



Cabinet (Resources) Panel Meeting

30 June 2015

Report title	Future Space	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Tim Johnson, Strategic Director Place	
Originating service	Corporate Landlord	
Accountable employee(s)	Mark Bassett	Strategic Property Advisor
	Tel	01902 558293
	Email	mark.bassett@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board Executive Team	19 May 2015

Recommendation(s) for action or decision:

The Cabinet is recommended to:

1. Agree to undertake the “do minimum” and least costly option for the Civic Centre repairs and replacement works.
2. Agree the management and delivery of offices rationalisation and investment works (including the UTC relocation to the Civic Centre and the Civic Centre car park repairs) will be efficiently managed with a single overarching governance structure.
3. Seek approval from Council for an additional capital allocation of £390,197 for asset rationalisation and investment and an additional allocation of £716,382 for car park repairs
4. Allocate funding of £266,000 from the efficiency reserve to meet the revenue programme management costs over the delivery period of the scheme

5. Allocate funding of £612,000 from the regeneration reserve to fund the relocation of the UTC
6. Delegate approval to the Cabinet Member for Resources in consultation with the Director of Finance to the procurement route to be followed and award of contract within approved budget
7. To approve continuation of preparatory work within the existing approved budget

1.0 Purpose

- 1.1 Closing buildings we no longer need; making essential repairs to those we do; protecting our sources of income; and running our property estate efficiently are all critical factors in successfully delivering our Medium Term Financial Strategy objectives.
- 1.2 Ensuring continued use of our key corporate building – the Civic Centre – by addressing Health and Safety issues is a priority. If the Council does not act soon building elements including the electrical, ventilation and fire alarm systems could fail such that moving staff out of the building would be the only option resulting in an inability for Council services to be run from the building. More information on these risks are set out in Appendix B
- 1.3 A forced relocation (even on a temporary basis) would negatively impact on services to residents and the City economy as the current occupiers and visitors to the building would no longer be city centre based. This would also mean needing to rent space elsewhere at a cost to the Council, since there are no other suitable buildings owned by the Council available for use.
- 1.4 An intent to achieve efficiency through space saving sits at the core of the proposals set out in this report. Whilst the proposals address the significant financial risks outlined above the proposed programme of work will also deliver net savings to the Council of £517,000 per annum in addition to the following benefits:
 - Managing risks related to business continuity of key Council services
 - Protecting income to the council from car parking charges and rental income
 - Generating capital receipts by selling buildings we no longer need
 - Enabling regeneration of the City
 - Saving money from using less buildings
- 1.5 There is therefore no “do nothing” option. Developing and implementing a credible plan to address these risks is set out in this report. The projects to achieve the above objectives will be managed efficiently and co-ordinated to save money; manage risk and deliver the following outcomes at the earliest opportunity:
 - 30% reduction in office space (Gross Internal Area)
 - 15,000m² less office space in use (Gross Internal Area) – equivalent to over 2 football pitches
 - 16 fewer buildings (20 down to 4)
 - Around 2000 employees working from 4 buildings instead of 20
 - Reducing repairs liabilities by £2.4 million by coming out of surplus buildings
 - Generating additional rental income of £300,000 per year
 - Protecting existing car park income of £640,000 per annum
 - Total gross revenue savings of £1.093 million per annum.
- 1.6 This report sets out the issues and seeks approval to effectively and efficiently tackle the risks faced by the Council and at the same time maximise the benefits from the investment in this proposed programme of work.

2.0 Background

- 2.1 Future Space is part of the overarching Confident Capable Council (C3) transformational programme structure, alongside the other 'Future' programmes that are supporting Wolverhampton City Council's objective of being a confident, capable council. Future Space will now bring together related property projects to be managed and governed as a single programme.
- 2.2 Matters have progressed since previous submissions to Cabinet (notably November 2012) such as the Disposals Programme (which is now embedded as part of business as usual with some Future Space in scope assets already disposed); the need to keep the Civic Centre and other retained buildings operational by ensuring critical systems remain in use; the Council's new transformation agenda to ensure efficiency in our operations and services.

3.0 Key drivers

- 3.1 The key drivers for the programme of work are as set out below:

Closing the buildings we don't need – operating efficiently within the office buildings that we need and disposing of the buildings we don't.
Addressing the essential maintenance needs of our remaining buildings – repairing the Civic Centre mechanical and electrical (M&E) systems and prolonging their operational lifespan; addressing critical structural issues.
Optimising income - protecting existing income streams from assets (such as the Civic Centre Car Park) and investing in buildings where additional income can be generated.
Using less energy – improving energy efficiency in our offices and other buildings and reducing running costs.
Enabling more efficient team-working – working more flexibly within our buildings and providing modern fit-for-purpose workplaces.
Serving our customers more efficiently – focusing on what our customers want and need, using better accessible and inclusive facilities to serve them.

