

PART A

With Part B appendices in accordance with paragraph 3 part 1 schedule 12A.

The appendices contain information relating to the financial affairs of the authority

Report to: Cabinet
Date of meeting: 11 September 2017
Report of: Section Head of Facilities Management / Buildings & Projects
Title: Town Hall Development

1.0 Summary

1.1 The purpose of this report is to seek approval to proceed to the formal process of designing; specifying and constructing through appropriate procurement methods, a purpose built Multi-Storey Office Block adjacent to the Town Hall with additional Car Parking Provision provided by a raised deck over the existing Town Hall & Leisure Centre Parking Facility. **Site Location Concept Plan Appendix 2**

The report highlights the key aspects of the project. Detailed analysis is provided through a series of appendices for each critical element.

1.2 The supporting information accompanying this report identifies the Capital Investment Required, The Projected Revenue Income that will be generated, The risks associated with such a venture and the options considered through a business case study to arrive at the recommended solution that is considered to deliver the highest return for the Council. **Appendix 1**

2.0 Recommendations

2.1 That the project is approved

2.2 That Council is recommended to approve the capital funding required to undertake this development

Contact Officer:

For further information on this report please contact: Ian Browne,
Post: Section Head of Facilities Management / Buildings & Projects
Telephone extension: 8559
E-mail: ian.browne@watford.gov.uk

Report approved by: Carol Chen Head of Democracy & Governance

3.0 **Proposal (See Appendices for full details)**

- 3.1 A detailed project initiation document has been prepared and submitted to the Project Management Board. This details the project scope; expected construction related costs and the anticipated income from letting out the new office space/car park post completion. The business case is attached at **appendix 1** but the basic concept of the development is as follows.
- 3.2 The demolition of an existing “beyond life” single storey modular building. “The Terrapin”. This is an existing structure that was installed as a temporary measure approximately 20 years ago which incorporates part of the customer service centre and also houses the amenity space and meeting rooms. The building is beyond life expectancy and the installations are also dated and in need of replacement. It is not financially viable to continue to maintain this outdated and decaying structure. Demolition is therefore most cost effective measure.
- 3.3 Construction of a purpose built, four or more storey modern office building on the above cleared Terrapin Site. The new building is intended to be occupied in part by Hertfordshire Constabulary as an administration centre on a long term lease. Additional spare capacity will be leased to other interested parties on an individual basis with their own terms and conditions. The intention being to realise the whole development as a long term revenue income stream for the Authority. **Appendix 1** includes Initial Construction Related Costs for this phase of the works including all fees and contingency sums which have been included in the business case. As the project has progressed the scope and concept of the design has become clearer and a revised cost summary to this effect is provided at **Appendix 7**
- 3.4 Construction of a part single/part double storey vehicle parking deck over the existing Town Hall Car Park and Central Leisure Centre Car Park to increase capacity by a predicted additional 300 spaces. This will provide increased capacity for the occupiers of the new office building and existing WBC Staff with the added benefit of additional capacity during the Night time Economy Periods for patrons of the Colosseum & Leisure Centre. A number of draft design options were produced, and, on the basis of practicality and maximum use of available space, the option recommended for final selection is detailed in the report and layout drawing attached. See **Appendix 3 & 4**. The other options were discounted on grounds of cost & practicality. In order to determine the practicality of delivering such a Bold & Progressive venture a number of investigations were required to ascertain the impact on the surrounding transport networks. The assessment judged the impact through collection of vehicle movement data at several points around the site and on the Public Highway. This data demonstrated that the anticipated increase in traffic movement as a result of the development would not adversely affect the road network capacity. The evidence therefore supports the scheme. Full details of the assessment are included in the report at **Appendix 6** and the proposed scheme of Public Highway enhancements for sustainable transport links is attached in draft layout and explanatory versions at

Appendix 6

Initial Construction Related Costs for this phase of the works including all fees and contingency sums have been included in the business case. As the project has progressed the scope and concept of the design has become clearer and a revised cost summary to this effect is provided at **Appendix 7**

