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**Town Hall Refurbishment Update and Related Towns Investment Plan Proposals**

Relevant Portfolio Holder	Councillors Joe Baker and Ian Woodall
Portfolio Holder Consulted	Yes
Relevant Head of Service	Claire Felton, Head of Legal, Democratic and Property Services
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Wards Affected	All
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	The proposals detailed in this report have implications for a number of the Council's strategic purposes.
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	
This report contains exempt information as defined in Paragraph(s) 3 of Part I of Schedule 12A to the Local Government Act 1972, as amended	

**1. RECOMMENDATIONS**

**The Executive is asked to RESOLVE that:**

- 1) The progress towards the creation of a Town Hall Hub be noted and that the need to extend the project to include private sector tenants in the Town Hall be approved.**
- 2) Formal notification be given to Worcestershire County Council that the Redditch Library cannot relocate to the Town Hall.**
- 3) Revised works to RIBA stage 4 be approved in readiness for a detailed report to Executive in September 2024 setting out the revised Town Hall project.**
- 4) Work continues to determine the most effective alternative use of the Towns Funding and that this is reported to and agreement sought through the Towns Board in readiness for a further report to Executive in September 2024.**

- 5) **Members note and approve the consequential risks associated with the revised proposals detailed within this report.**
- 6) **Authority be delegated to the Interim Director of Finance and Resources and Deputy Chief Executive and the Assistant Director of Legal, Democratic and Property Services to enter the consequential contractual arrangements.**

**2. BACKGROUND**

- 2.1 This report details the updated proposals in respect of the Town Hall hub and invites Members to consider endorsing these recommendations.

**3. OPERATIONAL ISSUES**

Background History

- 3.1 An initial report setting out a proposed change of use of the Town Hall into a Community Hub with multiple public sector bodies is set out in the Closure of the Cash Hall Report to Executive dated 12<sup>th</sup> July 2022.
- 3.2 A more complete report on the Town Hall Hub was presented to Executive on the 11<sup>th</sup> October 2022. This report delegated authority to the Section 151 Officer and the Head of Legal, Democratic and Property Services to finalise and implement the community hub business case and to procure and appoint contractors to undertake and deliver the works.
- 3.3 Following consultation, Worcestershire County Council, at its Cabinet meeting on the 20<sup>th</sup> July 2023, approved the relocation of the Library into the new Hub at the Town Hall to enable the wider Towns Fund regeneration project to proceed.
- 3.4 A further report came to Executive on the 12<sup>th</sup> September 2023 setting out detailed designs, and increases in cost. Members agreed to delegate authority to the Interim Director of Finance and Resource to enter into the consequential contractual arrangements.
- 3.5 A decision was taken in November 2023 to award the works contract to Seddons and the outcomes of this decision were published in an officer decision notice.
- 3.6 An Officer Decision Notice on the 15<sup>th</sup> March set out the reciprocating Heads of Terms for the leases between the Council and the County Council. The agreement to lease is yet to be finalised.

**The Present Position**

NHS Portion of the Building

- 3.7 The NHS have taken a lease of and subsequently refurbished the ground and first floors to the west side of the building which are to be used to deliver mental health services. The NHS have fully funded all of the upgrade works to the building to ensure that they are to the correct standards. This includes the new entrance via Walter Stranz Square.
- 3.8 The NHS lease is a full repairing and insuring lease for a term of 15 years with tenant-only break options on a 5 yearly basis subject to 6 months prior written notice. In addition to this, the NHS have a secondary lease for 70 car parking spaces, 5 at the Town Hall, 65 at the Trafford Car Park.
- 3.9 There is a rent-free period of 10 years from commencement of the lease. This reflects the significant capital investment by the NHS and the consequential increase in Capital value to the Town Hall. For the avoidance of doubt, this will apply to the rent only, as the service charges are being paid and have been since completion/occupation.

