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HEALTH AND SAFETY EXECUTIVE

The HSE Board

MERSEYSIDE HEADQUARTERS

A Paper by STEVE DENNIS

**Advisor(s):
Steve Bailey**

Cleared by STEVE DENNIS on 14 July 2003

Issue

1. Implications of the Merseyside HQ Project and the Board's advice to HSE's Accounting Officer.

Timing

2. Discussion and clearance at this Board please.

Recommendation

3. That the Board notes and supports the implications of the recommendation of the Merseyside HQ Project Board.

Background

4. The Merseyside HQ Project Board, chaired by Vivienne Dews and containing the Bootle-based Directors, met on 8 July and approved the draft Full Business Case (FBC) for the new headquarters. The Board received a presentation on 19 March 2003 about the project and the design of the proposed new building. Formally, the FBC will now be sent to the Accounting Officer for HSE (the Director-General) and then, as the project's costs are outside of HSE's delegated authority, to DWP (Sir Richard Mottram).

5. In summary, the FBC demonstrates that the proposed PFI solution will be two thirds of the cost of repairing and refurbishing the existing estate over a thirty year period and will deliver some important benefits that will be much more difficult to achieve or will not be available if we stay in the existing buildings. As the outcome of a rigorous procurement process, the proposed solution offers the best value for money that the market could offer against HSE's specification for serviced accommodation anywhere on Merseyside provided through an existing building(s), redevelopment or new build. The FBC also demonstrates that the PFI approach offers a clear VfM advantage, of approximately 20% over a hypothetical but similar project procured with HSE as the direct client and publically financed capital expenditure – the "Public Sector Comparator". An electronic copy of the FBC (40 pages without Annexes) is available from my secretary on request.

Argument

6. There are four main implications that flow from the project. One of the problems at our current Merseyside HQ is that the main elements of the buildings are now forty or so years old and the main services (boilers, radiators, lifts, cabling etc) and structures (roofs and cladding) are all beginning to fail. Given that we need to provide weather-tight and reasonable office space for the fifteen hundred staff and on-site contractors on Merseyside, whatever we do will cost the organisation more money.
7. The project board is recommending not only the best value but also the least expensive way forward. The extra costs are expected to be £4m pa with a one-off extra cost in 2005/06 of a further £5m when both old and new buildings need to be kept going. We expect to pay for the additional steady state costs by savings in GAE and the one-off transitional cost from the EYF reserve. The Board's support in getting this message over and in driving out the necessary savings will be needed.
8. The proposed way forward (or the more expensive but unfunded capital refurbishment approach) represents a long term investment in office space in the north-west. The combination of this project, the Rose Court rent review which will increase the cost of space in London from £10m² to between £28m² and £30m², and the Lyons Review will result in a sharp focus on the need to retain posts in central London. Although the Board has commissioned work through the Corporate Support Review to look at this matter in detail, the business logic will drive us to move posts from central London to Merseyside and other regional centres and, by 2008 (the first lease break at Rose Court), to reduce both our space holding and estate costs in London. The Board will want to position itself to initiate and steer this transition
9. Moving to a new HQ, where all HSE's Merseyside staff will be in open plan and under one roof, will provide opportunities as well as challenges. It should be possible to use the physical change as an opportunity to build a more coherent "one HSE" culture; increase flexibility, for example in forming and re-forming teams; and look again at whether end-to-end processes and organisational structures are fit for purpose. We will need to return to the Board at a later date with proposals for how to grasp these opportunities but the Board may wish to begin to consider the possibilities henceforth.
10. Assuming the proposed way forward is agreed by the Accounting Officers, HSE will become the sponsor for practical purposes of a large construction project. The project is being advised by FOD's Construction Sector and there is a "Chinese Wall" arrangement between the Sector and the operational FOD NW Construction Team who will carry out their normal inspection and enforcement function in relation the site. The project's aim is to achieve exemplary standards of health and safety during design, construction and operation, implementing HSE's own guidance and the wider initiatives

from “Re-thinking Construction” and “Accelerating Change”. The Head of the Construction Sector has signed off this stage of the project and will remain actively engaged during the construction phase. The communications products that will be issued when approvals have been obtained will emphasise this aspect.

Consultation

11. The arrangements for the project include wide consultation in HSE and DWP has representation on the Project Board. The project team has worked closely with Sefton MBC to support their efforts to regenerate one of the ten most deprived boroughs in England and is consulting local residents to minimise any untoward effects during construction (Kajima will follow the Considerate Contractors guidance).

Presentation

12. An internal communications exercise is planned once contracts have been exchanged. This will emphasise that the new building is both the least expensive and best value for money long term solution to providing accommodation for HSE’s staff and contractors in Merseyside. It will also place the qualitative benefits of the project, like greater flexibility and closer teamworking, in the context of the overall Change in HSE programme. Communications material will stress that HSE will be putting into practice its own advice on the client’s role in construction health and safety. The North-West Government News Network will be consulted about the external presentational aspects that are likely to see the story from the perspective of additional investment in Bootle.

Costs and Benefits

13. As noted above, the replacement accommodation will increase HSE’s Merseyside estate costs by £4m pa with a one-off transitional cost of £9m in 2005/06. The benefits of the proposed solution are avoiding a higher cost/worse value option; some efficiencies in internal costs from moving to one building amounting to approximately £1m pa; and moving all of HSE’s Merseyside staff under one roof and better enabling the behavioural, cultural and process changes that the Board is seeking to deliver its and the Commission’s strategy and goals.
14. There will also be a benefit to the local community as aspects of the investment in the area, which has Objective One status under the EU’s programme of relieving poverty in deprived regions, will enable Sefton MBC to obtain matched funding from the EU.

Financial/Resource Implications for HSE

15. It is intended to fund the “steady state” additional costs of the project from efficiency savings in its staff-related overheads (e.g. travel and subsistence, training and conferences, consultancy, staff substitutes etc) and measures put in hand earlier are already making a significant contribution. The one-off transitional cost will be funded from the EYF reserve.
16. The general financial outlook for HSE is difficult and this stems from our need to meet paybill pressures at RPI or above in the face of a flat cash settlement in SR2002 (i.e. a

reduction in real terms). To live within its means, the organisation will need to become smaller while delivering the same or improved impact. This conclusion has been factored into the analysis for the proposed replacement accommodation on Merseyside.

Environmental Implications

17. The new building is designed to achieve the highest BREEAM rating of excellent

Other Implications

18. N/A

Action

19. The Board is invited to consider the wider implications of the recommendation to proceed with this project and the pressures and opportunities that it brings.

Contact

20. Steve Dennis, H/BSD, X 4239; or Steve Bailey, MHQ Project Manager, X 3351.

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