

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 06/02/2023

Subject: Civic Campus Enhanced Investment

Report of: Councillor Andrew Jones, Cabinet Member for The Economy and
Councillor Rowan Ree, Cabinet Member for Finance and Reform

Report author: Joanne Woodward, Director of Planning and Property and Philippa
Cartwright, Civic Campus Programme Director

Responsible Director: Jon Pickstone, Strategic Director, The Economy Department

Summary

1. The Civic Campus scheme will transform the Grade II listed town hall to be one of the most environmentally positive and accessible community buildings of its type in Britain. Work on site is well advanced and together with its new commercial and cultural enterprises, the campus will be at the heart of a rejuvenated West King Street, supporting a vibrant and inclusive Hammersmith town centre.
2. This report seeks approval for enhanced investment to complete the transformation of the town hall and campus and deliver:
 - a new, modern, accessible, and inclusive campus for the community
 - further enhancements to the development's environmental performance, responding to both the climate and energy crisis by reducing energy use and associated emissions
 - completion of the complex Town Hall heritage scheme
 - a portfolio of new enterprises rejuvenating West King Street and providing commercial income to the Council, but also an ambitious art, cultural and entertainment programme shaping West King Street as a go to destination and great place to visit, work and live.
3. Further investment would always be required at this stage. Prior to entering build contracts in December 2020, Cabinet approved an initial delegated budget based on a standard fit out in July 2020 to enable the Council to quickly secure an 80% fixed build contract to avoid subsequent inflation – a decision that has proved vital considering subsequent events; Brexit, pandemic, war, associated economic turmoil and price inflation across many sectors, few have been more impacted than construction.
4. Enhanced budget is now required not just to account for price inflation on the non-fixed 20% build contract element, but mainly to: deliver a high-quality heritage and environmentally positive fit out (non-standard) for which the design details and costs are now understood; operationalisation (move to and set up of

the scheme); and commercial investment to establish new town hall commercial enterprises following the development of a commercial strategy.

5. Enhanced investment sought is informed by detailed estimates. A contingency must be included to account for the potential for further cost variations particularly around design changes and set up of the new Town Hall business operations.
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Recommendations:

1. Cabinet notes that Appendices 1, 3 and 4 are not for publication on the basis that they are legally privileged as set out in paragraph 5 of Schedule 12A of the Local Government Act 1972.
2. Cabinet approves estimated additional capital funding of £21.4m (£19.2m plus £2.2m contingency) necessary to complete the construction and fit out of the new Town Hall building, associated fees and other works (including necessary changes to the specification of works).
3. Cabinet notes estimated additional one-off revenue costs of £1.6m (£1.4m plus £0.2m contingency) necessary for project costs related to returning to the Town Hall and additional dilapidations provision.
4. Cabinet approves the entering into by the Council of a deed of variation of the Construction Contract dated 1st December 2020 necessary to implement the proposed addition investment and changes to the specification of works the details of which are included at Appendix 1
5. Cabinet approves the procurement strategy for design and assurance services to enable the award of a contract for 11 months for an estimated value of £ 860,000 commencing March 2023.
6. Cabinet approves the award of a contract to Entec Si for Audio Visual services via G-Cloud 13 for a value of £328,060 with a contract term of 1 year commencing from 1st February 2023.
7. Cabinet approves the increase of the long-term leasehold interest to the LLP from a term of 255 years to a term of 999 years, in line with GLA guidance outlined in Appendix 1, but otherwise on the same terms as previously agreed.
8. Cabinet approves the variation to the Conditional Agreement for Lease (CAL) to include a mechanism for payment by the LLP of any additional consideration that may be due in respect of the leases to be granted to the LLP following the grant of those leases in advance of practical completion of the glass pod works should the construction costs for the glass pod works be less than the acceptable land value, in line with the advice to be provided relating to potential tax implications.
9. Cabinet approves a delegation to the Director of Finance, in consultation with the Cabinet Member for Finance and Reform, authority to temporarily increase the

Capital Finance Requirement (CFR), for technical accounting purposes, to fund any capital debtor which may arise in the event of timing differences between the drawdown of each lease and the recognition of consideration by the Council, (up to a maximum of £11.9m reflecting the total value of leases proposed to be granted ahead of practical completion of the Pod works).

10. Cabinet approves a delegation to the Strategic Director of the Economy in consultation with the Assistant Director, Legal Services authority to take all necessary steps to facilitate the decisions in 1-7.

