

ORDINARY COUNCIL MEETING MINUTES – 13 SEPTEMBER 2011

16.3 COUNCIL OFFICE ACCOMMODATION

File No: Brendan McGrath – Chief Executive Officer

For Decision

<p>Moved: Cr Issell Seconded: Cr Graham</p> <ol style="list-style-type: none"> 1. Allocate a maximum of \$4.5M across the 2012/2013, 2013/2014 years for this project, including the \$2,133,175 Local Government Infrastructure Funding from the State Government. 2. Authorise Officers to go to tender for professional services to commence the detailed design phase, based on option 5 of the report. 3. Investigate costs and options associated with temporary office accommodation during any relocation of staff during upgrades. 4. Receive a report detailing the outcome of 2 and 3 above. 5. Designate this Council Report, the Kwong report and Suters report as being publically available. <p style="text-align: right;">Carried</p>	
For:	Against:
Cr Pockley	Cr Gaffney
Cr Graham	Cr Murdoch
Cr Goldsworthy	
Cr Issell	
Cr Croucher	

<p>Moved: Cr Gaffney Seconded: Cr Murdoch</p> <p>Council Officers come back to Council with what can be achieved by spending \$1.6 million on upgrading shire accommodation at the Yackandandah Council site. The \$300,000 in the current budget for plans and design be included in the \$1.6 million. Half of this amount (\$800,000) coming from ratepayer money and \$800,000 from State Government grant funding.</p> <p style="text-align: right;">Lost</p>	
For:	Against:
Cr Gaffney	Cr Pockley
Cr Murdoch	Cr Issell
	Cr Goldsworthy
	Cr Graham
	Cr Croucher

RECOMMENDATION

That Council:

1. Allocate a maximum of \$4.5M across the 2012/2013, 2013/2014 years for this project, including the \$2,133,175 Local Government Infrastructure Funding from the State Government.
2. Authorise Officers to go to tender for professional services to commence the detailed design phase, based on option 5 of the report.
3. Investigate costs and options associated with temporary office accommodation during any relocation of staff during upgrades.
4. Receive a report detailing the outcome of 2 and 3 above.
5. Designate this Council Report, the Kwong report and Suters report as being publically available.

INTRODUCTION

This report is intended to seek direction from Council on how it would like to finalise considerations regarding office accommodation and to select a preferred option to enable officers to move forward and progress this important project.

BACKGROUND

Councillors would be familiar with the background of this project, given the various reports and briefings that it has considered.

The main reasons for pursuing this initiative are:

- A desire to create more efficient workplaces.
- A desire to provide better customer service.
- The very poor conditions of the offices in Yackandandah.
- The Wellsford Street Building is considered passed its usable life.
- The Ardesville Building needs to be preserved for heritage reasons.

In Beechworth office facilities are much better and could fairly easily be refurbished to gain considerable lifespan.

Other factors driving this project are predominantly:

- Limited office space available for any future growth.
- Difficulties around not having one centralised office facility.
- The inefficiencies and costs of working across multiple sites.
- The lack of a dedicated Council Meeting facility.
- Limited IT capacity for good multi-site technology.
- OH&S non compliance.
- Escalating maintenance costs of current locations.

KEY IMPLICATIONS

Again many of the implications have been detailed in previous reports to Council, however, these have been summarised in this report.

The latest work which updated the “Kwong Report” has identified \$670,000 in annual savings if we were not spread across multiple locations. This is a combination of actual cost savings, which would be removed from annual budgets, and also costs associated with inefficiencies. Whilst these would not see reduction in budget line items, the removal of these inefficiencies would see substantial gains in progressing key council initiatives and business.

The potential savings has grown over time as more detailed analysis has been undertaken. Attached is an analysis of the differences between each version.

In short the earliest version contained only cash savings and was a fairly superficial analysis.

The most recent version has quantified both cash and efficiency savings in more detail, and also accounts for new costs like the \$90,000 IT connection, which didn't exist when the other estimates were completed.

It should also be noted that whilst Kwong refers to consolidating all customer service centres, it is actually only Beechworth and Yackandandah being considered. This makes no difference to his assumptions, analysis or recommendation.

