



**NORTH AYRSHIRE**  
COUNCIL

Cunninghame House,  
Irvine.

15 March 2013

### **Cabinet**

You are requested to attend a Special Meeting of the above mentioned Committee of North Ayrshire Council to be held in the Council Chambers, Cunninghame House, Irvine on **TUESDAY 19 MARCH 2013** at **2.30 p.m.** to consider the undernoted business.

Yours faithfully

Elma Murray

Chief Executive

**1. Declarations of Interest**

Members are requested to give notice of any declarations of interest in respect of items of business on the Agenda.

**2. The Scottish Police Authority and Dalmarnock Police Station**

Submit report by the Chief Executive (copy to follow).

**3. Urgent Items**

Any other items which the Chair considers to be urgent.

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## Cabinet

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Sederunt:

**Elected Members**

Willie Gibson (Chair)  
Alan Hill (Vice-Chair)  
Marie Burns  
Anthea Dickson  
John Ferguson  
Tony Gurney  
Alex McLean

Chair:

Attending:

Apologies:

Meeting Ended:

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**Name of Committee: Strathclyde Police Authority**

**Report by Chief Constable**

**Date: 21 March 2013**

**Contact: Superintendent Donna Henderson**

**OPERATIONAL POLICE FACILITY AT DALMARNOCK  
CLYDE GATEWAY PROPOSAL**

<b>EXEMPTION UNDER LOCAL GOVERNMENT (SCOTLAND) ACT 1973 CONSIDERED APPLICABLE</b>	<b>NO</b>
<b>EXEMPTION UNDER FREEDOM OF INFORMATION (SCOTLAND) ACT 2002 CONSIDERED APPLICABLE</b>	<b>NO</b>

**Purpose of Report**

To invite Members of Strathclyde Police Authority, having considered the content of this report to approve allocation of £4.3 million as a capital reserve to be used as a financial contribution towards the construction costs of the new building at Dalmarnock in the event the Scottish Police Authority, following consideration by that Authority and the Scottish Ministers of a Business Case, accept a proposal from Clyde Gateway to make the Dalmarnock facility and site, available to the Scottish Police Authority as a police facility in the West of Scotland.

**Recommendations**

- 1 Members of Strathclyde Police Authority are invited to:
  - (i) note that the Scottish Police Authority has confirmed the requirement for a police facility in the West of Scotland and that subject to presentation of a revised Business Case for the Authority's full and detailed consideration and submission to the Scottish Government, the Authority, in principle, is of the view that the proposed facility at Dalmarnock can be used for policing purposes

- (ii) note the proposal from Clyde Gateway to make available the new building at Dalmarnock to the Scottish Police Authority with control/ownership of the building and land being transferred to that Authority at practical completion on terms and conditions to be agreed between both parties, subject to a £4.3 million contribution from Strathclyde Police Authority towards construction costs with the remainder of the construction costs met by Clyde Gateway.
- (iii) approve the setting aside of £4.3 million to be used as a contribution from Strathclyde Police Authority towards the construction costs of the building, on condition that in the event that the facility and land are not transferred to the Scottish Police Authority in accordance with the Clyde Gateway proposal, this capital reserve will be available for the distribution on the same basis as uncommitted reserves, with 51% (£2.2 million) being returned directly to the Scottish Government and with the remaining 49% (£2.1million) distributed among constituent authorities in line with the precept contributions.

Constituent Authorities	Force Wide	<input type="checkbox"/>
Police Authority Member(s) advised	Yes	<input type="checkbox"/> No <input checked="" type="checkbox"/>
Police Authority Member(s) consulted	Yes	<input type="checkbox"/> No <input checked="" type="checkbox"/>

