

Meeting of the City Council

31 January 2018

Report title	Civic Halls Improvements and Full Restoration	
Referring body	Cabinet (Resources) Panel	
Councillor to present report	Councillor John Reynolds	
Wards affected	All	
Cabinet Members with lead responsibility	Councillor John Reynolds, City Economy Councillor Peter Bilson, City Assets and Housing	
Accountable director	Tim Johnson, Strategic Director, Place	
Originating service	Place	
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Report to be/has been considered by	Cabinet (Resources) Panel	16 January 2018

Recommendations for decision:

The Council is recommended to:

1. Approve the scope of construction and associated works for the comprehensive restoration of both Wulfrun and Civic Halls (see appendix 1 to the report);
2. Approve the additional capital budget and resources of £23.7 million required to deliver the Civic Halls project (as detailed in section 9 of the report).
3. Approve the development of a ticket levy to support the proposed scheme, and delegate authority to the Cabinet Members for City Economy and Resources, in consultation with Strategic Director for Place and Director of Finance, to approve the scheme detail.
4. Delegate authority to the Cabinet Member for City Economy, in consultation with Strategic Director for Place, to agree the contract variation with Shaylor Group when the negotiation process is complete.

1.0 Purpose

- 1.1 The purpose of this report is to recommend that Full Council approves the recommendations and delegation, as reported to Cabinet (Resources) Panel on 16 January 2018. These recommendations were made in the context of a revised business case and address significant building fabric, structural and building management issues that have been identified following detailed technical surveys and reviews undertaken in 2017 Quarter three.

2.0 Background

- 2.1 Cabinet (Resources) Panel on 16 January 2018 considered and agreed the business case and report on the Civic Halls project which is now the subject of this report to Full Council.

3.0 Project Scope

- 3.1 The aim of the project is to deliver the following economic outcomes:
- Attract additional visitors to the venue (circa 63,000 visitors per annum);
 - Safeguard and create direct and indirect jobs in the city
 - Develop a partnership with the City of Wolverhampton College (supporting 2,730 learners over six years, and resulting in the creation of 100 jobs and apprenticeships).
- 3.2 Consequently, the project will improve the overall entertainment offer in the Civic Halls, principally:
- New balconies and increased seating capacity in both Civic and Wulfrun Halls;
 - Improved hospitality offers with new bars, toilets and meeting/circulation spaces;
 - Improved accessibility (for disabled visitors); and
 - Modernisation of staging and supporting technologies for performers.
- 3.3 Alongside this, surveys identified the need for the following essential repairs and planned preventative maintenance items were identified, and where necessary brought forward, as they are integral to the scheme:
- Essential repairs and maintenance;
 - Renewal of the heating and ventilation system;
 - Structural items requiring replacement;
 - Modification to existing electrical systems; and
 - Localised asbestos removal/encapsulation necessary to accommodate above works.
- 3.4 A scope of works was identified and formed the basis of a tender package to the open market.

4.0 Scope of Works

- 4.1 Following initial enabling works (including reinstatement to accommodate Autumn 2016 programme of events) a contract for works was let to the Shaylor Group, commencing on site January 2017. As early 'opening-up' works progressed concerns were raised about the condition of the building, the extent of unforeseen asbestos, the limited 'resilience' of existing electrical systems and the effectiveness of the mechanical heating and ventilation. An independent review was undertaken of the proposed works and subsequently advised further assessment of the:
- Building structure, condition and residual defect/repairs;
 - Heating, ventilation and air conditioning including a review of the thermal model to ensure appropriate operational temperatures for events;
 - Retained services planned to remain in place, such as electrical systems, IT, access control, intruder alarm, voice alarm, induction loops;
 - Management, safety and security systems including any additional items that are required to support the health and safety activities post completion;
 - Building operation, management and security controls, considering recent events in the UK;
 - Proposed works supporting 25-year lifecycle planning following completion; and
 - Legislative changes specifically in relation to mechanical and electrical plant and equipment.
- 4.2 A comprehensive suite of intrusive surveys, assessments and preliminary re-designs have benefited from the 'opening-up' works, supplementing and providing more detail to previous surveys undertaken at the outset of the project. Combined with consideration of anti-terrorism measures and imminent legislative changes, they have informed a revised scope of work necessary to comprehensively restore the building.
- 4.3 The surveys and assessments have confirmed that the initial scope of contract works cannot be delivered within the approved budget, primarily for the following reasons:
- Changes in legislation have led to increased provision of mechanical heating and ventilation equipment to ensure statutory compliance. Performer and audience comfort needs to be assured with effective air conditioning.
 - Significant structural changes are required to accommodate the additional loadings generated by compliant mechanical and electrical equipment, as well as repairs to the fabric of the building;
 - The existing electrical substation is outdated, has insufficient capacity for future events and requires replacement;
 - Many of the existing mechanical and electrical systems are close to end-of life and require urgent replacement to mitigate imminent risk of failure, whilst providing a low maintenance solution moving forward;

