

CIVIC CAMPUS PROGRAMME

January 2020 Update



1 Programme Update

Management summary RAG status					
Summary		Programme Status	Milestones	Budget	Risks
This reporting period		GREEN	GREEN	GREEN	AMBER
Last reporting period		GREEN	GREEN	GREEN	AMBER

The programme is developing as planned. Programme is on track. Budget is currently forecasting an underspend.

The overall programme is made up of 3 distinct Phases:

Phase 1 – Office Decant – the decant of 1,400 staff from the Town hall and Town hall extension into new office locations, to Shortlands, Clockworks, 145 King Street and 43 Beavor Lane. This is now complete, with the exception of specialist CCTV services which are due to move at the end of February 2020.

Phase 2 – Demolition and Enabling works – This involves initial surveys (e.g intrusive asbestos and structural surveys), soft strip and final demolition of the site (Town Hall Extension only) in preparation for main works contract to process.

The demolition contractor has been procured and started on site on the 1st September 2019 on programme. Hoardings have been erected and there is now no public access to the Town hall and Town hall extension. Surveys have commenced and the demolition contractor is mobilising ahead of internal works, soft strip and structural demolition works. Structural demolition has started and is due to complete at the end of May 2020.

Phase 3 – Main works – This sets out the design development, procurement of a main contractor and start on site.

Contractor procurement has commenced and tenders have been received, with an appointment planned for February 2020. The contractor will commence the first phase of works under a Pre-Construction Services Agreement (PCSA) to complete the design and construction works plan, and complete any necessary enabling works. Enabling works will commence from February 2020, with main construction programmed to start on site at the end of June 2020, on programme.

Key Milestones are set out below:

- 3rd Sept 19 – Demolition commences
- 15th Oct 19 – Full planning permission granted
- 15th Dec 19 – Start TH Stage4 design
- 16th Oct 19 – Main Contractor Tender issue

- 18th Dec 19 – Main Contractor Tender returns
- 29th Feb 20 – Contractor Award
- 2nd March 20 – Decant of Network Comms Hub
- 29th May 20 – Demolition of Town Hall Extension completed
- 30th June 20 – Main Contractor Works Commence
- 30st April 2022 – Town Hall complete
- 30st June 2023 – All works complete

2 Recent Decisions

The Council's cabinet on 6th January 2020 recommended to Full Council planned for 22nd January 2020 to:

1. Approve a capital budget of up to £64m for the purchase of the office space, start-up units, commercial units, restaurant and cinema as set out in this report and the associated professional fees and Stamp Duty Land Tax (SDLT). The total budget will be funded by general fund borrowing, represented by an increase in the Council's capital financing requirement, supplemented by capital receipts, or developer contributions when available, with final confirmation of funding delegated to the Strategic Director, Finance and Governance, in consultation with the Cabinet Member for Finance and Commercial Services.
2. Approve a capital budget of up to £25m to purchase a 50% stake in the joint venture limited liability partnership with A2 Dominion, funded by general fund borrowing, represented by an increase in the Council's capital financing requirement.

Recommendation one above is for the capital budget to enable the acquisition of commercial units that will be constructed by the King Street Joint Venture as part of the Civic Campus Programme. For each of the buildings, the Council will then secure lessees paying rent to the Council, covering the cost of the acquisition over 45 years. Negotiations have already begun and discussions are well advanced with potential occupiers. This is an investment decision by the Council, separate from the other budgets associated with the refurbishment and the joint venture. The Council will only complete this investment if it is satisfied that the market value the joint venture is asking for is justified and the financial modelling shows acceptable return to the Council. The joint venture retains the option to dispose the units to a third party.

The need for an equity equalisation mechanism was identified in the December 2018 cabinet and January 2019 Full Council reports, referencing the need to establish how equity in the joint venture be kept in balance so all parties shared equally in the scheme. An equalisation method is needed, as on the basis that the council's land was being considered as equity and it is getting the glass box in return, its equity was being withdrawn earlier than all other funders, leaving the LLP in a fundamentally unbalanced position, as well as being a less efficient use of the funding available to the LLP.