Based on previous work done on Councils behalf, it would appear there are still a range of options which Council can consider for its Council Accommodation. These are summarised in no particular order of preference in the table below:

OPTION 1a - ONE CENTRALISED OFFICE IN BEECHWORTH – COST ESTIMATE \$6.052m plus EXCLUSIONS			
	SUMMARY	PROS	CONS
1a – Centralised to existing Beechworth Facilities, per Suters Report.	The attached diagrams from Suters Architects shows that it is possible to extend the existing office to accommodate all staff on the Beechworth site.	<ul style="list-style-type: none"> • One centralised office, which would result in both cash savings and gains in actual staff efficiencies. • No confusion as to which Council services are located at which site(s). • A geographically central location. • Council owned land and infrastructure. 	<ul style="list-style-type: none"> • Implications on the Yackandandah commercial precinct. • Will mean some residents will need to travel further to access some Council services. • Relies almost entirely on borrowings to fund the project. • Based on Charles Kwong recent analysis – it is more expensive than Council can afford.
OPTION 1b - ONE CENTRALISED OFFICE IN BEECHWORTH, THROUGH PPP PROJECT TO SUPPLEMENT EXISTING – COST ESTIMATE \$300-\$360,000 PER ANNUM LEASE COST			
	SUMMARY	PROS	CONS
1b – Centralised to Beechworth Township (other or various locations within Beechworth)	The existing Beechworth facilities supplemented by rented commercial accommodation or purpose built and leased back to Council by others.	<ul style="list-style-type: none"> • Staff Centralised in one town, which would result in both cash savings and gains in actual staff efficiencies. • No confusion as to which Council services are located in which townships. • A geographically central location. 	<ul style="list-style-type: none"> • Implications on the Yackandandah commercial precinct. • Will mean some residents will need to travel further to access some Council services. • Based on Charles Kwong recent analysis – is more viable than option 1a. • This option impacts on

		<ul style="list-style-type: none"> The capital outlay for this option is very modest and would relate mainly to refurbishments of spaces and would have the advantage of not impacting on Councils debt levels. 	<p>Councils operating expenditure in a similar manner to borrowings, in that it is expected that costs of renting and leasing would be in the order of the costs associated with financing borrowings.</p>
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OPTION 2 – TWO OFFICES/LOCATIONS – COST ESTIMATE \$7.41M plus EXCLUSIONS

	SUMMARY	PROS	CONS
Beechworth, Yackandandah Split per Suters Report	To retain a combination of existing Beechworth and Yackandandah sites. There could well be several variations of this option, depending on how much money Council is prepared to spend. For example this option could range from refurbishing or constructing a small service centre (similar to Rutherglen) and then extending the Beechworth site to accommodate the balance of staff, or it could also be that a new office facility be built at Yackandandah large enough to house existing Yackandandah based staff with no expansion to Beechworth. This option will	<ul style="list-style-type: none"> Both Beechworth and Yackandandah communities maintain a substantial presence of office based staff contributing to the local economy. Current travel distances to several Council services remain unchanged. Sites are both owned by Council. 	<ul style="list-style-type: none"> Will require capital outlay to construct, at the very least Yackandandah – depending on what split, Council determines it wishes to have across the sites. Maintain current inefficiencies to service delivery and staff time. Based on Charles Kwong recent analysis – it is more expensive than Council can afford (depending on final scope).

	largely be dependant on how much money Council is prepared to spend.		
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OPTION 3 – THREE OFFICES/LOCATIONS – COST ESTIMATE \$7.69M – plus EXCLUSIONS

	SUMMARY	PROS	CONS
Beechworth, Yackandandah, Chiltern Split per Suters Report.	This option caters for a range of staff across the three sites. Again there are some variables associated with this in regard to how much office accommodation is provided at Chiltern and/or Yackandandah.	<ul style="list-style-type: none"> • Chiltern, as with Beechworth, is geographically a central location for ease of access. • May provide better access to residents who wish to visit “front counter services” at Chiltern (although this is questionable as council would have a limited range of staff/services available e.g. the presence of 1 professional discipline such as Engineers, will not assist those seeking planning advice etc). 	<ul style="list-style-type: none"> • Is the most expensive of all options with the most capital outlay – as set out in the latest Suters analysis. • The possibility of \$7.69M for this project is beyond Councils current capacity in terms of prudential ratios and outside the range of recommended borrowings. • Further fragments and disconnects Council staff and is by far the least efficient in terms of Council operations. • Likely to substantially increase operating costs, via issues like expansion and duplication of IT services, additional customer service staff, additional travel time

			between sites and a large inefficiency cost through further dislocation and disconnection of staff.
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OPTION 4 – TWO OFFICES/LOCATIONS – COST ESTIMATE \$4M – plus ONGOING RENTAL COSTS

	SUMMARY	PROS	CONS
Reconstruction of Yackandandah site & Rental/Leased Property in Beechworth.	Reconstruction of the Yackandandah site for a proportion of Yackandandah staff. This would be supplemented by rental and/or leased accommodation in Beechworth.	<ul style="list-style-type: none"> Both Beechworth and Yackandandah communities maintain a substantial presence of office based staff contributing to the local economy. Current travel distances to Council services remain unchanged. 	<ul style="list-style-type: none"> Will require some capital outlay to construct, at the very least in Yackandandah.