- Building defects are significant and require immediate attention to ensure improvements provide a the 25-year life span;
- Counter terrorism measures have impacted the scheme following recent national events, such as in Manchester (reference Counter Terrorism report 2010).

4.4 The proposed scope of works for the recommended full restoration scheme, compared to the current improvement scheme, is summarised in the business case in appendix 1 and can be summarised as follows:

Element	Current Improvement Scheme £000	Proposed Restoration Scheme £000	Total £000
Construction works	9,780	14,620	24,400
Indirect costs (fees, surveys, etc.)	3,570	3,730	7,300
Contingency	1,050	5,350	6,400
Total	14,400	23,700	38,100

5.0 Technical Assurance

5.1 An independent Project Health Check (Faithful and Gould (F & G) December 2017) has assessed the scope, cost and delivery of the proposed restoration scheme; a summary of findings is as follows:

- **Cost:** F & G's experience of similar projects and with reference to industry standards confirms the builds cost to be commensurate with the budget estimate.
- **Procurement:** opportunity exists to renegotiate current contractual arrangements. Equally works can be re-tendered, should circumstances change.
- **Phasing and Programme:** the proposed single programme of circa 130 weeks is considered the best approach to mitigate disruption and minimise abortive cost.
- **Project controls:** a well-considered Project Execution Plan (PEP) is in place, setting out processes, governance and change control procedures.
- **Design/Professional Team:** designs and specifications contain information broadly in line with expectations relative to the design stage reached. These are informed by a robust suite of survey documents and provide a basis of Employers Requirements should works be re-tendered. Designs appear to be well-considered, meet the end user aspirations and will enhance the user experience.
- **Lifecycle:** Proposed works/budget aims to prolong the expected life of the building and improve the understanding of lifecycle activities and costs moving forward

(ongoing operations/maintenance). The enhanced scheme gives opportunity to capture lifecycle issues and address legacy backlog maintenance.

- **Value Engineering (Cost Reductions):** Limited opportunities are available to reduce the scope of the scheme without impacting on backlog/lifecycle maintenance issues; omitted works will be problematic/uneconomic to implement later.
- **Project Risks:** Risks are well considered, reviewed periodically and updated. Risk associated with asbestos should be largely mitigated by March 2018. Substantial contingency allowances are considered adequate for the remaining cost risk items.

5.2 The review provides assurance that the scope, cost and programme of works are appropriate to a heritage restoration project of this nature. It also acknowledges the difficulties and issues that have become apparent late in the project have been comprehensively informed by the opening-up works and intrusive surveys.

6.0 Financial implications

- 6.1 The cost of the proposed full restoration scheme is £38.1 million, of which £14.4 million is already approved and funded in the capital programme (Cabinet (Resources) Panel 19 July 2016). Funding sources that have been considered in the business case to meet the gap of £23.7 million is the use of capital receipts generated through the asset rationalisation programme, external grant funding and council borrowing.
- 6.2 There is an agreed programme of disposals in place over the next 3 years expected to realise a capital receipt to the Council of £29.0 million. Having taken account of existing commitments funded by receipts, it is considered reasonable to assume that a balance of £20.0 million can be used to fund the Civic Halls project. Further detail on the disposals programme can be found in the attached business case.
- 6.3 Further grant funding is also being considered to secure a full funding package for the scheme. Possible sources of grant available to this project are West Midlands Combined Authority funding and Heritage Lottery monies.
- 6.4 It is recommended that the capital programme budget is increased by £23.7 million to enable the full restoration scheme. To be prudent, this will be funded by capital receipts of £20.0 million and borrowing of £3.7 million. Any grant subsequently secured will enable a reduction in the call on Council resources (capital receipts and borrowing) in due course.
- 6.5 The revenue cost of this level of borrowing would be approximately £250,000 per annum. An analysis of expected net income from the Civic Halls indicates that this level of borrowing can be supported without a negative impact on the General Fund. The following factors have been considered when determining the base line net income to be generated:

- Base data from the latest events schedule and net income generated.
- Allowance for increased capacity as a result of the capital scheme i.e. increased seating and hospitality.
- A modest levy on tickets sales as recommended in this report.
- Agreements in place for the Box Office and provision of beers, wines and spirits.
- No assumption about growth in the number of events has been assumed.
- Projected employee costs and overheads.

6.6 Existing savings targets in the approved Medium Term Financial Strategy have also been taken into consideration when assessing the estimated net income.

6.7 Consideration has also been given to the maintenance costs of the Civic Halls post completion. It is estimated that an annual cost of maintenance £200,000 is realistic, a breakdown is given below. This cost is met from Corporate Landlord budgets.

Annual Revenue Costs 2020 – 2024	£000
Annual statutory compliance, cyclical maintenance	180
Reactive repairs	20
*Subject to inflation	
Total revenue costs	200

[CN/22012018/H]

7.0 Legal implications

7.1 That the procurement process in respect of a full building restoration scheme, complies with the Council's Contract Procedure Rules and the Public Contracts Regulations.

[RB/23012018/B]

8.0 Equalities implications

8.1 The designs for restoration and improvement for the Civic Halls will promote equalities, as they include making the venue more accessible to people with disabilities and creating a more family friendly environment, particularly in the smaller Wulfrun Hall. A more detailed equality impact assessment to identify the wider opportunities to promote equalities is being undertaken.

9.0 Environmental implications

9.1 This proposal will significantly improve the internal environment of the Civic Halls complex for the benefit and comfort of the audience, as well as comply with the standards required by English Heritage for a Grade 2 listed building.

10.0 Human resources implications

- 10.1 The improvement and full restoration scheme will create new job opportunities on completion. During the next two years, whilst the halls are closed, a temporary reduction in staffing levels might be required. However, staff also need to be retained to maintain and build new relationships with promoters and partners, as well as deliver events at alternative venues.
- 10.2 All relevant Human Resources policies and procedures will be followed for posts which will need to be deleted, including access to the redeployment register to give employees who meet the criteria an opportunity to apply for vacancies in advance of internal/external recruitment.
- 10.3 If there is a requirement to recruit to existing posts or to new posts, there will be adherence to the Councils job evaluation process and the Human Resources recruitment policy and procedure.

[HR/TP/BB/058]

11.0 Corporate Landlord implications

- 11.1 The comprehensive restoration of the Civic Halls will enable the asset to be proactively managed moving forward. Specifically to:
- Address maintenance issues;
 - Update 'end-of-life' mechanical and electrical systems;
 - Ensure the facility meets current operational environmental standards;
 - Provide the basis to proactively manage future lifecycle repairs and planned preventative maintenance;
 - Quantify annual running costs (revenue);
 - Profile lifecycle repair costs (capital); and
 - Ensure statutory compliance and safe operation of the facility.
- 11.2 Corporate Landlord is responsible for the management and delivery of the Council's land and property asset rationalisation and disposal process, as an integral part of its asset management activities. Recent asset challenge processes have identified potential capital receipts to support the Civic Hall restoration project. Progress will be monitored and reported to Corporate Landlord Board monthly, as part of land and property capital programme management.
- 11.3 Corporate Landlord is also responsible for ensuring the construction works are designed, procured and delivered on site within the agreed budget and timescale. This includes enabling works, surveys, construction contract management, site supervision and ensuring work is undertaken in compliance with statutory regulations.

12.0 Schedule of background papers

12.1 Cabinet (Resources) Panel '[Civic Halls Improvements and Full Restoration](#)', 16 January 2018

12.2 Cabinet (Resources) Panel '[Civic Halls Improvement Programme](#)', 19 July 2016.

13.0 Appendices

13.1 Appendix 1: Revised Business Case