The Remainder of the Building

- 3.10 In assessing the best use of the remainder of the building, consideration has been given to the Council's implementation of an agile working policy and the agreed strategy to enable a more accessible public services Hub at the Town Hall.
- 3.11 The current approved decision to move the library into the Town Hall space to enable the wider Towns Fund project has reached the position where the Council is following a RIBA stage 4 design and build process with the support of Eddisons as the Project Managers, with Mac Consulting and AEW Architects undertaking the technical design of the Town Hall building. In parallel to the County Council library move decision process, discussions have taken place with the County Council and its tenant on their requirements. This process intensified over the summer of 2023 and the costs crystalised as the requirements of each party were established and refined with a final position being reached in March 2024.

- 3.12 The Council reached RIBA Stage 3 in September 2023. This is when the building design and build costs are at a stage where they can be used for tenders to prospective contractors. At RIBA Stage 3 Redditch Borough Council, Worcestershire County Council and their tenant formally approved the stage 3 design documentation. The Stage 4 design documentation was in production until mid-September.
- 3.13 The contractor Seddons came back with a RIBA Stage 4 cost which was more than the original budget following their detailed validation of the design at RIBA Stage 4. This is not unusual but resulted in a value engineering process taking place in the first quarter of 2024 to reduce this back to the budget. This process required detailed involvement of the prospective tenants for the site as the build work was in part bespoke in order to meet the requirements of the occupiers.
- 3.14 Members will appreciate that this process is complex, as it involves multiple stakeholders. The actual position at a point in time will vary dependent on the stages reached physically and contractually.
- 3.15 Following an extensive cost engineering process, the position at the start of May 2024 was that the estimated cost of the project was agreed and within the £6.2m budget approved in September 2023. Any additional costs would be covered by additional income delivered by the Towns Fund Development.
- 3.16 The £400k income savings identified in the medium-term financial plan 2025/26 are in part being achieved through the tenancy with the NHS. This is set out in more detail in the financial section and the Exempt financial appendix. The agreed position with the County Council and the income generated as a result is yet to be realised and there is, at present, a reliance on this to achieve a balanced budgetary position.
- 3.17 In order to ensure that the budget position is maintained and the Town Hall continues to develop into a Hub, there is a requirement for Members to consider the best and most appropriate use of the remainder of the building.

### **Moving Forward**

- 3.18 Officers have been asked to report on the consequential effects of not proceeding with the relocation of the library whilst continuing to recognise the need and the importance of the Hub project more widely.

- 3.19 As this report identifies, there is a £400k income target in the Medium Term Financial Plan (MTFP). This is made up of combined income achieved in the context of the current Town Hall Hub proposals.
- 3.20 As detailed earlier in this report, the NHS are already in situ and as a result the income target 2025/26 is in part being satisfied by the income already being received from the NHS occupation. If Members were minded not to proceed with the library move, then there would be a potential gap in the income generated that would need to be satisfied in an alternative way to enable a balanced position to be achieved.
- 3.21 In addition, Members are advised that to date circa £600k has been spent on the design works and this expenditure would need be mitigated in any alternative proposals.
- 3.22 As this report identifies, the most recent cost engineering resulted in there being alterations to the design. These changes will require amended planning approvals and as a result the build time has been extended by some months and will place pressure on the ability for the project to be achieved within timescales.
- 3.23 As Members are aware, the current Department of Levelling Up, Housing and Communities (DLUHC Towns Funding is for a specific project and to comply with the funding conditionality and timescales there is a requirement for the library to move from its current building and for the build to be completed on that site by 31<sup>st</sup> March 2026.
- 3.24 Members will also be aware that the governance arrangements require the agreement of the Towns Board and DLUHC in respect of any project (or change to a project) for the delivery of Towns Funding.
- 3.25 Officers have had initial discussions with colleagues from DLUHC and whilst alternative proposals can be considered, they need to demonstrate that the outputs identified within the original proposals can be achieved in an alternative scheme.
- 3.26 Similar discussions will need to take place with the Towns Board.
- 3.27 What is clear at this stage is that the current project is dependent on the Council agreeing to the relocation of the library. Without this agreement, the current scheme cannot be achieved, and whilst alternative proposals can be considered, the timescales for expenditure of the funding will not be extended beyond the current end date.

