

**10<sup>th</sup> Dec 2014**

**Ordinary Council**

**Town Hall Remodelling – Business Case Review**

**Report of:** *Philip Ruck, Contract and Corporate Projects Manager*

**Wards Affected:** *None*

**This report is:** *Public*

**1. Executive Summary**

- 1.1 A report on the Town Hall Remodelling Project was previously presented to the September 2013 meeting of Extraordinary Council. Since that meeting and the approval granted, the project has been progressing through the processes necessary to commence the remodelling works.
- 1.2 These processes have examined the feasibility of the preferred Outline Business Case (OBC) option and resulted in a designed general arrangement for the building and an overall scope for the necessary remodelling works.
- 1.3 The resulting general arrangement for the building contains a lower overall area for commercial lease and insufficient area to accommodate a dedicated hub of office space for community sector use.
- 1.4 Final costings have been prepared for the remodelling works identified by the feasibility study. These indicate that undertaking the full scope of the specified remodelling works would require a capital investment of c. £5.3m for building works plus the continued requirement of £0.5m for associated ICT infrastructure.
- 1.5 This investment is c. £2.2m greater than that previously approved. This financial variance, along with there being insufficient area for dedicated office space for community sector use, indicate that the objectives of the previously approved OBC are no longer being fully met.
- 1.6 On that basis, the project has been reviewed to identify a revised scope that would meet the previously approved budget.

- 1.7 The resulting revised scope would ensure that key operational objectives of the project could be delivered but would necessitate the exclusion of certain elements of work relating to the building and services infrastructure. It is anticipated that these excluded elements would be subject to the development of separate business cases.

**2. Recommendations:**

2.1 **To note that the full cost for undertaking the Town Hall Remodelling Project, as agreed at the September 2013 meeting of Extraordinary Council, exceeds the 5% budget tolerance level set at that meeting.**

2.2 **To approve the commencement of works for a revised scope for the Town Hall Remodelling Project within the previously agreed budget of £3.6m, which would ensure:**

- I. **Creation of a customer service area on the ground floor, suitable for joint use between Council services and partner organisations.**
- II. **Provision of modern, space efficient office layouts for all Council services based at the Town Hall.**
- III. **Availability of defined areas for commercial lease.**
- IV. **Completion of essential access and health and safety works as necessary to achieve joint occupation of the Town Hall.**

2.3 **That the draft Heads of Terms agreed for the commercial lease of part of the Town Hall are reviewed to ensure they provide the Council with best value.**

2.4 **To note that further business cases relating to the infrastructure of the Town Hall will be developed for consideration by the Asset and Enterprise Committee, anticipated to include:**

- **Sustainability measures for the Town Hall (incorporating sustainable solutions for heat, light and power)**
- **Increased commercial use of the Civic areas of the Town Hall.**

**All of the above also assume that the allocated ICT budget of £0.5million remains.**

### **3. Introduction and Background**

3.1 A report was presented to the Ordinary Council meeting of July 2011, which identified that the existing floor space of the Town Hall is in excess of what is required and that the building is not fit for purpose for its current usage.

3.2 Having considered various options, the Council decided at that time to retain the Town Hall and an OBC was subsequently developed for the options relating to that decision. From this, it was agreed in July 2012 to pursue an option for part remodelling of the building allowing for a lease agreement with a third party tenant.

3.3 Further details regarding the selected OBC option and specifically the proposed commercial solution associated with it were agreed by Extraordinary Council in September 2013.

3.4 The objectives of the agreed position were to develop a scheme that:

- Provides a modern, economic civic office building;
- Creates business opportunities within Brentwood (via the availability of flexible commercial office space);
- Provides flexible office space for community sector use; and
- Improves the overall utilisation of space within the Town Hall.

3.5 Since that approval, the Town Hall Remodelling Project has been progressing through the design, survey and cost planning processes necessary to commence the remodelling works needed to improve the building and its infrastructure.

3.6 This process has tested the feasibility of the preferred OBC option, and has produced both a layout for the building and a capital cost based upon the required scope of work to the building and its infrastructure.