To ensure that the Council and A2Dominion share equally both risks and rewards, it is proposed that the Council provide a contribution of up to £25m as equity into the joint venture (JV) at the most financially efficient point in the development programme. This will be funded by general fund borrowing, represented by an increase in the Council's capital financing requirement. This has a cost to the Council, above that reported in January 2019, as the Council will either lose the opportunity cost of forgone investment income, or need to borrow and incur interest costs. Provided the development is financially viable this equity will be returned to the Council before any distribution of profits.

The additional costs of interest (or opportunity cost) will be reduced by increased profit distribution from the joint venture, due to reduced financing costs of the JV. This is because the Council's opportunity cost is expected to be significantly lower than the JV's borrowing costs. The interest cost is sensitive to the timing of the equity contribution and modelling of the expected cashflows are being undertaken and discussed with A2Dominion to determine the most efficient point at which the Council should put its contribution into the JV.

As noted, this effectively changes the treatment of the land – instead the joint venture is acquiring land in a barter arrangement in exchange for constructing the glass pod. So either way the Council still gets the construction of the pod, before A2 Dominion is able to withdraw any equity.

3 Budget Update.

In January 2019, Full Council approved the following recommendations for the Civic Campus programme:

- 1) Decant Budget of £36,734,027 (made up of an additional budget of £27.3m and existing budgets from previous reports, as noted in paragraph 9.22 of the Full Council report). Final confirmation of funding was delegated to the Chief Executive, as advised by the Strategic Director, Finance and Governance, in consultation with the Leader of the Council, the Cabinet Member for the Economy and the Arts and the Cabinet Member for Finance and Commercial Services, and;
- 2) A capital budget of up to £45.6m for the refurbishment and fit out of the Town Hall building. Final confirmation of this funding has been delegated to the Strategic Director, Finance and Governance in consultation with the Leader of the Council and Cabinet Member for Finance and Commercial Services.

The decant is now complete and we are finalising accounts with the contractors. The current budget is currently forecasting an underspend.

A further analysis of current financial performance is set out in Appendix 3

4 Governance

The progress of the project is monitored and scrutinised by a number of formal Boards.

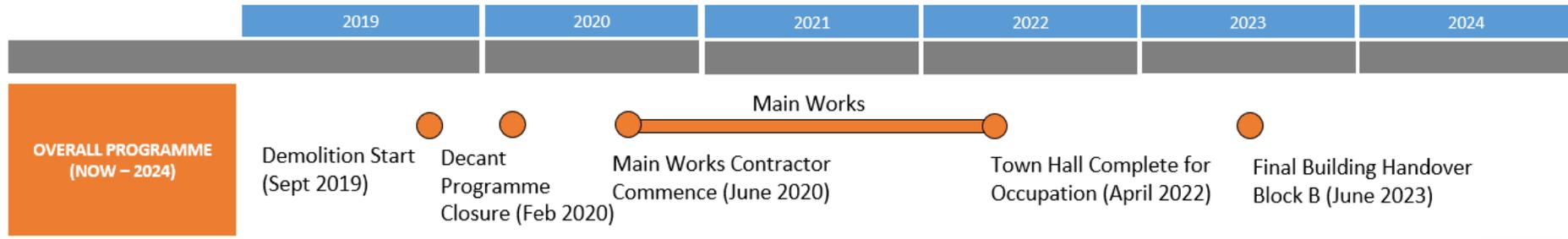
The programme reports to:

- 1) Programme Board – Chaired by the CEO, the Board sits monthly to review progress, budget control and design development.
- 2) LBHF Programme Management Office (PMO) reporting – Chaired by senior LBHF officers, the group reviews and scrutinises project progress, project controls and delivery milestones.
- 3) LBHF Audit Committee.

In addition to this the Council has employed its own Contract Administrator (Currie & Brown) who has a responsibility to monitor progress, the administration of each contract with particular focus on the Town hall refurbishment and validate and challenge cost and expenditure across the programme. The Council has also retained BNP Paribas who will advise the Council on land valuation.

Appendix 1

Overall Programme Summary



Appendix 2

JV Structure and responsibilities