## Background

- 1.1 A project for the construction of a new purpose built Operational Police Facility for Strathclyde Police to replace the current building at 173 Pitt Street, Glasgow has been on going since 2008 under the governance of Strathclyde Police Authority, with the development of an Outline Business Case, a Full Business Case (Stage 1), and ultimately a Full Business Case (Stage 2) which was submitted for information to the Cabinet Secretary for Justice in November 2011 and to Members of Strathclyde Police Authority on 9 December 2011.
- 1.2 The Full Business Case (Stage 2), undertaken in accordance with HM Treasury Guidance for Public Sector Business Cases, assessed the proposal to replace the police facility at Pitt Street, Glasgow with a modern, adaptable and cost effective building on a site at Riverside East, French Street, Dalmarnock. The site was to be made available by Clyde Gateway Urban Regeneration Company (Clyde Gateway).
- 1.3 Clyde Gateway concluded the acquisition and preparation of the 3.9 acre site. Site clearance work was completed at a cost of £1.74m. The area surrounding the site is being targeted by Clyde Gateway for major regeneration over the coming years.
- 1.4 In addition to the provision of a fully remediated site for a nominal cost of £1, and financial contribution towards project consultancy costs, Clyde Gateway had committed to provide to Strathclyde Police Authority an additional capital grant of £1.88 million towards the construction costs, further off site remediation works and professional fees had the project progressed to completion.
- 1.5 A procurement process which commenced on April 2011 with a contract notice being published in the Official Journal of the European Union (OJEU) in accordance with the Public Contracts (Scotland) Regulations was undertaken which resulted in seven companies submitting tenders
- 1.6 Following the announcement to move to a single Scottish Police Service, written correspondence was received on the 12 January 2012, by the Convenor of Strathclyde Police Authority from the Cabinet Secretary for Justice which indicated that Strathclyde Police Authority should not proceed with the proposed building at Dalmarnock and that any decision on progress should be put on hold and left for the future consideration of the Scottish Police Authority.
- 1.7 Whilst the Cabinet Secretary for Justice recognised the regeneration benefits of a significant new police building in Dalmarnock, as part of the Clyde Gateway regeneration programme, **he was concerned that the new building would constitute a significant liability for the new Police Service and Scottish Police Authority, to service the loans used to build it** and he instructed that a final decision on this project should be put on hold until the new Scottish Police Authority had been established and could reach its own view on the long term commitment and overall estate needs of the new service.

- 1.8 Following receipt of this correspondence, Strathclyde Police Authority invited the tenderers which had bid for the contract, to extend the validity period of their respective tenders from 31 March until 21 December 2012, to allow the project and Business Case to be considered by the new Authority.
- 1.9 Although the proposed Operational Police Facility at Dalmarnock was placed on the agenda for discussion at the Strathclyde Police Authority meeting on 23 February 2012, the then Convenor, Councillor Curran, in his opening remarks indicated that this paper had been withdrawn from the Agenda.

#### **Further Detail on Report Topic**

- 2.1 In November 2012, the Scottish Government published a list of 'shovel ready' projects to the value of £848 million, which could get underway if the UK Government enabled investment in Capital Growth. The list of projects included a bid for £63.4 million for the construction of office and industrial developments to promote economic growth in the Clyde Gateway area. On 5 December 2012, the Chancellor of the Exchequer, Mr George Osborne, MP, announced £394 million in extra funding to the Scottish Government to be spent on Capital Projects
- 2.2 On the 19 December 2012, the Cabinet Secretary for Finance, Employment and Sustainable Growth made an announcement to award funds to some capital projects which should commence quickly and promote economic growth in the West. Following on from this announcement, Clyde Gateway was awarded £16 million towards the construction of the building.
- 2.3 Clyde Gateway proposed to make the facility and site available to the Scottish Police Authority at practical completion. The proposal requires a £4.3 million contribution from Strathclyde Police Authority towards the construction costs of the building.
- 2.4 Authorisation was given at a Convenor's Sub-committee for approaches to be made to the six bidders in the current procurement process to extend their tender validity period from 21 December 2012 until the 31 January 2013. Responses were received from all six companies which indicated their willingness to do this although two companies indicated an increase to their prices. The most economically advantageous tender based on cost and quality for construction of the building was a bid for £20,063,643 (£24,076,371 Inc VAT) from Morgan Sindall.
- 2.5 Both the OJEU Notice advertising the procurement and Pre Qualification Questionnaire, issued in relation to the procurement indicated, that if Strathclyde Police Authority decided not to proceed to award a contract then Clyde Gateway would have the option to 'step in' to award the contract. On 9th January 2013 Ian Manson, Chief Executive, Clyde Gateway wrote to the Convenor of the Strathclyde Police Authority signalling Clyde Gateways' intention to award the building contract pursuant to the current tender process if, the Authority was unwilling or unable to award. On 15<sup>th</sup> January 2013 Keith Mannings, Chief Executive, Strathclyde Police Authority, on behalf of the Authority, confirmed in writing that the Authority would not be proceeding to contract award and that Clyde Gateway could proceed on that basis. As such Strathclyde Police's Legal Services have agreed with Clyde Gateway's external legal advisors the terms and conditions of a Novation Agreement and other documentation which will transfer Strathclyde Police Authority's Project Manager and Design Team appointments (which were put in place using Clyde

Gateway funding) to Clyde Gateway and allow for the subsequent novation of the Design Team to the building contractor in accordance with the terms of the Invitation to Tender.