Options Appraisal – Civic Centre

- 3.2 It was previously reported to Cabinet that the long term occupation of the Civic Centre could not be guaranteed due to the failing M&E systems of a 37 year old building. There is a substantial risk of partial or total failure of these systems (notably heating and cooling; ventilation; fire alarm and electrical systems). An inability to occupy the Civic Centre in part or full would result in a revenue cost to the Council of renting accommodation elsewhere, with an additional adverse economic impact for the reduced occupation within the City Centre and the related spend by a significant number of Council employees and visitors. Consequently a 'do nothing' option is not acceptable. More details are set out in Appendix B.

3.3 Through undertaking firstly an options appraisal and then a feasibility study for the preferred option, the works that can be delivered within the existing budget have been assessed.

Option	Cost Estimate
<p>1. New Build Option (for reference only)</p> <p>Building a replacement Civic Centre on a new site on a “like-for-like” basis (ie the same floorspace and facilities) projected on a “cost per square metre” approach. The cost estimate also does not include for any purchase of an alternative site.</p> <p>Ruled out on the basis of cost and additionally the socio-economic impact of the loss of the Council employees/ visitors to the City Centre; loss of the Civic Centre Car Park; significant risk that the existing site would not be redeveloped.</p>	<p>In excess of £50m (build estimate only – does not include any site acquisition)</p>
<p>2. Full Refurbishment</p> <p>Full refurbishment to all floors above basement level, including M&E replacement and identified additional options such as:</p> <ul style="list-style-type: none"> • Windows replacement • Registry Office refurbishment • Modernised and refurbished toilet facilities <p>Ruled out on the basis of cost vs benefits.</p>	<p>£40m - £45m</p>
<p>3. Comprehensive Refresh</p> <p>Includes the scope of the Do Minimum Option below, plus:</p> <ul style="list-style-type: none"> • Refurbishment to office areas on all floors above basement • Ancillary areas • Members’ areas, Committee Rooms and Council Chamber <p>Ruled out on the basis of cost vs benefits.</p>	<p>£30m - £35m</p>
<p>4. Do Minimum Option</p> <p>Includes the provision of:</p> <ul style="list-style-type: none"> • Essential mechanical and electrical engineering works to keep the building operational • Consequential works necessitated by the essential M&E works • Light refurbishment to ground, first and second floors • A new Customer Service Centre on the ground floor <p>Progressed through Feasibility Stage.</p>	<p>Under £20m</p>

3.4 The Do Minimum option was progressed through Feasibility Stage in order to meet the current approved programme budget and deliver maximum revenue savings. This option also factored in the key drivers outlined above (in 3.1).

3.5 In addition to the capital investment identified for the main Civic Centre building, other projects have a clear and direct dependency with these works. Through managing these dependencies and including the projects within the overall programme governance

structure, there is a demonstrable risk management process in action and increased efficiency in the co-ordination and delivery of these complex projects. The programme dependencies include:

- The Civic Centre Car Park to address structural and M&E repair requirements in order to keep the facility safe and operational and secure the future income
- The Urban Traffic Control (UTC) relocation from Heantun House to the Civic Centre as an enabler for the Westside development, but also re-locate the UTC (which provides services across the Black Country) into secure, appropriate accommodation
- Works to Red Lion Street and Bond House which will provide leasing opportunities that contribute additional revenue income to the Council

Disposals of surplus assets

- 3.6 The disposals programme has continued to progress in order to generate revenue savings and capital receipts from the in scope assets which contribute to the business case. Up to date valuations have been provided, which when combined with the realised disposals of Compton Grange and Jennie Lee Centre; and the change in strategy to the Parkfields Centre, has necessitated the updating of the Financial Model. There are 20 buildings within the scope of the programme, of which four will be retained. The full list is included within Appendix A of this report.

Governance

- 3.7 The governance for the programme sits within the Resources portfolio with the Strategic Director, Place as the Senior Responsible Owner (SRO). Programme Board meetings take place monthly chaired by the SRO and attended by representatives from People, Place, and Corporate Services (including Director for Governance and the Chief Accountant). The Cabinet Member for Resources leads on the Programme for the Cabinet and will present regular reports to Cabinet (Resources) Panel to update on progress.

Communications

- 3.8 Good communications and stakeholder engagement are essential to the success of the programme. The Head of Communications is a member of the programme board. Stakeholder engagement will be done in a coordinated way and activity will increase as the programme continues and more a more detailed understanding of the proposals become available for comment and consultation.