- 3.28 As this report identifies, the delays in the current project have been significant and as a result rendered it unlikely that the original scheme would be achievable in the current timescales.
- 3.29 Any alternative proposals for the Towns Funding will need to be agreed by the Towns Board and DLUHC and will need to take account of and provide mitigation in respect of the abortive costs to date. These are made up of the design costs of up to £600k and a funding gap to the existing delivery of £400k of savings from the 2025/26 financial year onwards.
- 3.30 Members therefore need to present and agree alternative uses of the Towns Funding through the Towns Board as well as presenting an alternative business plan to satisfy the income targets identified in the MTFP for the Town Hall and mitigate any design fee right offs.

**Issues for consideration broken down into those relating to the Town Hall and those relating to the Towns Fund**

**Town Hall proposals**

- 3.31 The current proposals for the use of the space at the Town Hall rely entirely on public sector partners sharing space. It would be necessary for Members to consider all options (including private sector rental) in the context of a business case to determine if the income targets identified in the MTFP can be achieved in another way were the Library not to move.
- 3.32 In order to give Members market intelligence in this space, officers have commissioned a report from Savills to provide external advice on what could be achieved in the current market environment. This report is at **Appendix A** to this report.
- 3.33 Whilst the options are limited, the advice is clear that there are opportunities for a mixed office use (public and private) with the potential for a food and beverage offering to compliment.
- 3.34 Further advice has been sought to provide more detail from a local perspective from J.S Dillon. This document is at **Appendix B** to this report. Its results confirmed those of Savills but emphasised the quality element of any refurbishment in a highly competitive letting market.
- 3.35 In addition, Members are advised that officers have had tentative discussions with stakeholders and proposed tenants with regard to the alternative proposals and whilst there is interest in a new proposal, it is not possible for any commitments to be made given the current

contractual arrangements that exist. This means that any proposal to change the current provision will not be without risk.

- 3.36 Members will need to consider the options in the context of the external advice appended and will need to consider all use options to mitigate the costs to date and the income targets required to meet the MTFP requirements in 2025/26.
- 3.37 As Members will be aware the Council operate out of many sites and it is possible that a rationalisation of this could support alternative Hub proposals. In this context, officers are exploring opportunities including moving the Housing Team from Woodrow into the Town Hall or other Council accommodation and converting Woodrow into much needed temporary accommodation.
- 3.38 Another option that would significantly reduce the cost envelope for the redevelopment of the Town Hall would be to reconfigure and enhance the civic suite in its current location. This would reduce the build costs and create additional lettable space on other floors in the building.
- 3.39 It is clear that other opportunities exist with our public sector partners for space and cost sharing and officers continue to work with partners and stakeholders to maximise these. In the context of the alternative proposal within this report, a short-term let, if achieved, would provide some mitigation in the context of the 2025/26 savings targets.
- 3.40 Notwithstanding the need for a decision on the movement of the library, there are essential works required within the building to enable the Hub project to proceed. The current contractor is on site and ready to proceed with this work and it is anticipated that it will take until the end of the calendar year to complete. The work is costed at circa £80k (budget agreed) and Members are being asked to approve the continuation of this work in advance of any alternative proposals.
- 3.41 Since the May elections, discussions have been undertaken within the design team on the revised makeup of the building but integrating these points into an updated design. These are set out in more detail in **Appendix C**. In summary this work has the following use of space:
- Lower Ground Floor – Commercial End User with RBC Storage/Archive Areas
  - Ground Floor – Reception, Council Chambers, Housing Team and Central Open Plan Space
  - First Floor East Wing – Council Teams
  - Second Floor East and West Wing – Commercial End User