Wards Affected: All

H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
Building shared prosperity	The Civic Campus programme will create new community spaces for residents and the public within the West King Street area. This enables additional job opportunities through the s106 agreement; additional office space; and more genuinely affordable homes.
Doing things with residents, not to them	Delivery of the wider Civic Campus programme will create a new public space to be enjoyed by all members of the local and wider community who have been engaged and consulted throughout the process.
Being ruthlessly financially efficient	A full technical review and competitive procurement process has been completed and a commercial strategy developed to drive new income.
Taking pride in H&F	The refurbishment of the Town Hall will enable the delivery of the wider Civic Campus programme, creating a new and much improved space for residents and the public within the West King Street area.

Financial Impact

6. In January 2019, Full Council approved a pre-tender capital budget of £46.5m for the refurbishment of the Grade II listed Town Hall and a revenue budget of £35.9m for decant accommodation and associated costs. The table below sets out the original budget approvals, variations that already been approved and the latest forecast expenditure of the project.

	Original Budget Approved (£m)	Revisions Already Approved (£m)	Actual Spend as at March 2022 (£m)	Forecast Project Spend (£m)	Variance (£m)
Capital	46.5	14.1	26.3	82	21.4
Revenue	35.9		23.8	35.9	0
TOTAL	82.4	14.1	50.1	117.9	21.4
<i>Funded by:</i>					
CIL/S106	(33.7)	(0.8)	(26.3)	(55.9)	(21.4)
General Fund borrowing	(12.8)	(13.3)	0	(26.1)	0
Earmarked reserves	(35.9)	0	(23.8)	(35.9)	0

7. The proposed estimated additional cost of £23m is summarised in the table below (shown over 2 years and subject to final costings and negotiations).

Type of Costs	2022/23 (£m)	2023/24 (£m)	TOTAL (£m)
Capital			
Assuring the completion of a heritage build	8.75	1.45	10.20
Operationalisation of Town Hall and wider campus	1.60	3.20	4.80
Commercial enterprise	2.05	0.65	2.70
Environmental Enhancements	0.25	1.25	1.50
Capital Contingency	0	2.20	2.20
Total (Capital)	12.65	8.75	21.40
Revenue	0	1.40	1.40
Revenue Contingency	0	0.20	0.20
Grand Total	12.65	10.35	23.00

It is expected that the capital costs of £21.4m (including contingency) will be funded from existing and projected future Community Infrastructure Levy resources or offsetting capital receipts arising from estate rationalisation that are realised (this strategy and funding mix will be kept under review and reported as part of future capital budget monitoring reports)

8. For exemplification, the annual revenue implications if the capital costs are met from borrowing is estimated £1.3m (including combined MRP and interest at 6%).
9. Almost 50% of the capital investment outlined relates to the design, build, fit out and associated project management costs. These costs have been affected by rising inflation since approval was last sought for investment in January 2019. Construction costs have also been subject to inflationary pressure for both

materials and labour costs. It is also to be noted that only part of the additional works included above have been fully costed and there remains an element of works which are variable and subject to financial risk of market forces.

10. The one-off revenue cost comprises the costs of moving back into Civic Campus including project costs (where these costs cannot be capitalised) and a provision for dilapidations to the decant accommodation. These revenue costs of £1.6m are expected to be funded from the original approved revenue reserves of £35.9m (due to compensating forecast savings in other revenue spend). If the forecast underspend were to not materialise to mitigate the additional revenue costs outlined in this report, then these costs would need to be funded from compensating savings in the Council's revenue budget.
11. At this stage, the future operating costs of the Civic Campus are not fully established, and it is expected that these will be funded from within the existing base budgets that were established for the former Town Hall. Any additional costs that emerge will need to be considered by the Council as part of the MTFS for 2024/25 and future years.
12. The drawdown of some leases ahead of practical completion of the glass pod works may result in a technical impact on the Council's Capital Finance Requirement (CFR) and therefore delegation has been sought to adjust this as necessary.

The tax implications of these proposals continue to be closely evaluated and discussed with our external taxation advisers.

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Verified by: Sukvinder Kalsi, Director of Finance, 25 January 2023.

Legal Implications

13. The Council has the power to adopt Recommendations No.1, No.2 and No.3 by virtue of section 1 of the Localism Act 2011 (the general power of competence).
14. The legal implications for recommendations for Nos 4, 5 and 6 are set in appendix 1 and recommendation 8 and 9 are set in Appendix 3.
15. Support for Recommendation 7 is available under Section 111 of the Local Government Act 1972 which enables the Council to do anything which is calculated to facilitate, or is conducive to or incidental to, the discharge of any of its functions, whether or not involving expenditure, borrowing or lending money, or the acquisition or disposal of any rights or property.

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Implications verified by: Grant Deg, AD Legal Services, Telephone: 07798 588766,
20 January 2023

Background Papers Used in Preparing This Report - None

DETAILED ANALYSIS

Executive Summary

Background. Business Case for the Civic Campus scheme.

