

Committee: Police	Date: 6 th December 2013
Subject: Bernard Morgan House – Review of Charges	Public
Report of: Commissioner of Police POL 58/13	For Decision

Summary

Under City of London Corporation Financial Regulations for charging, the Force is required to submit an annual report on the review of charges for Bernard Morgan House (BMH).

BMH is currently expected to realise a deficit on its budget for this financial year of approximately £60,000.

This is due in part to the expiry of the British Transport Police contract re letting of rooms within BMH, and the levels of occupancy being obtained, which are partially driven by the Windsor Review and the fact that BMH is not deemed 'acceptable accommodation' under the definitions for this review, as it has no 'en-suite' facilities.

BMH also provides other services to the Force at no cost, such as cheap storage.

An on-line questionnaire was conducted with users of BMH, this has helped to inform the decision making process of the Force's Strategic Management Board (SMB) and the recommendations presented to Members in this report.

This report presents to Members measures to mitigate the deficit and recommends changes to the pricing tariffs as follows:

- a) Increasing the non-City of London Police officer / support staff charge by £5 per day;
- b) Increasing all other charges except car-parking by 3.3%;
- c) Increasing car-parking in line with the City of London charge for residents, therefore from £524 per year to £740;

In addition SMB has commissioned a review of the management and operation of BMH to seek additional efficiency savings to further mitigate the operating deficit.

It is planned for BMH to be sold off as part of the overall package of

sites which will part fund the new police estate; accordingly measures which require significant investment in the building have been discounted as it is expected that within five years BMH will be closed.

RECOMMENDATIONS

It is recommended that Members agree to:

1. Increasing the non-City of London Police Officer / support staff charge by £5 per day with effect from (wef) 1st April 2014;
2. Increasing all other charges except car-parking by 3.3% wef 1st April 2014;
3. Increasing car-parking charges in line with City of London charges for residents, therefore from £524 per year to £740 pa wef 1st April 2014;

MAIN REPORT

BACKGROUND

1. The purpose of this report is to enable Members to make an informed decision on the annual review of charges for BMH. The report outlines the current budget situation for BMH, explains the current pricing system and seeks approval for the changes to pricing tariffs to be implemented from 1st April 2014. As part of this work an online questionnaire was undertaken with users of BMH to better understand their views and to inform the decisions made at the Forces Strategic Management Board which are presented for Member approval.

CURRENT POSITION

2. **Current Budget Situation** - It is predicted that this year the shortfall between income and expenditure will be approximately £60,000. This shortfall has occurred partly through the ending of the contract between the Force and the British Transport Police for the provision of accommodation (valued at £150,552 per annum) and secondly the level of general usage; the expected outturn is illustrated at Appendix A to this report.

3. Recommendations within the Windsor Review mean that BMH is not recognised as 'acceptable accommodation' according to the definition of this within the Review, as there are no 'en-suite' facilities provided. This has led to reduced occupancy levels and in addition, increased financial cost to the Force. Under the terms of the Windsor Review Recommendation 12, a payment of a hardship allowance of £30 per night is made to an officer if s/he stays over at BMH when 'Held in Reserve' as it is not deemed 'proper accommodation'.
4. BMH also provides other services to the Force in addition to accommodation which are not themselves income generators, but are important to the operation of the Force, these are: -
 - storage at no cost to the Force, this has been estimated at between £49,000 and £97,000 approximately if provided commercially, this is based upon 1318.6 ft² of available space with a charge out rate of between £35 and £74 per square foot. The charge out rates for storage are typical rates across London, £74 in Southwark and £35 in Muswell Hill;
 - BMH staff provide, as part of their duties, the 24hour maintenance help desk facility.
5. **Current Pricing System** - This is shown at Appendix B to the report. There are a wide range of tariffs ranging from £14 per night for a probationer if staying more than 28 days to £35 per night for a single room if a City of London employee. The range of tariffs has evolved over the years to target distinct groups and importantly to be sympathetic to officer/ staff members due to the cost of living within the City and their relative salaries. Data on the tariffs of cheaper hotels in the locale of BMH has previously been collected but direct comparisons continue to remain unrealistic due to the level of facilities available at these hotels (notably en suite facilities) compared to those available within BMH.
6. **The survey and results** - As part of the review of charges, a survey with users of the facilities was conducted. Key highlights revealed from the survey results include;
 - Of the 162 respondents 90% used BMH occasionally;
 - 80% of users are police officers;

