



# Cabinet (Resources) Panel

## 19 July 2016

|  |   |  |
|--|---|--|
| <b>Report title</b>                            | Civic Halls Improvement Programme                       |  |
| <b>Decision designation</b>                    | AMBER   |  |
| <b>Cabinet member with lead responsibility</b> | Councillor John Reynolds<br>City Economy                |  |
| <b>Key decision</b>                            | Yes   |  |
| <b>In forward plan</b>                         | Yes   |  |
| <b>Wards affected</b>                          | All   |  |
| <b>Accountable director</b>                    | Keren Jones   |  |
| <b>Originating service</b>                     | City Economy  |  |
| <b>Accountable employee(s)</b>                 | Keren Jones<br>Tel<br>Email                             | Service Director<br>01902 554739<br><a href="mailto:keren.jones@wolverhampton.gov.uk">keren.jones@wolverhampton.gov.uk</a>               |
|  | Tim Pritchard<br>Tel<br>Email                           | Head of Corporate Landlord<br>01902 52 904<br><a href="mailto:Tim.pritchard@wolverhampton.gov.uk">Tim.pritchard@wolverhampton.gov.uk</a> |
| <b>Report to be/has been considered by</b>     | Strategic Executive Board<br>28 <sup>th</sup> June 2016 |  |

### Recommendations for decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve the revisions to the proposals, the capital funding profile and the revised and improved commercial income targets for the Civic Halls Improvement Scheme.
2. Approve additional capital resources of £2.6 million for the Civic Halls Improvement Scheme funded through additional borrowing that is fully funded from additional net income from the Civic Halls.

**Recommendations for note:**

Cabinet is asked to note:

1. The capital requirements outlined in this report provide an update to the position reported to Cabinet on 29 June 2016 in the Capital budget outturn 2015/16 including quarter one capital budget monitoring 2016/17 and financial strategy report. As a result, the report of Cabinet to Council on 20 July 2016 will reflect these revised changes and provide a comprehensive update to the capital programme.
2. The procurement process and arrangements for contract award are considered in the procurement report elsewhere on the agenda.
3. The MTFs will be adjusted to reflect the additional net income to the Visitor Economy service required to meet the additional borrowing costs.

## **1.0 Purpose**

- 1.1 This report provides an update on the Civic Halls Improvement Project, approved by Cabinet in October 2014, and seeks approval from cabinet Resources Panel for the revised proposals, the capital funding profile and the revised commercial income targets as set out below.

## **2.0 Background**

- 2.1 The Council was awarded £6.6 million of external funding towards the improvement and refurbishment of the Civic and Wulfrun Halls.
- 2.2 The funding has been allocated to support the delivery of a major refurbishment and improvement of this important entertainment venue. In addition the council approved a contribution of £5.2 million to cover the cost of substantial items such as heating and ventilation and deliver essential repairs.
- 2.3 The project will deliver on a wide range of outcomes:
- It is calculated that project will not only safeguard the equivalent of 637 jobs in the wider economy, but attract an additional 510,000 visitors per annum and result in a further 120 direct and indirect jobs being created as a result of the increased visitor numbers and spend.
  - Additional seating capacity and improved hospitality areas means that the Civic Halls will generate sufficient earned income to fully cover the service's operating costs
  - The improvements will enable the Civic Halls to develop a partnership with the City of Wolverhampton College to deliver BTEC performing arts courses, benefit 60 students per annum. Targets set over six years will see 2,500 learners come through the doors, and result in the creation of 100 jobs and apprenticeships.
  - Over the six year target period the Council will also deliver assistance to 250 local businesses. Work towards achieving this is already underway, with businesses receiving marketing support through access to council controlled poster sites, social media opportunities to publicise their businesses through Visitor Economy Service websites, collaborative exhibitions and use of spaces at our various venues.
- 2.4 An essential part of the build programme was to ensure continuity for the Grand Slam of Darts during 2015, 2016 and 2017. This is an important event for the city as it generates significant footfall and overnight stays, in, and around, the city centre over the course of a week during late November. As well as providing a significant boost to the local economy, the Grand Slam of Darts also attracts international television coverage.
- 2.5 The Council's Corporate Landlord Service has been responsible for the management of the construction programme, with, support by a one stop technical design provided by

Jacobs, who were appointed through the Property Services Strategic Partnership commissioning process. Alongside this Gleeds Management Services have provided project management support, particularly in relation to providing the necessary documentation to discharge the grant conditions.