- Third Floor East and West Wings – RBC Team
- 3.42 Draft Revised Floor Plans based on the information set out in Appendix C are set out in **Appendix D**
- 3.43 Estimated timescales for this work are set out as:
- Prepare demolition and enabling works contract documents and drawings – 4-6 weeks
  - Prepare M&E drawings for safe strip out of M&E related items - 2 weeks
  - Issue Enabling Works package to Main Contractor for pricing - 2 weeks
  - Phase 1 Enabling Works – Provisional commencement on site 9th September 2024 and provisional completion 10-12 weeks
  - Phase 2 works – Design commencement 16th September 2024
  - Completion – April/May 2025
- 3.44 In the context of alternative proposals, if Members are minded not to proceed with the proposal to move the library into the Town Hall, then an alternative business case will need to be produced detailing the proposals for income generation that will satisfy the MTFP. It will also be necessary for Members to formally notify the County Council of their decision not to enter into a lease for the movement of the library and for detailed discussions to take place with the Towns Board on alternative proposals for the Towns Fund. These actions are time dependant.
- 3.45 The Council have checked with the existing Framework Provider used for the appointment of Seddons as the design and build contractor. For the changes to the Town Hall Hub design there will not be the requirement to tender for an alternate provider.

### **The Town's Fund**

- 3.46 The Initial project was £4.2m for the demolition of the Library and construction of the new Town Square. Members are advised that this was a draft design, used for approval by DLUHC in September 2022. A final design (including demolition) still needs to be undertaken. The Council has appointed a project manager but work on the final design has been limited to date.
- 3.47 A meeting with DLUHC experts on the 23<sup>rd</sup> May 2024 identified that, were the Council minded not to proceed with the current proposals, the following options would be considered:



- Invest the £4.2m in the Digital Manufacturing and Innovation Centre (DMIC) with better Metrics.
- Invest in an alternative building that will give similar outputs to the library site.

3.48 Whilst public realm enhancement in lieu of creating a plaza in the vicinity of the current library building was not expressly discussed with DLUHC on 23<sup>rd</sup> May it is understood that spending some of the £4.2m on the public realm would meet some of the criteria for the TIP monies and consequently this is currently being explored in the round with the investments to the Innovation Centre. All options (or mix of options) requires a DLUHC Project Adjustment Request (PAR) form to be completed and for any changes to be agreed. In this context, DLUHC have offered Neil Turner from their engagement team to help in the process and initial discussions have been positive. A number of alternatives are being explored for initial updating to the Towns Board on the 25<sup>th</sup> July and finalisation in September. These are set out in **Appendix E**.

3.49 As identified within this report, any change to the Towns Fund investment will require the initial approval of the Towns Board. These alternative options were discussed at the meeting of the Towns Board on the 30<sup>th</sup> May 2024. Further discussions are ongoing with the next meeting of the Board scheduled for 25<sup>th</sup> July 2024.

### **Proposed way forward**

- 3.50 The County Council need to be advised of the Council's decision regarding the movement of the library.
- 3.51 A decision not to move the library will require an alternative proposal for the Towns Funding, agreement from the Towns Board and DLUHC and a business plan report to Executive detailing the income mitigation and alternative uses for the Town Hall.
- 3.52 This approach will ensure that the £4.2m Towns Funding is utilised and before the cut off dates.

## **4. FINANCIAL IMPLICATIONS**

4.1 The majority of the Town Hall scheme (£5.2m) was expected to be funded from the disposal of the following sites: Far Moor Lane, Easemore Road and Webheath. The present range of all three is £6m, with approximately £1m relating to the HRA. Therefore, roughly in line with original assumptions.