Procurement

- 3.9 The procurement of the principal building contractor for the main Civic Centre works is being progressed on a single stage design and build basis. This approach, as recommended to Cabinet Resources Panel on 29 July 2014, utilises a design developed up to Stage D (detailed design) prior to being issued to tenderers to request their proposals.
- 3.10 There is a potential variation to the single stage design and build procurement approach, whereby two tender stages are utilised. This provides the potential benefits of earlier contractor engagement to deliver expert input to the phasing of the works, and also the opportunity to bring the contractor mobilisation period and start on site dates forward. The programme team will continue to review this option in conjunction with the Head of Procurement and bring forward a recommendation to the Cabinet Member for Resources.
- 3.11 It is recommended that approval for the procurement strategy is delegated to the Cabinet Member for Resources in consultation with the Director of Finance.

Timescales

- 3.12 The key milestones for the programme are as below – future milestones are subject to change and are provided as an indication only:

Work to date

- Programme mandate established – November 2012
- Asset rationalisation commences – January 2013
- Initial review and assessment of Council future property needs – June 2013
- Procurement strategy agreed – July 2014

Future milestones

- UTC relocation from Heantun House completes – September 2015
- Civic Centre Car Park work commences – late January 2016
- Main Civic Centre works commence – early 2016
- Civic Centre Car Park work completes – mid-late 2016
- Main Civic Centre works complete – late 2017

4.0 Financial implications

- 4.1 The current capital programme includes from 2015/16 onwards a capital allocation of £19.49 million for the Future Space programme and £1.533 million for the Civic Centre car park repairs. The updated programme has two elements – a programme for asset rationalisation and investment in retained buildings (including fees and programme management costs) and a second element for the repairs to the car park to secure continuity of income. The latest estimates for the two schemes are set out in the table below:

Table 1 - Latest Cost Estimates

Description	Current Approved Budget (£)	Actual Spend to date (£)	Uncommitted Budget (2015/16 onwards) (£)	Latest Cost Estimate (£)	Variance (Approved Budget v Latest Estimate) (£)
Refurbishment of Civic Centre and other retained buildings	19,825,988	336,000	19,489,988	19,880,185	390,197
Civic Centre Car Park Repairs	1,600,000	67,382	1,532,618	2,249,000	716,382
Total	21,425,988	403,382	21,022,606	22,129,185	1,106,579

- 4.2 The capital investment in the Civic Centre would both enable the building to remain operational and also support the transfer of staff from other buildings either owned or rented by the Council. This would generate savings on lease payments and running costs and allow those surplus buildings to be either disposed of or rented out, generating a capital receipt or additional income. The strategy to retain Bond House and Red Lion Street for generating revenue has been a significant contribution to the financial business case.
- 4.3 An analysis has been undertaken of the cost of the works, potential receipts from vacated buildings, running cost savings and rental income generated. The programme envisages 16 in scope buildings have/ will become available for disposal or rental which would generate total capital receipts of £8.2 million. The total refurbishment costs including building works and fees are £19.8 million delivering eventual revenue savings of £1.093 million per annum as shown in Table 2. The net borrowing requirement of £11.6 million (£19.8 million - £8.2 million) over the expected useful life of the building of 35 years would require financing costs of £576,000 per annum. The scheme therefore generates an annual surplus after borrowing of **£517,000 per annum**.

Table 2 - Gross annual budget savings

Year	Gross Savings £000
Previous	116
2015/16	229
2016/17	489
2017/18	544
2018/19	668
2019/20	885
Ongoing	1,093

- 4.5 The expenditure on repairs to the car park will provide greater security of existing income of £640,000 per annum.
- 4.6 One off budgets have previously been approved for the decant of staff during the period of the building works (£525,000) and the loss of income from the car park during the repairs (£100,000). These sums would be met from the efficiency reserve. In addition there will be project management costs of £266,000 that will also require funding from the efficiency reserve.
- 4.7 The programme includes works to relocate the Urban Traffic Control team in the Civic Centre from Heantun House. This would release that property for disposal as part of the Westside regeneration programme. The revised cost for the relocation is £612,000 and it is proposed that this is met from the regeneration reserve. [MF/19062015/K]

5.0 Legal implications

- 5.1 There are no immediate legal implications arising from this report. Any refurbishment and construction work will be required to comply with building regulations and all other legislative requirements. [RB/21052015/P]

6.0 Equalities implications

- 6.1 An equality screening assessment has been undertaken as part of the business case development in conjunction with the Equality Team. The equality screening assessment has been developed in support of this report.