- 2.6 The building works have been separated into three distinct contracts to take account of the complexity of refurbishing and improving a Grade 2 listed building, as well as the requirement for the Halls to be operational during certain period of the year:

| <b>Contract</b>  | <b>Start on site</b> | <b>Completion date</b> | <b>Status</b>   |
|--|----------------------|------------------------|---|
| 1 <sup>st</sup> phase enabling works   | 4 January 2016       | 29 March 2016          | Complete  |
| Further enabling works and repairs (timetable set to incorporate Grand Slam of Darts and other events) | 2 May 2016           | 1 September 2016       | Contractor Currently on site until end July/early August 2016.<br><br>1 August 2016 to September 2016 - Client to carry out cleaning, reinstatement of fittings & equipment, beer pythons and brewery equipment |
| Main Improvement Works contract  | 9 January 2017       | 12 March 2018          | To procure via OJEU   |

- 2.7 During the first phase enabling works, detailed site and structural investigations have required the design to be modified from that originally presented by Jacobs. In summary:

- The foundations of the existing building were fully exposed during the enabling works, it was found that the existing structure could not hold the weight of the refurbished building as originally proposed.
- The alternative, following the value engineering exercise, has been to address the works in two phases; insert some strengthening beams during the reinstatement phase and to complete the process during the main phase of the works.
- In addition, the proposed higher level balcony to the main Civic Halls has been re-designed to reduce the weight on the foundations.

2.8 Throughout the value engineering exercise the Council has required that Jacobs ensure that the design is geared towards generating sufficient additional income to cover the additional cost of borrowing. As a result, the new refined design will:

- Result in an increase of an additional 539 seats in the main Civic Halls, making a total of 2,554 seated and a further 190 standing. This is extremely important as a capacity of over 2,500 seats places the Civic Halls in a more attractive place in the entertainment market, enabling it to attract significantly more popular and prestigious acts, whilst retaining the current characteristics that make it popular with performers, producers and audiences.
- The Wulfrun Hall seating capacity of 632, will increase by 230. Whilst this is lower than originally planned, the design is calculated to fit a specific gap in the local market.
- Once it is fully operational, it is calculated that the complex will generate between £150,000 and £200,000 additional net income per annum, over and above the £385,000 originally planned and included in the MTFS.

2.9 Further work has been undertaken by the Corporate Landlord Service and its technical partners Jacobs to finalise the overall cost estimates and refine the timelines so that the Grand Slam of Darts can continue to take place in 2016 and 2017. Following an evaluation of the current tender submission, the view was taken that the Council would achieve greater value for money, if the option of procurement via an OJEU tender process was considered alongside the previous use of the Construction Midlands Framework. The scheme has been robustly priced, with adequate and appropriate contingency to mitigate the risks associated with the refurbishment of a building of this type. The cost of borrowing for the additional capital costs is £170,000 per annum and will be covered by the additional net income from the enhanced scheme.

### 3.0 Financial implications

3.1 Total scheme costs are now estimated at £14.4 million, which includes completed enabling works, professional fees, contingencies, and allowance for new seating and a pre-tender estimate for the main works contract.

3.2 The table below summarises the funding sources for the capital scheme:

| <b>Funding</b>  | <b>£000s</b>  |
|---|---------------|
| LEP LGF Grants – approved   | 6,600         |
| Council capital budgets – approved  | 5,200         |
| Additional council capital contribution to be funded through additional borrowing financed through additional net income from the enhanced scheme | 2,600         |
| <b>Total</b>  | <b>14,400</b> |

- 3.3 The additional borrowing costs for the additional £2.6 million capital contribution will be £170,000 per annum over 25 years and are based on the projected useful life of the asset following completion of the works. The enhanced facilities are forecast to earn additional net income of between £150,000 and £200,000 per annum through additional events, box office and car parking income.
- 3.4 The impact on the revenue budget of closure during the construction period will be covered through the early achievements of savings targets by the City Economy Service as a whole. [ES/11072016/N]

#### **4.0 Legal implications**

- 4.1 The LEP LGF Grant Agreement referred to in the body of this report contains a number of milestones and objectives. The Council will need to ensure that it continues to report and monitor the progress of the Civic Halls Improvement Programme in accordance with that agreement.
- 4.2 The Council will ensure that it complies with the Council's Contract Procedure Rules and Public Contracts Regulations in respect of the procurement process. [JA/23062016/E].

#### **5.0 Equalities implications**

- 5.1 The designs for refurbishment and improvement for the Civic Halls will promote equalities, as they include making the venue more accessible to disabled people and creating a more family friendly environment, particularly in the smaller Wulfrun Hall.

#### **6.0 Environmental implications**

- 6.1 This proposal will significantly improve the internal environment of 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.

#### **7.0 Human resources implications**

- 7.1 The Civic Halls Improvement project will help safeguard jobs in the Council's Visitor Economy Service, as well as create new opportunities through an Intermediate Labour Market scheme.

#### **8.0 Corporate Landlord implications**

- 8.1 Corporate Landlord are managing the reinstatement works to bring the Civic Halls back into use by 1 September 2016 and thus ensuring that the Darts event takes place in November 2016 and additional events can take place prior to this to generate additional income.

- 8.2 Corporate Landlord are responsible for ensuring the main Construction work is designed, procured and delivered on site within the agreed budget and timescale. This includes enabling works, surveys and ensuring the design and construction work is carried out in compliance with statutory regulations. Corporate Landlord are also responsible for the construction contract management and site supervision of the construction work.