- 2.6 Following conclusion of the required standstill period without legal challenge, Clyde Gateway, on 31 January 2013 awarded contract to Morgan Sindall.
- 2.7 Construction on the site at French Street, Dalmarnock will commence in April 2013 and it is estimated that the building will be completed around December 2014. Although Clyde Gateway has taken the decision to construct the building on a speculative basis, it is still keen to obtain the Police Service as an anchor occupier due to the positive impact this will have on enhancing local policing in the West of Scotland. As a result the building is currently being built to the original police specification and there is approximately a 6 month window before Clyde Gateway will require to consider changes to the internal layout of the premises in the event that the Scottish Police Authority is not in a position to proceed with Clyde Gateway's proposal and the premises have to be reconfigured to make them suitable for multiple occupiers or tenants.
- 2.8 The Scottish Police Authority has indicated that a Business Case for the acquisition of the building in the context of the single Scottish Service has to be prepared for consideration by members of the Scottish Police Authority and it has agreed that if Strathclyde Police Authority agree to provide the £4.3 million contribution towards construction of the building, that this sum could be set aside pending consideration of the Business Case. In the event that the Scottish Police Authority is unable to proceed with the project, the £4.3 million contribution will be available for distribution on the same basis as uncommitted reserves. Therefore 51% (£2.2 million) will be returned directly to the Scottish Government, with the remaining 49% (£2.1 million) distributed among constituent authorities in line with precept contributions.
- 2.9 **An agreement from Strathclyde Police Authority to set aside the contribution towards the construction costs of the building is vital to preserving the benefits of the project for policing in the West of Scotland.** On the 7 March 2013 the Scottish Police Authority indicated that it saw considerable potential in the Dalmarnock facility for policing but the Chair of the Authority has clearly intimated on a number of occasions the inability of the Authority to consider any significant capital projects unless they are free from liabilities.
- 2.10 The work which has been conducted to date in respect of the national police estate strategy and which will inform the Scottish Police Authority Business Case clearly demonstrates that there is a strong operational requirement for the building for the future delivery of policing services across the West of Scotland. In addition the acquisition of this property will enable the Scottish Police Authority to make a decision about disposing of the current costly and inefficient Pitt Street premises with relocation from Pitt Street to the new building realising £1.438 million in annual revenue savings. This therefore is a unique opportunity for the Police Service of Scotland to acquire at minimal cost, a modern, efficient, adaptable police facility which will be utilised to deliver key policing services across the West of Scotland for years to come.

## Financial Implications

- 3.1 In the Full Business Case (Stage 2) it was outlined that the projected total capital cost of the project (inclusive of fit out) was £25.88 million and it was proposed that this would be financed by:

**Table 1: Financing Breakdown at Full Business Case (Stage 2)**

<b>Finance</b>	<b>Amount £m</b>
Capital Contribution - Strathclyde Police Authority	£5.40
Capital Contribution – Clyde Gateway	£1.88
Capital Receipt – Pitt Street disposal	£2.50
Borrowing Requirement (net – after Pitt St receipt)	£16.10
<b>Total</b>	<b>£25.88</b>

The total proposed commitment falling on Strathclyde Police Authority at that time was £24 million.

- 3.2 Following the Cabinet Secretary for Justice's decision to put the project on hold until the Scottish Police Authority was able to consider it, the £5.4 million which had been set aside to part fund this project was subsequently reallocated to additional projects which were included in a revised Capital Programme approved by Strathclyde Police Authority in April 2011.
- 3.3 Furthermore, the delay in the award of the contract had further implications on the Capital costs of the Project. The lowest tender received was withdrawn and all project costs now attract VAT owing to the tax status of the new Authority. Although the total capital costs of the Project has now risen to £31.73 million the costs associated with the FF&E and the ICT budgets have been reduced following a review of the facilities within the building. The table below provides a basic overview of the difference in costs:



**Table 2: Cost comparison between FBC2 and Now.**

<b>Total Capital Costs - Dalmarnock Facility</b>							
<b>Heading</b>	<b>FBC Stage 2</b>	<b>January 2013</b>			<b>Increase/(Decrease)</b>		
	<b>Excl VAT £m</b>	<b>Excl VAT £m</b>	<b>VAT £m</b>	<b>Incl VAT £m</b>	<b>Excl VAT £m</b>	<b>VAT £m</b>	<b>Total £m</b>
Construction costs	17.90	20.06	4.01	24.08	2.16	4.01	6.18
Professional fees, additional works and contingency	1.66	2.08	0.42	2.50	0.42	0.42	0.84
Fit Out & FFE	1.90	1.69	0.34	2.03	(0.21)	0.34	0.13
ICT	4.42	2.60	0.52	3.12	(1.82)	0.52	(1.30)
<b>Total Capital Costs</b>	<b>25.88</b>	<b>26.43</b>	<b>5.30</b>	<b>31.73</b>	<b>0.55</b>	<b>5.29</b>	<b>5.85</b>

3.4 The current Total Capital Cost of the Project (inclusive of fit out, professional fees, post tender changes, contingency and VAT), based on the tender assessment is £31.73 million.