7.0 Environmental implications

- 7.1 Through the design development work the environmental implications will be assessed to understand the impact on the building's performance and energy consumption. The capital investment in the refurbishment of the Civic Centre will result in improved environmental efficiency. Through a reduction in the Council's office estate a reduced carbon footprint is anticipated.

8.0 Human resources implications

8.1 There are no direct human resource implications with this report but the detailed programme development work will specifically address the future working environment and practices within the Civic Centre.

9.0 Corporate landlord implications

9.1 Colleagues from the Corporate Landlord function are actively involved in the programme. The business case for the Future Space programme has been developed in consultation upon with Corporate Landlord colleagues. The content of this report is consistent with the existing Cabinet approvals as reference below.

10.0 Schedule of background papers

10.1

- Full Business Case for the Office Efficiency Programme – Cabinet 14 November 2012
- Future Spaces Programme (formally the Office Efficiency Programme – Cabinet 19 June 2013
- Alternative Design and Construction Arrangements for Future Spaces – Cabinet 29 July 2014

APPENDIX A

In Scope Asset List

Asset Name	Status
Compton Grange	Completed
Jennie Lee Centre	Completed
Heantun House	Dispose
Bond House	Retain
10 Kings Street	Dispose
Offices on 1st Floor Sainsburys	Dispose
Wolverhampton Civic Centre	Retain
Red Lion Street (Magistrates Court)	Retain
Bramerton	Dispose
Beckminster House	Dispose
Beldray Building	Dispose
St Judes	Dispose
Initial Assessment Team	Dispose
Oxley Moor House	Dispose
22 Queen Street	Dispose
Ryefield	Retain
Mander House	Dispose
The Parkfields Centre	Dispose
The Maltings	Dispose
Corner House	Dispose

APPENDIX B

Civic Centre – Mechanical and Electrical Services

The majority of mechanical and electrical services in the Civic Centre are original to the late 1960's design and final construction completing in 1978. Whilst the systems were constructed and built to a high standard they are 37 years plus in age. The recommended life expectancy of the type of engineering systems installation is in the region of 25 to 30 years.

Electrically the system has not had any major changes or upgrades during its life. Within the switch gear there exists asbestos, in the form of "Flash Arrestors" which makes any repairs and modifications difficult and dangerous to effect. The earthing system for the circuits does not meet current standards, as the use of computer's was never envisaged to service modern business operations.

The fire alarm system circuits are overloaded and this is causing reliability issues with the detection circuit.

Mechanically the rooftop air handling plant was upgraded and partly replaced in 1999, but the original pneumatic control's system was retained, along with the distribution and duct system.

For the majority of the engineering systems there are no available spares, as they are all outdated. This could lead to the loss of part or all the building to operate, in its primary function for a considerable period of time, whilst a temporary repair solution is devised.

The issues that should be considered include:-

1. Loss electrical power or the ventilation system to the building may cause all or parts of the building to have to be closed to allow the repairs to be effected. This would be embarrassing to the City Council and it's reputation.
2. Risk of electrical fire, caused by the overloading of the earth system or the failure of the circuit protection system.
3. The asbestos within the distribution and safety equipment already leads to issues with the restriction on access to them, for modification, inspection and testing. This could cause extensive periods of shut down and power loss, as a 14 day notice would have to be serviced before the item of issues could be removed and new equipment installed, along with the associated circuitry. The ICT service suite, relies upon its electrical supply through part of this original system, and whilst there is generator back up there is a risk that a failure in the old system will affect the ICT suit.
4. A failure in any of the electrical main or distribution system could cause a very prolonged closure of all or part or all of the building whilst either spare part are made/ found or safe method of overcoming the fault.
5. The electrical system is fed by a single phase distribution system, that is not the modern way of supply, so that changed to any one part to modify or alter it would cause major effects to the whole system. This could lead to it becoming unbalance and unsafe.

6. The building is air tight, so any major failure in the ventilations system, would cause the building to have to be closed and there in no way to naturally ventilate the internal areas of the building.
7. With the many miles of pneumatic air line for the controls, concealed in the structure, the leaks that have developed are very difficult to fine and lead to instability in maintaining the control of the heating and cooling ventilation system. The pipe line is also beginning to develop cracks at its termination points, which is a growing problem that exacerbates the issues.
8. The sprinkler system in the car park and loading bay is so corroded that it is becoming porous in places.
9. Telephone services are still fed in part through the old copper cabling, and its removal is difficult as the records kept are incomplete.
10. Long operational hours of working in the building causes issues with available opportunities to address the larger repair and maintenance problems, since the building is expected to remain in service at all times.