

401/96

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7 JUN 1996

FROM: D J WATKINS
D/CENT SEC
DATE: 6 JUNE 1996

cc PS/Secretary of State (B&L - B
PS/Sir John Wheeler (DFP,B&L) - B
PS/Michael Ancram (DENI,B&L) - B
PS/Sir David Fell - B
Mr Thomas - B
Mr Bell - B
Mr Blackwell - B
Mr Leach - B
Mr Wood (B&L) - B
Mr Beeton - B
Mrs Brown - B
Mr Carson - B
Mr Maccabe - B
Mr Hill - B
Mr Stephens - B
Mr Dickinson - B
Mr Campbell-Bannerman - B

- 1. PS/PUS (B&L) - B
- 2. PS/SECRETARY OF STATE (B&L) - B

NORTHERN IRELAND FORUM: LOCATION

- 1. The purpose of this note is to seek final confirmation that we should proceed towards a contract to convert the third floor of the Interpoint building to accommodate the Forum. There are several issues which PUS and Ministers need to address before deciding that this is the best course of action.

Interpoint Conversion and Other Costs

- 2. Based on a fairly settled plan which we shall be happy to show to Ministers, Mivan estimate that the cost of undertaking the work required to the third floor would be of the order of £2.2m plus VAT. In addition there are other items including furniture and soft furnishings which are being costed. Also in addition, leasing the floor from Short Bros Flax Trust Limited

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(SBFT) could be up to £500,000 per year. Valuation and Lands Agency (VLA) are negotiating this (as is required for such property matters). Furthermore we might need some additional space on the second floor of the building, though we have tried to design everything into the 3rd floor.

3. These costs are all additional to the cost of renting, as an unavoidable interim solution, parts of the first floor for two days a week until the end of July; these terms are also to be negotiated by the VLA.

Current Position

4. The two key elements required to proceed with the work are the agreement of a lease for the third floor with SBFT and the signing of a contract with Mivan. Lease terms are being negotiated on our behalf by VLA and should be agreed by Friday. In comparison with other city centre rents and the intrinsic value of the floor, the terms on offer are above VLA's assessment of market rates; and it may be that we will have to pay some premium for having the accommodation available within such a short timescale. Moreover, SBFT are seeking a 10-year lease.
5. The Secretary of State should raise this with Mr McNulty tomorrow. He should say that we had expected a fair and reasonable rent; point out that Shorts benefit from substantial Government help on a broad front, including export promotions; and emphasise the public utility of the Forum. We hope therefore for a rental closer to the market rate (about £5 per sq ft, against £6.25 as SBFT's "final offer"). Mr McNulty may not be in wholly receptive frame of mind as SBFT are understood to have been greatly irritated by Ministers' offer, without consultation, of a site visit to Mr Robinson (which incidentally went well).

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6. As to Mivan, a negotiated contract will be drawn up with them shortly (involving DOE on our side), but the company is ready to proceed on the basis of informal authorisation. We believe that authorising Mivan to proceed by way of an interim letter setting out key parameters can be justified as we have no acceptable alternative accommodation (but see para 9 below) and as we know that Mivan, the original contractors for the building, have capacity to fit it out in the timescale necessary for the Forum, and as such are likely to be as cost-effective as others with no knowledge of the building.
7. In agreeing a price with Mivan we are conscious that it will doubtless include a premium for urgency. This is inevitable in the circumstances. It is also worth noting the possibility that, after we have procured the fitting-out of the third floor by end-July, the Forum might decide on a recess in August; but in the nature of the body we have no control over this.
8. There is a further risk that the Forum could collapse in the course of the contract. We cannot yet quantify the cost of this, or by definition calibrate the risk. But we shall be seeking, in negotiating the contract, to minimise the risk to public funds by suitable break-clauses.

Issues

9. Before we enter into either of these agreements there are some important considerations. First, Mivan will not be employing security-cleared workers on the site. The general expectation is that workers involved in Government buildings (and this work could be regarded as specially sensitive though not in a Government building) should be security-cleared. It is not inconceivable, since it has happened in the past, that a mischievous MP might ask a PQ on the matter of clearance. Ministers will have either to take a strong line in defending

the lack of clearance on grounds of speed or to stop work until such clearances are obtained. The other option is to have the clearances obtained before work starts but this is normally a lengthy process taking between 6 and 8 weeks. It might be possible to have the RUC carry it out faster, but at best a 2 week delay would be incurred. A further option might be to commission urgent basic security clearance but simultaneously authorise Mivan to proceed. We are exploring, but would value guidance.

10. Second, now that we have an indication of the total cost involved in putting the Forum on the third floor of this building, it is important not to lose sight of the fact that the total cost in the first full year could look extraordinarily high should the Forum end prematurely. One option, which SBFT are currently insisting on, is to take a longer lease than that which would simply cover the lifetime of the Forum. A lease for 10 years would allow the third floor to be taken into the Government estate once the Forum ended its natural lifespan or ended prematurely. Which part of the Government estate and where its future ownership would lie could be decided later, though the NIO itself is unlikely to have a use for it. While DOE can identify potential uses for the accommodation, they do not have the full DRC resources. But such an arrangement would certainly be more defensible in accountability terms, and we are exploring this further.
11. A second option is to continue to regard the use of the first floor of Interpoint as an interim arrangement until the temporary building which I mentioned in my note of 22 May could be erected near Castle Buildings. Similar temporary accommodation to that proposed has now been seen in situ in England by the DOE and they think that the interior would be suitable for our purposes. However the external cladding, although metal, would still look like a temporary building. The political acceptability of this, together with

complications arising from management of Sinn Fein and intertwining of the Forum and negotiations, remains questionable. Nevertheless this option at about £500,000 including VAT and interior fitting, would cost considerably less than the 3rd floor conversion. I take it however that this is still precluded on political grounds.

Interim Arrangement

12. Shorts are prepared to let us rent facilities on the first floor of the building until end July. Although this is a commercial arrangement it will mean some disruption for the ordinary businesses on this floor. We have discussed with them our needs and they have done their best to accommodate us but I should emphasise that we will be able to use the conference facility only on Thursdays and Fridays and other rooms only as they are available. Parties will not have available to them the same standard of office accommodation as provided in Castle Buildings; nor will they be able to leave material there between meetings of the Forum; and the Forum will be limited to plenary meetings on Fridays.
13. Finally, the Secretary of State and Michael Ancram are to visit Interpoint tomorrow. They will be met again by Roy McNulty and Brian Carlin. The Secretary of State and Michael Ancram will understand that since the initial decision to go for Interpoint was taken last week most effort this week has been in planning and preparation; not much will be in evidence physically. We can however review the drawings for both floors and explain what is proposed.

Conclusions

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14. Are PUS and the Secretary of State content with these arrangements; and do they insist on urgent basic security clearance, if this is possible?
15. I have fully consulted FSD in preparing this submission.

[Signed: D J Watkins]

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