3.5 If the proposal proceeds it would be the responsibility of the Scottish Police Authority at the end of 2014, to meet the costs of furnishing the building and installing the necessary ICT hardware which is currently estimated to be £5.16 million.

3.6 The funding profile of the Project has changed significantly from that of the Full Business Case (Stage 2) with the table below showing the changes:

**Table 3: Funding Profile**

<b>FBC Stage 2</b>	<b>FBC Stage 2 Excl VAT £m</b>	<b>January 2013 Incl VAT £m</b>	<b>Movement £m</b>
Additional Funding - Scottish Government	0.00	16.00	16.00
Capital Contribution Clyde Gateway	1.88	6.27	4.39
Strathclyde Police Authority - Borrowing Requirement	16.11	0.00	(16.11)
Capital Receipt - Pitt St Disposal	2.49	0.00	(2.49)
SPA Capital Contribution for FFE/ICT fit out	0.00	5.16	5.16
<b>Sub Total</b>	<b>20.48</b>	<b>27.43</b>	<b>6.95</b>
Strathclyde Police Authority - Capital Contribution	5.40	4.30	(1.10)
<b>Total Capital</b>	<b>25.88</b>	<b>31.73</b>	<b>5.85</b>

- 3.7 It is proposed that Strathclyde Police Authority agree to commit a sum of £4.3 million towards the construction costs of the building.
- 3.8 As stated above, if the proposal does not proceed then the £4.3 million would be available for redistribution on the same basis as uncommitted reserves with 51% (£2.2 million) being returned to the Scottish Government and the remaining 49% (£2.1million) being available for distribution between constituent authorities in line with precept contributions. The table below indicates the proportion of the £2.1 million sum which would be returned to each Local Authority.

**Table 4: Uncommitted Capital Receipts - Local Authority Contribution under the Precept Arrangements**

Local Authority	Precept %	Contribution (£)
Argyll & Bute	4.16	87,400
East Ayrshire	4.38	92,000
East Dunbartonshire	3.00	63,000
East Renfrewshire	2.28	47,900
Glasgow	38.38	805,900
Inverclyde	3.57	75,000
North Ayrshire	5.22	109,600
North Lanarkshire	12.30	258,300
Renfrewshire	7.18	150,800
South Ayrshire	3.99	83,800
South Lanarkshire	10.75	225,700
West Dunbartonshire	4.79	100,600

### Personnel Implications

- 4.1 Progression of the project would require continued involvement of key staff to represent the interests of Strathclyde Police Authority until 31 March 2013.

### Legal Implications

- 5.1 If members of Strathclyde Police Authority are minded to approve a £4.3 million contribution towards construction costs and that the money could be set aside, it may be prudent for Strathclyde Police Authority to record in the form of a letter from its Chief Executive to the Chair of the Scottish Police Authority and the Interim Director of Finance, Police Scotland that approval to the £4.3 million being set aside is conditional on it being used as a contribution to the construction costs of the police facility at Dalmarnock.

### Recommendations

- 6.1 Members of Strathclyde Police Authority are invited to:
- (i) note that Scottish Police Authority has confirmed the requirement for a police facility in the West of Scotland and that that subject to presentation of a revised Business Case for the Authority's full and

detailed consideration and submission to the Scottish Government, the Authority in principle is of the view that the proposed facility at Dalmarnock can be used for policing purposes

- (ii) note the proposal from Clyde Gateway to make available the new building at Dalmarnock to the Scottish Police Authority with control/ ownership of the building and land being transferred to that Authority at practical completion on terms and conditions to be agreed between both parties, subject to a £4.3 million contribution from Strathclyde Police Authority towards construction costs with the remainder of the construction costs met by Clyde Gateway.
- (iii) approve the setting aside of £4.3 million to be used as a contribution from Strathclyde Police Authority towards the construction costs of the building on condition that in the event that the facility and land are not transferred to the Scottish Police Authority in accordance with the Clyde Gateway proposal, this capital reserve will be available for the distribution on the same basis as uncommitted reserves, with 51% (£2.2 million) being returned directly to the Scottish Government , with the remaining 49% (£2.1million) distributed among constituent authorities in line with the precept contributions.