- 4.2 Overall, if the design is to be simplified, this will reduce the £6.2m cost significantly. To get to this point, however, the Council must decide on its final approach to what will be delivered in the Town Hall.
- 4.3 Members are advised that in addition to this project, there are other upgrading works being carried out in parallel to enable the building to be updated and futureproofed from an operational and IT perspective. This involves the following works that are being funded from the Council's annual buildings repairs and maintenance and IT infrastructure budgets.
- Replacement AV Equipment for Council Suite – whatever the location (£200k)
  - Connectivity (Direct line) for the Palace Theatre (£65k)
  - Oakenshaw/Kingfisher enabling works for Council Meetings and Customer Services delivery (£120k)
  - Town Hall works undertaken to date including new shelving in the basement (£148k)
  - Other Town Hall Works (£246k)
  - Total Works - £779k
- 4.4 These works are being funded from existing resources in 2023/24 and 2024/25 including:
- Capital (existing Buildings) £320k
  - Revenue - £459k
- 4.5 As referred to earlier in this report, there is the requirement to deliver £400k of savings to the Council's Town Hall budget. The existing work that has now been stopped met that target through the use of the space by the NHS, the County Council and its sub tenants. In addition to this, design work that relates to the County Council and their subtenant now has to be written off to revenue as it is not allowable capital expenditure.
- 4.6 The S151 Officer must at this point in this report warn of the risks to the Council as:
- It had a contract/arrangements in place with the NHS and the County Council that would have delivered a Town Hall Hub and the associated savings required from 2025/26 in the MTFP.
  - That as this move will not take place, the savings target will need to be met by other means, and a one off amount of up to £600k will need to be written off to Revenue which will significantly impact the Council's Reserve levels (reducing them by 10%).
  - That the decision will be challenged by the Council's external Auditors and has the possibility of the Council receiving a further

S24 Statement based on the governance processes around this decision.

- 4.6 Given the move of the Library will now not take place, there is the requirement for the Council to reassess how these savings can be made. An initial view of this is set out in Appendix 3.
- 4.7 Delegated authority has been given, as per earlier reports, to Officers to move works forward. This will be used to enact enabling works following the elections, as these will be required whatever the solution before a further report comes to Executive in September.

**5. LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications arising as a result of this report as Heads of Terms (HOTs) and Leasing Agreements have been signed and tenders are now out for evaluation for the works to be delivered.

**6. OTHER - IMPLICATIONS**

**Relevant Strategic Purpose**

- 6.1 The Strategic purposes are included in the Council's corporate plan. The following strategic purposes are linked to this project:

- Finding Somewhere to Live
- Aspiration, Work and Financial Independence
- Living Independent, Active and Healthy Lives
- Communities which are Safe, Well Maintained and Green
- The Green Thread runs through the Council Plan.

**Climate Change Implications**

- 6.2 The green thread runs through the Council plan. The design of the building will be to the latest sustainability standards. Significant investment has already been made in the Town Hall over the past two years including window replacement and the installation of heat pumps.

**Equalities and Diversity Implications**

- 6.3 The design, as set out in 3.12 above, takes account of differing equalities and diversity implications.

**7. RISK MANAGEMENT**

7.1 There are a number of risks which could potentially influence the project, this includes the following which are typical of this type of project:

- Stakeholder sign off.
- Stage 4 design progression.
- Commercial negotiations.
- Project cost envelope.
- Project governance.
- Programme slippage.
- ICT specification and commercials.
- Macro-economics
- Section 24

8. **APPENDICES and BACKGROUND PAPERS**

Appendix A – Advice From Savills (Exempt)

Appendix B – Advice from J S Dillon (Exempt)

Appendix C – Updated Draft Design of the Building (July 2024)

Appendix D – Draft Revised Floor Plans

Appendix E – Alternative uses of Towns Funding (Exempt)

Appendix F – Exempt financial information

**Background Papers**

Previous reports to the Executive Committee and Council in respect of the Town Hall Hub.