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| SUBJECT: | PROPOSED IMPROVEMENT WORKS TO CITY HALL [PART A] |
| DIRECTORATE: | DIRECTOR OF RESOURCES |
| REPORT AUTHOR: | MARK WHEATER, STRATEGIC PROPERTY MANAGER |

1. Purpose of Report

- 1.1 To approve the proposed improvement works to Lincoln City Hall.

2. Executive Summary

- 2.1 The Council has agreed subject to contract to lease the first floor west wing of City Hall to Department of Work and Pensions (DWP) from 26th October 2015.
- 2.2 As part of the Council's asset management plan and Towards Financial Sustainability Programme it is proposed to develop a new public sector hub at the City Hall which will deliver an improved more cohesive customer experience and maximise the use of the Council's assets.
- 2.3 A series of works will be required to the building to make the accommodation fit for purpose from both DWP's and the Council's perspective.
- 2.4 Other building works will be carried out to the building including energy efficiency improvements and planned maintenance items indentified in the stock condition survey.

3. Background

- 3.1 City Hall is currently shared with Lincolnshire County Council (LCC), who occupy approximately one third of the building. LCC have indicated that they intend to vacate the building when their current lease expires at the end of June 2015. The loss of income from LCC is approximately £470,000 and is a significant budget pressure.
- 3.2 Negotiations have been taking place for some months with DWP and a lease of the first floor west wing and part third floor has now been agreed. The proposed lease is for a period of 10 years from the 26th October 2015 with a break option in year 5. As a condition of the lease DWP will fund the remodelling work required to their accommodation and part of the refurbishment costs resulting from relocating services.
- 3.3 The letting to DWP will allow the Council to develop a public sector hub at the City Hall and provide a wide range of public services under one roof for the benefit of service users/Lincoln residents. Significant revenue income will be generated, which will in part compensate for the loss of income when LCC vacate, and both

the DWP and the Council will be using office accommodation more efficiently.

- 3.4 Floor plans showing layout proposals have been circulated to all staff for detailed consultation to enable a final scheme to be agreed in mid-February. The floorplans following consultation will be tabled at this meeting. The key focus for the changes was to maximise benefits of co-location for services, provide for future expansion and ensure that customer focussed services are located close to the main public entrance.
- 3.5 As the project moves forward into detailed design stage it will be necessary to ensure that the following key areas are addressed:-
- i) Enough space in reception to meet increasing customer numbers.
 - ii) Improved signage to direct customers into new reception areas.
 - iii) Improved security arrangements working with DWP
- 3.6 It is proposed that facilities common to both DWP and the Council will be shared to maximise efficiencies for example: interview rooms, staff welfare facilities and digital area self service counters.
- 3.7 Prior to committing to the full building programme it will be necessary to complete a lease with DWP incorporating the agreed terms and making provision for the agreed capital sum.
- 3.8 The entire fourth floor of the City Hall and other ancillary areas remain available for commercial/other public sector tenants. It is proposed to market this space at the appropriate time next year when the main relocation works for DWP are nearing completion. By creating a vibrant ground floor environment it is considered that the marketability of the wider building will be improved from a future lettings perspective.

4. Proposed Works

4.1 DWP Works

4.1.1 Works to be carried out to the first floor of City Hall West Wing (Plan 1) (currently property shop reception/benefits & welfare):

- Demolition of partitions to make open plan
- New ceilings/LED lighting
- New carpets
- Painting
- Creation of new interview rooms
- Purchase of desks/furniture
- Mechanical ventilation
- Asbestos removal

Enabling Works

- Relocate Credit Union
- Increase the size of the current staff welfare facility
- Carry out improvements to signage in reception and general improvements in reception

- Creation of joint hot desking room third floor
- Asbestos removal

4.2 Council Works

4.2.1 Works to be carried out to office space behind customer services first floor(Plan 2):-

- Demolition of partitions to create open plan environment
- New ceilings/LED lighting
- New carpets
- Painting
- Purchase of desks/furniture
- Asbestos removal
- Improvements to Council reception

4.2.2 Works to be carried out to office space ground floor Orchard Street(Plan 3):-

- Improvement works to former County Council accommodation ready to be marketed for rent/relocation.

4.2.3 Works to be carried out office space third floor east wing(Plan 4) :-

- Painting and new carpets
- New ceilings
- Minor remodelling
- Purchase of desks/furniture
- LED lighting
- Asbestos removal

4.2.4 General building works :-

- New boiler/management system
- New toilets/showers third floor
- Resurface City Hall roof
- Energy efficiency improvements

The general works listed above have been flagged up as high priorities under the Council's planned maintenance programme and are essential to ensure that the premises are fit for purpose during the proposed lease term. The current boiler system is now over 40 years old and it is often difficult to source parts when key components fail. The roofs of the City Hall require re-surfacing to protect the long term structure and fabric of the property.

