasibility Estimate cost was used to determine the mean value for price scoring. The maximum Price Percentage Score was 40% and Whitemountain (Construction) Ltd scored 60.00 in this section from a baseline figure of 50.

3.5.3 The overall weighted score rating assessment of this tender based on the weighted score for Quality and Price Score was 71%. The Overall Development Cost was £7,940,448 which was approximately 11% below the Feasibility Estimate of £8,877,600. Based on the tender evaluation it was recommended that the Whitemountain (Construction) Ltd proposal at Little Patrick Street/Nelson Street be identified as the preferred bidder. The tender report was submitted to DFP for approval to proceed to Stage 3 and confirm Whitemountain (Construction) Ltd as preferred bidder.

3.5.4 Subsequent to the request for DFP approval to proceed, further analysis of the proposed building layout identified a shortfall in the accommodation which increased the costs from approximately £7.9m to £9.9m. A revised submission was submitted to DFP and approval to proceed was received on 4th January 2007. However, during the period of confirming the design proposal Whitemountain (Construction) Ltd advised that in conjunction with their joint venture partner they were withdrawing from the competition, stating that they could achieve additional value for the site by developing it for residential accommodation in line with the increases in the land costs within the market. Based on advice from CPD and the project's consultants that a new advertisement was unlikely to identify alternative sites which would represent value for money a contingency option has been developed based on a re-evaluation of the options considered in the original economic appraisal.

4. CONTINGENCY PROPOSAL

4.1 Original options in Economic Appraisal

4.1.1 The original Economic Appraisal considered the following seven options:

- Option 1 - Baseline
- Option 2 - Refurbish Corporation Street SSO

- Option 3 - Lease Single Office
- Option 4 - Buy single office
- Option 5 - Build New Single Office
- Option 6 - Demolish Corporation Street SSO and build new single office
- Option 7 - Lease Single office with rentalised fit out.

4.1.2 The detailed cost/benefit analysis ranked the options as follows in terms of Net Present Costs (NPC):

- Rank 1 - Option 1 – Baseline.
- Rank 2 - Option 4 - Buy single office.
- Rank 3 - Option 2 - Refurbish Corporation Street SSO.
- Rank 4 - Option 4 - Build New Single Office.
- Rank 5 – Option 3 - Lease Single Office.
- Rank 6 - Option 7 - Lease Single office with rentalised fit out.
- Rank 7 - Option 6 - Demolish Corporation Street SSO and build new single office.

4.2 Consideration

4.3 As the project's strategic context and the need to rollout a North Belfast Jobs & Benefits office remains and based on the finding of the original economic appraisal, the proposed contingency option is to upgrade the existing Social Security office in Corporation Street as the new North Belfast Jobs & Benefits office i.e. Option 2, Rank 3 in the Economic Appraisal. In order to provide updated costings for this option Consarc Architects, Caldwell Consulting, RPS, CPD and the SSA Accommodation team have developed detailed proposals and costings. Based on this work the revised cost of the new office is approximately £7021k (Appendix 1). In order to confirm whether planning permission will be granted for this work an outline planning application has been submitted to the Planning Service.

5. CONCLUSION

5.1 In view of the outcome of the procurement exercise to procure a new office for the North Belfast Jobs & Benefits office in line with the preferred option of the economic appraisal and the current economic environment, it is unlikely that a suitable property within the available funding will be secured in the foreseeable future. As a result the preferred way forward is to refurbish the existing SSO which based on this analysis will meet the accommodation requirement and represents value for money to the public purse being significantly cheaper than to purchase a new office as originally proposed.

5.2 DFP is therefore asked to approve the purposed way forward and necessary funding.

Appendix 1 – Cost Analysis for Refurbishment of Corporation Street SSO

Cost Centre	Cost	Comment/Note
Maximum Target Cost	£6,176,616.00	
General Requirements	£Incl.	
Other Costs	£ -	
Sub Total	£6,176,616.00	
Professional Fees	£741,193.00	12% of Construction Costs
Statutory Charges	£55,690.00	Planning, Building Control, etc.
Not To Exceed GMP	£6,973,499.00	
Land Value	£0.00	Not Applicable
Costs Associated with Land Sale	£ Incl.	Not Applicable
Land & Construction Costs	£6,973,499.00	
Developers Return	£0.00	Not Applicable
Total Development Cost	£6,973,499.00	
Provisional Time Charge Fees	£47,187.00	
Overall Development Total	£7,020,686.00	