- 3.5 Cabinet will be aware from recent media releases the Police Authority intend to relocate from their premises in Shady Lane to new premises. This will release that site for housing development purposes.
- 3.6 The Police and Crime Commissioner and senior officers from the Hertfordshire Constabulary have been in regular discussion with the Council about relocating to the Town Hall and as part of the project process an agreed terms lease will be in place prior to any construction works commencing on site. This will detail the Financial Contribution, Length of Tenure, Service Levels & Charges etc. and guarantees an income to the Authority which greatly reduces the financial risk exposure and therefore supports the overall business case.
Provision of accommodation for the Police Authority on the Town Hall Site also meets the Vision of developing the complex to provide Community based services in a centralised Hub.
- 3.7 The anticipated timescales for the various stages of the project are as indicated in **Appendix 10**: Obviously these are only estimated timelines but are indicative of the ambition to achieve completion within the Watford 2020 Vision

4.0 Implications

4.1 Financial

A breakdown of the assessments' made to determine the financial viability of the project is attached as **Appendix 9**. Income generation has been estimated based on known operational costs for a similar building already on the site. Taxation advice has also been provided by specialist Advisors to confirm the Councils position on VAT.

Appendix 11

- 4.1.1 The Head of Finance comments that the figures in the business case have been reviewed and the budget estimates seem to be robust. Similarly the income projections are suitably cautious. There are currently no budgets set aside in the capital programme for this project and, in accordance with the Constitution, Council will have to approve this budget. This can be undertaken as part of the annual budget setting process.
- 4.1.2 It should also be noted that, due to other projects and the on-going capital programme, the Council may have to borrow prudentially for this project. The timing

and amount to be borrowed will depend on factors such as any financial contributions to the project from partner organisations, the current capital expenditure profile and the timing of any capital receipts emanating from other projects (and available for re-investment). As such, the revenue receipts from this project will have to cover both the cost of principal repayment and also the financing cost of the borrowing. As stated above the actual amount, duration and repayment method of any borrowing will be assessed when the need arises, but the table below gives an indication of likely revenue costs for some common durations:

Principal		£10,000,000		
Term (years) (Years)	Annual MRP	Annual interest rate	Annual interest	Annual revenue impact
10	£1,000,000	2.07%	£207,000	£1,207,000
25	£400,000	2.78%	£278,000	£678,000
40	£250,000	2.58%	£258,000	£508,000
Notes:				
1.	MRP is the minimum revenue provision to be set aside each year to ensure funds are available for repayment of the loan on maturity			
2.	The loan is based on a PWLB maturity rate as at 31 August 2017. Other loan types (eg: annuity) will have a different profile and interest rate			
3.	The annual revenue impact is the amount to be charged to the revenue account for the duration of the loan			

4.1.3 Based on the information provided in Appendix 09, the cost of borrowing over 40 years could be repaid from the projected income, therefore not placing any further financial strain on Council balances. If these income projections were not achieved then the cost of the borrowing would fall to the Council and would create a budget pressure.

4.2 Legal Issues (Monitoring Officer)

4.2.1 The Head of Democracy and Governance comments that all procurement will comply with the Council's procurement rules. Any development will be subject to obtaining planning permission. As the capital funding required is not in the capital programme this will need to be approved by Council.

4.3 Equalities/Human Rights

4.3.1 The delivery of the physical works will be in accordance with all current applicable standards and in particular Part M building regulations (Accessibility) which is one of many statutory requirements. Also whilst the work is being undertaken steps will be implemented to ensure all visitors, will still be able to access the Town Hall, the Leisure Centre and the Colosseum.

4.4 Potential Risks

The risks identified below are those known at the time of the report and assessed on the basis of the information available at the time. Risk management will play a key role in the delivery of the project to ensure maximum levels of mitigation.