The proposed general building works have the benefit of generating energy efficiency savings for example; the new boiler will allow more efficient operation of the heating system with improved building management systems reducing the operational costs of City Hall.

4.3 At this stage, the general scope for building works is indicative as it may be necessary to change the some of the works following staff consultation.

5 Working Arrangements/Timescales

- 5.1 It is proposed that the works to the City Hall will be carried out between the 1st July and the 26th October. The timescale is very strict to meet the start date of the DWP lease.
- 5.2 During the works there will be some disruption to staff due to noise however, this will be minimised by intelligent work scheduling and providing quiet space for staff during the works within the City Hall and at Beaumont Manor.
- 5.3 The accommodation layouts have also been designed to allow a one-move solution for all teams to minimise service disruption for affected services.
- 5.4 The contractor will also be made aware of key meetings in order to minimise any disturbance.
- 5.5 Impact on customers will be minimised where possible and will be managed through the comprehensive communications plan and on site using temporary signage.

6. Strategic Priorities

- 6.1 City Hall is the Council's main administrative centre and the development of a public sector hub is in line with public services making the most efficient use of their assets to reduce the overall public funding requirement.
- 6.2 Joint working with DWP will have significant benefits in terms of universal credit and any other future changes.
- 6.3 City Hall requires significant refurbishment to make the accommodation fit for purpose and the proposed changes are a catalyst for improving the quality of the space for all service users.
- 6.4 In terms of carbon footprint, the new boiler and associated energy efficiency improvements will reduce the council's overall energy consumption.

7. Organisational Impacts

7.1 Finance

- 7.1.1 The loss of income from LCC is approximately £470,000 and presents a significant budget pressure. Rental income from the DWP will help to reduce the budget pressure and negotiations are ongoing with other potential tenants. The MTFS 2015-20 has made allowance in 2015/16 for the loss of income following the vacation of LCC, offset by the part year rent income from the DWP. However from 2016/17 onwards it assumes that rental income will be back up to previously budgeted levels. It is therefore essential that the Council continues to market the available space and continue its negotiations with potential tenants.

It is proposed to bring the existing capital budget for works to showers at City Hall into this scheme. With the inclusion of this scheme the total capital budget is £1,405,000. Capital expenditure plans and corresponding financing are

summarised in the table below:

| | 2014/15 £ | 2015/16 £ |
|---------------------------------|----------------------|----------------------|
| Capital Works | | |
| DWP | | 320,000 |
| First Floor | | 100,000 |
| Ground Floor | | 30,000 |
| Third Floor | | 235,000 |
| General | | 700,000 |
| Showers | 20,000 | |
| Total Capital Budget | 20,000 | 1,385,000 |
| | | |
| Capital Funding | | |
| DWP – capital contribution | | (285,000) |
| Asset Improvement Reserve (DRF) | | (35,000) |
| Prudential Borrowing | | (730,000) |
| HRA – capital contribution | | (235,000) |
| Invest to Save Reserve (DRF) | | (100,000) |
| Asset Improvement Reserve (DRF) | (13,385) | |
| LN6 Grant (DRF) | (6,615) | |
| Total Capital Funding | (20,000) | (1,385,000) |

7.1.2 The revenue implications are summarised below (assuming all works are operational from the end of October 2015):

| | 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Capital Financing Costs | | | | | |
| Borrowing costs – MRP* | 0 | 29,200 | 29,200 | 29,200 | 29,200 |
| Borrowing costs – interest* | 3,000 | 13,250 | 13,250 | 13,250 | 13,250 |
| Total Borrowing costs* | 3,000 | 42,450 | 42,450 | 42,450 | 42,450 |

* Borrowing costs to be funded from contingency for City Hall borrowing costs. Actual costs to be confirmed when borrowing taken (currently internal borrowing is assumed)

7.1.3 Further financial implications are provided in the report of Part B of the agenda.

7.2 Legal Implications including Procurement Rules

7.2.1 The Council has appointed Robert Woodhead to carry out the works under the EMPA framework in compliance with public procurement rules.

7.3 Equality, Diversity & Human Rights

7.3.1 An Equality Assessment has been undertaken, and is attached as at Appendix A, this analysis concludes that the overall impact of the refurbishments is expected to be positive with no potential for discrimination.

8. Recommendation

8.1 It is recommended that Executive approves the proposed improvement works to the City Hall and their inclusion in the General Fund Investment Programme in 2015/16.

Is this a key decision? Yes

Do the exempt information categories apply? Yes [exempt information contained in a separate report]

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? 1 - Appendix A Equality Impact Assessment

List of Background Papers: None.

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