CARLISLE CITY COUNCIL

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Executive

Agenda Item:

A.1

Meeting Date:	30th April 2020
Portfolio:	Finance, Governance and Resources
Key Decision:	KD.04/20
Within Policy and Budget Framework	Yes
Public / Private	Public
Title:	CIVIC CENTRE REINSTATEMENT AND DEVELOPMENT PROJECT
Report of:	Deputy Chief Executive
Report Number:	CS 06 20

Purpose / Summary:

The purpose of this public report is to provide Executive, Business and Transformation Scrutiny Panel and City Council with an overview of the development of the Civic Centre reinstatement and development project and seek the views of members before a final set of recommendations is made to City Council 5th May 2020.

This public report covers the following elements of this project and its development:

- Background to the project and the steps completed to reach this final stage of decision making.
- An update on the project development, the proposed facilities, timeline for delivery and project management arrangements.
- Other important considerations concerning the use of the Civic Centre and its current condition
- Project budget development and proposals for funding
- Proposals for a scheme of delegation that will support timely decision making on key contractual arrangements and funding.

An accompanying private (part B) report will deal with the outcomes of the Civic Centre works procurement exercise and any other appropriate commercially sensitive information.

Recommendations:

That, following the necessary cancellation of the Business and Transformation Scrutiny Panel (26th March 2020) due to Coronavirus restrictions the Executive agree the recommendations set out below:

1. Approve, for recommendation to Council on 5 May 2020, the amendment to the Capital Programme in 2020/21 and 2021/22 for this project;
2. Approve, for recommendation to Council on 5 May 2020, the funding proposals as set out in the report, utilising the insurance settlement and proposed 'invest to save' scheme, noting the current shortfall position, and approve, for recommendation to Council, a supplementary estimate funded from capital resources, if savings cannot be identified through a value engineering process. This supplementary estimate to be funded from a fundamental review of the current capital programme or other revenue budgets as part of the 2019/20 outturn position.
3. Note the recommendation to opt to tax for VAT purposes the Civic Centre capital project.
4. Delegate authority to the Deputy Chief Executive to deliver the Civic Centre Reinstatement and Development Project ("Project") in accordance with the approved Project and within the approved budget. The Delegation is subject to the usual condition of taking advice from the Council's Statutory Officers when appropriate. For the avoidance of doubt, 'in accordance with the approved Project' includes the usual variations required for the proper delivery of the said Project. Any sub-delegation of this authority by the Deputy Chief Executive to be recorded in a Project specific scheme of sub-delegation

Tracking

Executive:	**9th March 2020 & 6th April 2020 (6th April cancelled) Second Executive via virtual meeting (30th April)**
Scrutiny:	**Business and Transformation Scrutiny Panel 26th March 2020 (cancelled)**
Council:	**5th May 2020**

1. Background

1.1 Storm Desmond in December 2015 caused extensive damage to the Civic Centre.

1.2 During the first phase of recovery, an internal review took place to establish options for the Council's future civic, customer and office needs. This examined the then costs of occupying the Civic Centre, the potential for moving to another suitable building and the future changes that would be required to make our occupation of the Civic Centre a more viable proposition in the future.

1.3 The conclusions drawn from this internal review led the Council to proceed with the recovery and redevelopment of the Civic Centre. Officers were asked to develop plans that would address the following objectives:

- Delivery of a new resilient, demountable, flexible ground floor space that could meet the current and future needs of the Council and its current and potential future partners.
- Zero use of basement. With the consequential removal of all possible building services from this area.
- Improved access to the whole building, its primary services and, via partnering, a potential hub approach to public sector services.
- Reduced total building costs via partnering and better use of space across the site

1.4 Following this review, a phase of design and development work was undertaken by the Council via it's appointed external support WYG.

1.5 This phase was concluded in August 2017 with Executive (following consultation with Business and Transformation Scrutiny Panel) approving the layout and design features set out in report CS21/17 and approving funding for the development of the design and the preparation of suitable tender specifications for each element of the works required.