3.7 Members are asked to note that after many years where there has been no investment in the infrastructure of the building, a commitment to the Town Hall Remodelling Project would be seen as a clear statement to improve working environments. This would help improve staff morale.

### **4. Issue, Options and Analysis of Options**

4.1 As noted in Section 3.5, progress on the Town Hall Remodelling Project since the meeting of Extraordinary Council in September 2013 has

concentrated on the feasibility activities necessary to progress the project to its construction stage. Specifically, these activities have consisted of:

- Space planning, based upon the accommodation of Council services in accordance with current desk to staff number ratios;
- Identification of the requirements of potential external users of the building:
  - The previously appointed commercial tenant (Chromex)
  - Job Centre Plus (JCP)
  - Citizens Advice Bureau (CAB)
  - Essex County Registrars (Registrars)
- Undertaking or re-visiting technical surveys of the building and its services; and
- Confirming the ICT requirements of the re-modelled building.

4.2 The result of this exercise has been development of a layout for the building which envisages:

4.2.1 Council services occupying:

- The lower ground floor;
- The ground floor; and
- The first floor, excluding the southern wing of that floor.

4.2.2 Chromex occupying:

- The southern wing of the first floor;
- The second floor; and
- The third floor; with
- A separate entrance adjacent to the main public entrance.

4.2.3 An improved reception area, based around the customer contact concept;

4.2.4 A separate entrance for Chromex, adjacent to the main entrance;

4.2.5 Sufficient reception and office space to accommodate JCP, CAB and Registrars in the medium term, with an ability to retain the majority of existing community tenants within the building pending the relocation to the Town Hall of such functions;

- 4.2.6 Insufficient area to accommodate a specific hub of office space for community sector use.
- 4.3 However, achieving this layout and meeting all the other objectives of the Project would require total capital investment of c. £5.8m, of which £0.5m would relate to ICT. At this time, it is anticipated that the completion of a number of asset sales will support expenditure up to the original budget of £3.6m without the need for borrowing. However, in order to be prudent, the financial analysis has assumed that borrowing will be undertaken for the full value of the capital investment.
- 4.4 This level of capital investment exceeds the approved budget of £3.6m. In addition, the space planning that underpins the design identifies that there is insufficient area to accommodate a dedicated hub of office space for community sector use.
- 4.5 These factors indicate that all the objectives of the OBC are not being met. To overcome this position, a revised scope has been identified for the project, designed to operate within the previously approved budget.
- 4.6 The revised project scope would include:
  - 4.6.1 Replacement of the existing ground floor reception with a customer contact area, capable of providing one-stop services in conjunction with partner organisations;
  - 4.6.2 Creation of a separate entrance for direct access to the tenanted areas of the building;
  - 4.6.3 Provision of modern, space efficient office layouts for all Council services, within a flexible design capable of responding to future reduction in on-site staff presence;
  - 4.6.4 Availability of defined areas for commercial lease; and
  - 4.6.5 Completion of essential access and health and safety works as necessary to achieve joint occupation of the Town Hall.
- 4.7 The revised project scope would exclude:
  - 4.7.1 Any works to the Council Chamber and committee rooms, pending development of a separate business case for increased commercial use of these areas;
  - 4.7.2 Any works to the roof, pending development of proposals for solar power installations as part of a separate business case for sustainability initiatives;
  - 4.7.3 Any replacement of the existing boilers or implementation of improved heating controls, pending development of proposals

regarding sustainable heat sources as part of a separate business case for sustainability initiatives;

- 4.7.4 Introduction of comfort cooling to the areas most exposed to solar gain, pending development of proposals for cooling associated with the heat and power elements of the separate business case for sustainability initiatives;
- 4.7.5 Completion of a replacement programme for the windows; and
- 4.7.6 Upgrade to the specification of lighting, pending development of a separate business case for sustainability initiatives.