- Over 50% of users viewed the accommodation as acceptable, a further 25% viewed it as good or very good;
 - 43% of users viewed the bathroom facilities as acceptable, a further 10% as good or very good;
 - 29% of users viewed the staff as satisfactory with a further 69% saying they were helpful or very helpful;
 - 52% of users thought the management was satisfactory, while a further 26% viewed it as well to very well managed;
 - 76% of users thought the facilities should be open to more than City of London Police and support staff;
 - 83% of users thought other forces should be allowed to use the facilities;
 - 71% thought ex-police officers and their partners should be allowed to stay;
 - 92% of users thought that there should be a different pricing structure for non-City of London Police officers and support staff;
 - 34% of users thought that non-City of London Police officers and support staff should pay at least £10 more per night, with 14% thinking it should be more than £15;
 - 66% of users thought the existing rates were reasonable given the location;
 - 65% of users felt pricing policy would stop them using BMH.
 - The big two issues for improvement are en-suite facilities and a better kitchen area / provision.
7. The level of response was high with generally over 140 responses per question.

RECOMMENDATIONS

8. A number of options were considered by the Force's Strategic Management Board at its meeting on 13th November and a decision

was taken that pricing tariffs should be increased to close the funding gap.

9. As part of the options presented to SMB a review of pricing tariffs was conducted in conjunction with an assessment of the impact this may have on occupancy rates which has informed the level of increases being recommended here for approval.
10. If prices at BMH are increased substantially then there is an increased risk that current users will find alternative accommodation, the key factor being en-suite provision. From the survey results, there was a general agreement that the pricing difference between non-City of London officers and support staff and City of London officers and support staff should be increased. It was agreed that a £5 difference per night was appropriate. This would provide an additional income of up to £15,000 / £20,000 per year. The total charge for a double room if staying longer than 28 days would then be £21.38, far less than available commercially, but with the reduced facilities of BMH, a price still deemed acceptable.
13. It was also agreed that the rest of the users' price tariffs should have an inflation price increase of 3.3% applied. This would increase the income stream by approximately £10,000 pa.
14. BMH also provides car-parking currently priced at £1.56 per day based upon 28 days continuous use, this equates to £524 per year. To park in the Barbican with a yearly season ticket costs £2,040, at Minories Car-Park as a non-resident £4,264 and as a resident of the City £740. It was agreed that car-parking charges should be brought in line with Minories Car Park charges. This would generate a further £1,200 - £1,600 per year, not significant but helpful in reducing the budget deficit. It also develops a more consistent pricing structure between the CoL and CoLP.
15. The results of these measures could realise £26.2 – £31.6 K pa which will go towards mitigating the current operating deficit.

FINANCIAL AND RISK IMPLICATIONS

17. It is anticipated that the recommended proposals will help to close the current funding gap at BMH without having an adverse effect on current occupancy levels.

18. In addition SMB has agreed to commission a further review of the operation and management of BMH services to seek supplementary efficiency savings and attempt to identify new income generating opportunities for the intervening period prior to building closure.

CONCLUSION

19. BMH is an old building which requires significant investment if the same income streams are to be expected as from a modern hotel. The driver for BMH is both to house officers being required for operational reasons and those who wish to live close to work at an affordable price. The recent questionnaire shows that price is a key influencing factor for staying at BMH balanced against the quality of facility provided. If prices were significantly increased to mitigate the shortfall between income and expenditure then users would leave. It is therefore appropriate to increase prices rationally and hence the recommendation is to increase tariffs in line with inflation for City of London Police officers and support staff, whilst increasing non- City of London employees by £5 per night.
20. Linked to the price increases SMB has also commissioned a thorough review of the management and operation of BMH to be undertaken to seek additional efficiency savings and attempt to identify new income generating opportunities in the intervening period prior to its anticipated closure.

Background Papers:

Appendices

A – Expected Outturn for 2013-2014 Financial Year

B – Current Pricing Tariffs

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