1.6 Between August 2017 and February 2018 detailed design work and tender preparations were undertaken. This work also included specific work to redesign the public realm to the front of the Civic Centre and potential works to the Civic Centre car park.

1.7 In April 2018 Council (report GD30/18) approved the final proposals for redevelopment across the whole site. This included a recommendation to accept an

insurance settlement for the Council's estate, proposals for funding the project and agreement to commence a tender exercise.

1.8 Following the agreement to proceed with the final proposals, the Council, supported by WYG began a procurement exercise to secure a suitable contractor for the delivery of this project.

1.9 During this same period planning permission was sought for the internal and external redevelopment of the Civic Centre (approved June 2019) and the demolition of the Council Chamber (Rotunda) and extension of the existing car park (approved November 2019 following a previous deferred decision).

1.10 Tender documents were issued on the Chest (online procurement portal) 28th May 2019 and following an extension to the tender period returns were received by 26th August 2019.

1.11 Six contractors supplied compliant tenders, and these were assessed with the results being documented in the Private (Part B) report also contained within this agenda.

1.12 Following this detailed design and procurement work and the planning approval of the Development Control Committee the Council is now able to move forward with the physical delivery of the project.

2. Project Overview and Update

2.1 The design and development of this project is thoroughly documented and approved via the reports highlighted above. However, to ensure that all members are aware of these plans and proposed the proposed facilities a summary is set out below.

2.2 Proposed facilities – internal and external

The ground floor facilities will contain:

2.2.1 Customer, members, staff and partner facilities:

- A new customer entrance is proposed to give the building a renewed presence and to assist with access and energy efficiency.
- A new reception zone will create a focal point for all visitors and customers, this includes a waiting area and disabled access toilet.

- A new customer contact centre has been designed to the front elevation of the building with a waiting area, service desks and 13 private interview rooms. The interview rooms have separate access arrangements to ensure safety.
- To the left of reception and through the visitor waiting area is a meeting space and quiet working area for members, staff and partners. Opportunities for wifi enabled agile working will be available in the areas designated.
- An improved delivery area is proposed via the rear of the building and a storage area is planned in this vicinity.
- Staff changing and shower / toilet facilities will be relocated to the ground floor. These will support sustainable transport options such as cycling and walking and will also provide locker facilities.
- In addition, there is now also space for additional toilets for the new meeting spaces.
- There is an additional area under the tower which has been identified for possible partner occupation and benefits from separate access if required.

The existing space within the former rates hall and beyond has been converted into flexible meeting and conference space.

2.2.2 Civic and conference facilities:

- The Council Chamber will be relocated to the former contact centre / rates hall. This new highly flexible space will be used as a modern, fully accessible Council chamber and conference / exhibition centre. It is felt that the ceiling height and central location of the hall make this an attractive, open and highly visible place for the Civic and democratic activities of the Council.
- The new plans will provide a new purpose built and wholly demountable chamber space that will also be used for a full range of other functions and events. These other functions may provide additional income to the Council if marketed and serviced appropriately.
- To the rear of the proposed new chamber is a suite (3) of flexible meeting spaces with full audio-visual equipment provided. These will be used to supplement the new chamber or for separate functions.
- All the spaces will be serviced by accessible toilets at ground floor level and by a kitchen located adjacent to the meeting rooms.

2.3 Proposed timeline for the project

2.3.1 Subject to the appointment proposals contained in the Part B report also on this agenda and the successful conclusion of contract development, negotiation and completion with the contractor it is expected that the main contract works will be delivered in a 60-week programme.

2.3.2 Whilst it is not yet possible to precisely set out a clear timeline for completing the works (this may be subject to the decision making process underway) it is anticipated that following the virtual City Council meeting 5th May 2020 a period of 4-6 weeks will be required to conclude the contractual and preparatory work associated with this project. This would then indicate a programme of works commencing mid-June 2020 with completion taking place in mid-summer 2021.