## 5. Reasons for Recommendation

- 5.1 The total amount of capital investment required to deliver the full scope of the project amounts to £5.8m. This in excess of the previously established budget of £3.6m. The variance is greater than 5%, thus requiring this report to be brought before Full Council in accordance with the motion agreed at the September 2013 meeting of Extraordinary Council.
- 5.2 Members are asked to note that £0.5m of the £3.6m budget is reserved for investment to deliver the necessary ICT infrastructure.
- 5.3 The key factors which increase the cost of the total investment over the previously estimated budget can be summarised as:
  - 5.3.1 **Inflation** – economic recovery in the building industry has caused actual cost inflation to outstrip that originally forecast. The forecast also needs to be extended to a revised mid point of construction now assumed to be quarter 4 of 2015. The combined impact of these inflation issues would be to increase the budget requirement by c. £472K.
  - 5.3.2 **Desk to staff ratios** - technical and cultural transformation of ways of working is not yet advanced to the level where the aspiration of a ratio of 7 desks per 10 staff members could be met. As a result, space planning has taken place on the basis of the current desk to staff ratios. To counter this effect, the space planning has also sought to produce a flexible design which would allow the Council occupied space to be reduced as the desk to staff ratios reduce, thus creating further available space for leasing.
  - 5.3.3 **Building and services infrastructure** – the required investment in building and mechanical and electrical (M&E) services is greater than that previously assumed, both as necessary to overcome the low levels of investment into the building over a

number of years and to meet landlord levels of responsibility as regards leasing significant areas of the building.

- 5.4 It is noted that work by an appointed quantity surveyor as contained in the report to Extraordinary Council of September 2013 had previously estimated the cost of the project at c. £4.6m, inclusive of design fees and at a 2015 price level. However, at that time it was proposed to retain the original budget pending the outcome of more detailed design. As you can see in the table at 5.7 below, the approved budget adjusted for inflation comes to at total of £4.1M.
- 5.5 The level of design now undertaken by the feasibility exercise has continued to produce a capital investment requirement that exceeds the approved budget. In addition, the space planning that underpins the design identifies that there is insufficient area to accommodate a dedicated hub of office space for community sector use.
- 5.6 These factors indicate that all the objectives of the OBC are not being met. To overcome this position, a revised scope has been identified for the project, designed to operate within the previously approved budget.
- 5.7 Details of the change in costs associated with both the full scope of the project and its recommended revised scope are contained within Appendix A of this document. These can be summarised as follows:

	<b>Refurbishment Costs £m</b>	<b>ICT Costs £m</b>	<b>Total Costs £m</b>
<b>Originally approved budget</b>	<b>3.1</b>	<b>0.5</b>	<b>3.6</b>
Adjustment to current inflation level	0.5	0.0	0.5
<b>Inflation adjusted budget</b>	<b>3.6</b>	<b>0.5</b>	<b>4.1</b>
Increased costs arising from feasibility study of OBC option	1.7	0.0	1.7
<b>Cost for undertaking the full scope of the project</b>	<b>5.3</b>	<b>0.5</b>	<b>5.8</b>
Effect of reducing the scope of the project	(2.2)	0.0	(2.2)
<b>Revised budget for approval</b>	<b>3.1</b>	<b>0.5</b>	<b>3.6</b>

- 5.8 The effect of the revised budget can be broadly analysed as follows:

Included in Project Scope		Excluded from Project Scope	
Element of Scope	Included £m	Element of Scope	Excluded £m
Ground floor customer contact area	0.8	Works to roof	(0.3)
Modern, space efficient office layout	0.7	Completion of window replacement	(0.2)
Essential window replacement	0.4	Replacement heat, light & power	(0.6)
Works to ensure health and safety	0.5	Reduced fittings and finishes	(0.7)
Works to ensure access to tenant areas	0.3	Design and construction fees	(0.4)
Design and construction fees	0.4		
<b>Total Inclusions</b>	<b>3.1</b>	<b>Total Exclusions</b>	<b>(2.2)</b>