OPTION 5 – BEECHWORTH/YACKANDANDAH SPLIT MODIFIED – COST ESTIMATE \$4.5M

	SUMMARY	PROS	CONS
Reconstruction of Yackandandah site and small extension to Beechworth site (based on GMMP design and costings attached).	Using current day construction costs from recently completed ISC capital and concept design done in-house maintains similar Beechworth/Yackandandah staff numbers	<ul style="list-style-type: none"> Move affordable on capital basis Based on current costs in ISC Supports Beechworth and Yackandandah commercial precincts Maintains existing access to services All in Council ownership 	<ul style="list-style-type: none"> Some capital outlay however less than estimated in option 1a, 2 & 3. Maintains current inefficiencies in costs and time

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Timelines of a decision needs consideration. It would seem likely that the 2012 Local Government Election will be held in late October 2012. Caretaker provisions will therefore come into effect at the end of September 2012.

A broad timeline of key activities is outlined below:

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|---|--------------------|
| • Council resolves on preferred option | Sep 2011 |
| • Tender/EOI for design and provision of office space | Sep-Oct 2011 |
| • Report on outcomes for decision to Council | Nov 2011 |
| • Design process | Nov 2011-May 2012 |
| • EOI/Tender construction | May 2012-June 2012 |
| • Report to Council to appoint builder and award contract | July 2012 |
| • Construction | July 2012-May 13 |

If this timeframe is not achieved, the \$300,000 in the 2011/2012 budget will not be spent on design and should be reallocated to other priority works. In addition, the conditions at Yackandandah would suggest additional accommodation will need to be provided and substantial improvement works undertaken.

FINANCIAL IMPLICATIONS

The latest revision of the Charles Kwong Financial Analysis demonstrates that borrowings should be contained to \$4-\$5M to ensure they do not impact negatively on Councils financial sustainability. It further notes that annual savings from co-locating on one site have increased to around \$670,000, which is substantial, and highlights that Council should seriously consider a joint venture with a private firm who may construct and lease back facilities, or a commercial rental arrangement to avoid large amounts of borrowings.

Recent announcements by the new State Government relating to a 4 year funding program for rural Councils that suggested we would be likely to receive between \$1.2-\$2m which could be used for this project, with some flexibility about receiving over 4 years, or all in 1 or 2 nominated years. This has since been confirmed at \$2,133,575 from 2011-12 in 2014-15. The Department has confirmed by email we could use it for this project. In addition a further \$1M per annum over four years has been provided by the State Government for roads and bridges. It is considered therefore from a financial perspective, very timely to implement this project due to additional funds for approximately half the project and \$1M per annum to mitigate any impact on other elements of our Capital Expenditure program.

With the confirmed State Government Funding and a cap of \$4.5M, Council would need to borrow between \$2-\$2.5M. Borrowings of \$2.5M and \$2M are forecast in Councils Strategic Resource Plan for 2012/2013 and 2013/2014. The additional funding will likely reduce required forecast borrowings, to around half that projected.

Cost of servicing borrowings are in the order of:

LOAN	ANNUAL REPAYMENTS
\$2.5M	\$275,000
\$2M	\$220,000

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POLICY IMPLICATIONS

Progression of this project would be consistent with the Council Plan resolution “Review the Council’s office accommodation strategy including options to provide for short and long term needs and implement the Council’s advised decision.”

Council has allowed \$300,000 in this years Capital Works budget for design of office facilities and it is important that Council narrows down its preferred option so that this process can get underway.

COMMUNICATION

Council’s decision will need to be clearly communicated to the community, including the rationale for this decision.

CONCLUSION

The alternatives outlined in the report along with the financial analysis indicate the following:
The construction of offices to house all staff at Beechworth or the joint refurbishment of Beechworth and Yackandandah, or Beechworth, Yackandandah and Chiltern, at costs ranging from \$6.052M to \$7.69M are outside of the range that Council can borrow without impacting on its financial sustainability.

In light of this, it is suggested Council consider allocation of State funding along with a more modest amount of borrowings to construct as larger office space at Yackandandah as possible to supplement the Beechworth offices, using a revised and more cost effective design, produced by the General Manager Major Projects & Programs.

Attachments:

1. Savings Comparison
2. Kwong Report
3. Suters Report
4. Option 5 Plans

Meeting Closed: 5.29pm

**Next Meeting: Tuesday 11 October 2011
Centenary Hall, Wooragee at 3pm**