2.3.3 In addition to the above arrangements the project team are also meeting (recently via Teams) to review any further issues of materials supply, labour and professional services brought about by the Coronavirus and any government restrictions or industry guidance. This risk on the project timeline will be monitored and any significant issues arising will be reported to the Portfolio Holder.

2.4 Project management arrangements

2.4.1 An internal team is already engaged in the development and delivery of this project. Officers from our Property, Finance, Legal, Customer Services, Communications and Procurement teams have and continue to be engaged in the development and delivery.

2.4.2 The project will require further support throughout the duration of the mobilisation and build programme. This will necessitate ongoing support from officers in the project team and from WYG.

3. Other Civic Centre considerations

3.1 The proposals outlined above and in the other key reports have been developed to support the Council's ongoing sustainable and safe occupation of the Civic Centre. Given the passage of time since the Civic Centres construction, subsequent

developments in Building Control Regulations and release of other guidance, including that which is emerging as a result of the Grenfell incident, advanced works have been separately identified as part of the scope of work.

3.2 This advanced work will specifically support the ongoing safe, compliant and functional operation of the whole building, including the tower. These works will ensure that any legal obligations on the City Council to provide a safe place for staff and visitors can be met. The advance works will also assist in maximising potential occupational numbers on the ground floor and across the tower, which are currently restricted. These advanced works will be required irrespective of the other proposals outlined in this report. They have been estimated and will be extracted from the successful tender. The value of these works is estimated at £47,464. The cost of these advanced works will be met via the capital programme and recorded as an Officer Decision Notice.

3.3 The modern and flexible refurbishment of the ground floor will provide the opportunity to maximise rental opportunities through partnership and third-party lettings, where the market forces permit. In its current presentation, and without attending to the advanced works, there are severely limited opportunities to improve any rental return from the asset.

3.4 This refurbishment supports the City Councils duty to manage revenue and capital costs, whilst meeting the legal obligations of an employer and commercial landlord from a property perspective.

3.5 The project will seek to assist the Council in reducing the annual cost of occupying the Civic Centre estate by improving environmental conditions, using less energy and floor space and sharing costs via offering more floor space for rent.

3.6 The delivery of the ground floor will eliminate the costs of hiring the temporary customer contact facilities, together with the security challenges that the layout currently presents. The provision of the new Chamber within the main structure will provide accessible and inclusive Civic accommodation.

3.7 The demolition of the Rotunda will also attend to the issues previously highlighted in associated reports in relation to non-compliant and commercially unlettable accommodation. To support this aspect of the project, a standalone costing exercise has been undertaken and it has been estimated around £1.8m would need to be spent to bring the building up to current DDA, security, public safety and

energy efficient standards. Additional costs associated with design input, planning and building control and the Conservation Area application would also be payable.

4. Project budget development

4.1 The Medium-Term Financial Plan (MTFP) includes an earmarked reserve currently totalling £1.944million which was established following the 2015 Floods and used to re-instate flood affected assets where the costs incurred were not recoverable from insurers. Cash settlements were agreed with the Loss Adjuster for specific assets, where like for like reinstatement was not deemed appropriate, and these cash payments were added to this reserve.

4.2 In respect of the Civic Centre, it was agreed that ground floor should not be re-instated like for like and that alternative office accommodation was required which would be more flexible and resilient. Having a modern office space with resilience built in, would help future proof the building in case of any further flood or storm damage. Therefore, a cash settlement was agreed which would enable the Council to re-instate how it sees fit without any constraints from the Insurer. Conversely, and more importantly, all of the risks would lie with the Council, who would then have to pick up any unexpected or unforeseen works, funding these from council reserves, efficiency savings identified through value engineering exercises, invest to save schemes or from existing capital or revenue budgets.

4.3 Full Council, at its meeting in April 2018, considered funding shortfalls and a series of funding proposals were approved.