5.9 The revised scope of the project would produce the following outcomes when compared to its original objectives:

Project Objective	Outcome Rating	Rationale for Outcome Rating
Provide a building which is:		
Modern	<b>A</b>	<ul style="list-style-type: none"> <li>Increased proportion of open plan space and opportunities for collaborative working</li> <li>Improved infrastructure for flexible working</li> <li>Enhanced staff welfare facilities</li> <li>Unresolved environmental issues.</li> </ul>
Economic	<b>A</b>	<ul style="list-style-type: none"> <li>No improvement in energy efficiency</li> <li>On-going risk of building system failures.</li> </ul>
Civic	<b>A</b>	<ul style="list-style-type: none"> <li>Increased opportunities for operating with partner organisations</li> <li>No increase in commercial opportunities for civic areas.</li> </ul>
Availability of flexible commercial office space	<b>G</b>	<ul style="list-style-type: none"> <li>Agreed heads of terms with Chromex remain valid</li> <li>Reduced lettable area from that originally envisaged</li> <li>Improved letting opportunities by identifying discrete areas for commercial office space and creation of a separate entrance.</li> </ul>
Provision of flexible office space for community sector use	<b>R</b>	<ul style="list-style-type: none"> <li>Insufficient space to provide a dedicated community hub</li> <li>Feasible for the majority of existing community tenants to continue to operate from the Town Hall in the medium term.</li> </ul>
Improve the overall utilisation of space	<b>G</b>	<ul style="list-style-type: none"> <li>Full occupation of the Town Hall</li> <li>Flexibility in the design for further retrenchment in the future</li> <li>Reduced operational space lost to circulation or archive filing.</li> </ul>
Delivery within a capital cost envelope of £3.6m	<b>G</b>	<ul style="list-style-type: none"> <li>Adjustments recommended to project scope to meet previously approved budget.</li> </ul>

## **6. Consultation**

6.1 The following consultation processes have taken place alongside the feasibility exercise:

- Regular meetings with the Town Hall Delivery Group;
- Consultation with Council staff regarding the draft layout plans for the Town Hall;
- Discussion with Chromex regarding the revision to the area proposed for the commercial lease;
- Regular meeting with interested parties: CAB, JCP and the Local Support Services Framework (LSSF).

6.2 It is noted that other than general updates, no specific consultation has taken place with CAN Mezzanine (CAN) as regards their previously envisaged lease of office space for community use.

## **7. References to Corporate Plan**

7.1 Within the Corporate Plan, Priority 6 – A Modern Council lists an action as being:

*“We will deliver the Town Hall Project”*

## **8. Implications**

### **Financial Implications**

**Name & Title:** Jo-Anne Ireland, Acting Chief Executive

**Tel & Email** 01277 312712 / jo-anne.ireland@brentwood.gov.uk

8.1 The recommendation is to undertake works up to the originally agreed budget ceiling of £3.6m. Subject to the completion of three major asset sales, this investment can be accommodated without the need for additional borrowings.

8.2 The current value of the Town Hall as at 31<sup>st</sup> March 2014 is £3,050,000. It is unlikely that the value of the works proposed will have a corresponding increase in value as they are generally of a cosmetic nature.

8.3 In view of the time that has elapsed between the in principle agreement of the Heads of Terms for commercial lease of part of the Town Hall it is recommended that external advice is obtained to substantiate the current “agreed terms”.

### **Legal Implications**

**Name & Title:** Christopher Potter, Monitoring Officer and Head of Support Services

**Tel & Email** 01277 312860 / christopher.potter@brentwood.gov.uk

8.4 Informed decision-making requires all relevant options to be considered. Members must ask themselves what is the desired outcome and how it relates to the Council's overall vision and corporate priorities All relevant options are still open as the Council has not committed itself.

8.5 Further legal advice will be required to be given at the relevant stages.

### **9. Background Papers**

9.1 No specific background papers have been referred to in this report.

### **10. Appendices to this report**

10.1 The following documents form the appendices to this report:

- Appendix A – Cost Plan Comparisons
- Appendix B - Town Hall Remodelling Project – Business Case Validation V1.00.

### **Report Author Contact Details:**

**Name:** Philip Ruck

**Telephone:** 01277 312569

**E-mail:** philip.ruck@brentwood.gov.uk