Potential Risk	Likelihood	Impact	Overall score
Project & Funding Not Approved	2	4	8
Delivery Programme Deadline Not achieved	3	3	9
Site Disruption During Works	4	4	16
Shared Funding V.A.T. implications	3	2	6
Max Potential Income Not realised on Completion	2	3	6
Impact On Other Tenants & Operators	4	3	12
Cost exceeding estimates	3	4	12
Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service's Risk Register.			

4.5 Staffing

Anticipated internal and external resourcing is identified in the Project Key information Header. There will be a core Board group of delivery officers for the project with additional personnel contributing their expertise as and when required. It is expected that much of the project delivery will be internally resourced which will dramatically reduce project costs associated with the appointment of external consultants.

4.6 Accommodation

The Building is intended to be used solely for the purposes of revenue generation by way of leasing available floor space to external bodies. Provision will be on an office environment basis only to generate maximum return. Fit out will be at the expense of the lessee as is normal for this type of property.

The building will consist of four or more storeys sub divided to meet the needs of the individual occupiers with an option to lease car parking on the new adjacent raised deck car park also being constructed as part of this scheme. A number of public bodies are already expressing an interest in co-locating on this site and there is potential to have sufficient pre-letting of the space confirmed during project start up to determine realistic immediate occupancy levels post completion.

Watford 2020 requires a wider review of how the Town Hall accommodation can support our future requirements. A more flexible way of working – remotely and in a

mobile way, with less need for storage space as we optimise digitisation. It is therefore possible that as our use of space contracts, the Annexe may be capable of being fully let externally as well, complimenting the current NHS use. It is also the case that the quality of office accommodation in the new build will be much higher than in the existing town hall which generates a higher rental but this should not stop us looking at one of the options as to whether it would be appropriate to utilise any part of the new building for Council purposes. There is also the opportunity to relocate the Council staff at the Depot back to the Town hall which would raise the question of the longer term future for the depot.

4.7 Community Safety/Crime and Disorder

Although a new building and Car Park does not have a direct impact on Community Safety / Crime and Disorder there are clear benefits to providing a co-location opportunity on the Town Hall Site for Hertfordshire Constabulary.

The Vision is already part complete with the provision of Health & Wellbeing services provided by the NHS on site. Locating the Police (non-Custody) operations on this site will contribute to a more effective partnership to deliver Community Safety. The intention being to also relocate the existing CCTV Control Room and Parking Services (managed & operated by WBC) to further enhance this progression toward a Public Sector Hub. There are also similar opportunities being explored with The Probation Service and Department of Work & Pensions who have expressed an interest in letting out space on the site if proven viable. (further negotiation required if project approved and funded)

4.8 Sustainability

Although yet to be drafted up in any detail (subject to project approval and funding) the council prides itself on delivering projects that exceed the local / national standards and this scheme will be no exception. Initial briefs delivered to specialist consultants will require a design life of a minimum 60 years for the building and 40 years for the car parking. This will ensure that with correct management the life expectancy will in fact likely exceed these limits ensuring a long term investment that will deliver financial and community focussed reward.

Design and construction pre requisites within the Facilities Management Section/Transport & Infrastructure Section dictate that maximum use of appropriate energy efficient construction methods and building installations will be specified. Wherever possible the use of technology to “future proof” the assets will ensure that the space provided remains flexible and attractive to let by the private / public sector businesses we want to attract. This will ensure a continuity of income at a fair market rate. The car park facility could also benefit from future proofing in terms of EV charging, solar and battery power and Internet of Things capability.

Part B : Appendices

1. Business Case
2. Site Location Concept Plan
3. Car Park Options Paper
4. Car Park Option Design
5. RIBA Stage 2 Architect Concept building designs
6. Highway Alterations Draft Layout & Explanatory Layout
7. Estimated Project Costs and Spend Profile
8. Transport Assessment
9. Financial Assessment Viability Report
10. Project Programme & Plan
11. Project Taxation Advice

Background Papers

- No existing papers were used in the preparation of this bespoke project report.

File Reference MP19-6 Town Hall Development