4.4 Following the tender process for the Civic Centre, the costs associated with the ground floor, adding in landlord responsibilities and other additional costs such as the public realm enhancements to the Civic Square, are as follows:

Table 1: Full re-instatement costs

	£
Civic – Ground Floor	2,760,725
Council Chamber/Car Park	258,073
Tender submission	**3,018,798**
Landlord responsibilities (Note 1)	221,000
Civic Public Realm Enhancement	85,000
Fixtures & Fittings (furniture and audio / visual requirements)	167,200

Professional fees (WYG)	50,000
Sub-total	**3,541,998**
Internal Project staff costs	60,000
Total	**3,601,998**

Note 1: Work identified to ensure the ongoing, safe, compliant and functional operation of the whole tower.

Table 2: The total project sum totalling £3,601,998 for the re-instatement work can potentially be funded as follows:

Ground Floor Re-instatement	**£**
Flood Reserve (see note 1)	1,944,785
Invest to Save scheme (see note 2)	258,400
Existing Revenue Budgets: Repair & Maintenance	20,000
Other/Shortfall (see note 3)	1,378,813
Total	**3,601,998**

Note 1 – Flood Reserve

The release of the Flood Reserve to support the Civic Scheme is delegated to the Corporate Director of Finance and Resources, and an Officer Decision Notice will be prepared once the scheme and funding for the scheme is approved. Members should be aware that if the full amount of the flood reserve is released for the Civic re-instatement work, then there will be no funding available if the Council wishes to progress the Bitts Park Lodge project, for which an Insurance cash settlement was also received and which forms part of the Flood Reserve.

Note 2 – Invest to save scheme

The costs associated with the demolition of the Council Chamber and the work necessary to re-instate the area as a car park will be approximately £258,000 (see table 1), with the additional income generated from the car parking estimated at £38,000 per annum. This is on the assumption that an additional 22 car parking spaces will be available within the Civic Centre car park, after allowing an additional area to accommodate the “Civic Square”. This income would therefore be set aside as an invest to save to repay the capital shortfall over a period of 6.8 years. This payback period appears to be comparable with other invest to save schemes which the Council has delivered.

Note 3 – Additional use of reserves/supplementary estimate
A supplementary estimate funded from capital resources is required to provide the balance of funding for the project. This may be reduced if savings can be identified through a value engineering review or other sources of funding such as the capital programme and/or revenue budgets can be identified. The existing capital programme will be kept under review to identify any other projects where there may be capacity to redirect resources into this project to reduce the additional call on Council reserves.

Although it is envisaged that there will be opportunities for additional revenue streams to be generated following the full re-instatement of the ground floor, these have not been factored into the business case as no formal agreements are yet in place and therefore it would not be prudent to budget for such income.

Any on-going revenue costs such as security, green space maintenance (Civic Square) will be accommodated within existing base budgets.

The anticipated expenditure profile is as follow for inclusion with the Capital Programme for 2020/21 and 2021/22:

Table 3: Expenditure profile

Ground Floor Re-instatement	**£**
2020/21	2,581,432
2021/22	1,020,566
Total	**3,601,998**

Option to Tax
At present, the City Council has no option in place to tax the Civic Centre and as such, supplies of room hire and rental income are currently exempt from VAT. Increasing levels of expenditure on the Civic Centre, coupled with potentially increased rental occupancy may pose a risk to the Council's VAT partial exemption position and therefore the merits of opting to tax have been considered.

Opting to tax the Civic Centre will result in room hire and rental income being standard rated (20%) for VAT purposes, however this action will ensure full VAT recovery on the reinstatement costs and reduce the partial exemption risk.

5. Scheme of delegation

5.1 It is recommended that authority is delegated to the Deputy Chief Executive to take all operational decisions for the delivery of the Civic Centre Reinstatement and Development within the approved budget. The Deputy Chief Executive may further sub-delegate this authority in accordance with the restrictions set out in the Leader's Scheme of Delegation.

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Appendices attached to report:	**None**		

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

None

CORPORATE IMPLICATIONS:

LEGAL – The Council, in accordance with its fiduciary duty, must manage its resources, of which the Civic Centre is one, so as best to deliver its services.

PROPERTY SERVICES – Contained within the body of this report.

FINANCE – Contained within the body of this report.

EQUALITY – None

INFORMATION GOVERNANCE – None