The compelling case for the scheme

16. There is a strong and agreed business case for delivering the Civic Campus. It set out to deliver:

- the regeneration West King Street after the failure of previous schemes and in response to the high cost of remedial works to the old Town Hall (estimated £ 29.2 million - £ 53.5 million at 2017 prices)
- good quality, new homes, of which 52% would be affordable
- a new civic and cultural destination, improving the public realm and Grade II listed Town Hall, providing new local amenities for residents, including a new multi-screen cinema, café/restaurant, retail and public event spaces
- economic growth in line with the Industrial Strategy, with new retail and commercial space, including affordable space for start-ups businesses
- a new and modern place for the public to meet with the Council and a flexible staff working environment
- a rejuvenated place for the community to enjoy.

Exceeding expectations of the founding case

17. The programme is delivering on and exceeding all aspects of the business case.

A rejuvenated campus, local economy, and community

18. The social and economic benefits envisaged for the scheme are being met and exceeded:

- the Town Hall building will operate as a multipurpose building. It will be an income-generating events venue, an arts and cultural hub, meeting space

for the public, council office accommodation and refurbished civic and community space.

- new office accommodation will enable post-Covid 'hybrid' working that will help reduce the Council's wider property portfolio to offset the additional capital expenditure of the Civic Campus
- the design of the building has been co-produced with the Disabled Residents Team, making it truly accessible for all
- 200 new homes are in construction, of which over 52% are genuinely affordable
- affordable workspace in development can serve target STEM industries
- the new cinema, shops, café and public plaza will create a culturally vibrant neighbourhood anchored by the radically transformed Town Hall building
- a community offer will encourage community value from the space, for example homework clubs for local children and young people.

Financial benefits

19. Whilst the primary financial case was avoiding high town hall remedial costs of up to £53.5m in 2017, wider financial benefits for the scheme are now in development:

- the business plan demonstrates how the joint venture (between the Council and A2Dominion) is scheduled to deliver the Council a profit of more than £10m in its first three years
- the Council is taking full ownership of grade A offices to let commercially
- The Council's financial model for its commercial lettings sets out the expectation that:
 - the Council will recoup all investment costs within 45 years after which a significant net financial income will be realised alongside significant increase to the council's asset book value
 - Commercial income from the offices and wider commercial leases is set to exceed £13.5m in the first five years alone
- Town Hall revenue income from town hall enterprises like events, catering, filming and the Registrar's Office is expected to achieve circa £2.5m in its first five years
- unexpected additional opportunities for short term commercial revenue have been identified, for example revenue to support restoration of the heritage building from advertising on signage in and around the site
- the transition to remote working during the pandemic has highlighted the potential to achieve efficiencies by consolidating the workforce to the new Civic Campus, thereby reducing the need for wider accommodation
- new offices offer a better-quality working environment for employees, creating improved business efficiencies
- wider monetary benefits of £0.56m are estimated through increased business rates and council tax also.

Environmental impact

20. The Council will deliver the most environmentally positive heritage scheme possible, not something initially envisaged for the complex heritage build:

- by acting on opportunities identified in April 2021 from its commissioned report (delivered by Sweco, formerly MLM) a reduction in operational carbon emissions of 134,068 kgCO₂/ per annum or 8,044,079 kgCO₂ across the whole life of the project (60 years) is being pursued
- the Council is also acting on considerations for the fit out and delivery of the Civic Campus developed by its Climate Change team. Workstreams included the server room, IT equipment, white goods, catering equipment, ingredients and foods, Smart building controls and transport
- the combination of new Smart technologies and ground source heat pump will reduce carbon emissions and energy use, delivering an environmentally positive heritage building with minimised running costs
- the BREEAM building environment assessment method has been applied to the new town hall design and suggests Cabinet's investment will deliver the Town Hall a "very good" status – a huge achievement for a Grade II Listed building.

Enhanced Investment now required

Further investment always necessary

21. Further investment would always be required at this stage in the programme. Prior to entering build contracts, Cabinet approved an initial delegated budget based on a standard fit out to enable the Council quickly to secure an 80% fixed build contract to avoid subsequent inflation. Enhanced budget would later be required to:

- deliver a high-quality heritage and environmentally positive fit-out (non-standard) for which the details required further design and specification
- operationalisation (move to and set up of the scheme);
- and commercial investment to establish new town hall commercial enterprises following the development of a commercial strategy.

22. None of these costs could be included in the original delegation as further work was required to draw up plans and costings for provisional sums associated with heritage elements, the move in and set up and the implementation/fit out of the business strategy in the Town Hall and wider Campus.

Uncontrollable project factors

23. Alongside expected but uncalculated investment, there have been uncontrollable project factors with cost implications.

24. Market factors with cost implications will be familiar to Cabinet which have exacerbated the implications of the non-fixed priced element (20%):

- Covid 19
- Brexit

- Inflation crisis
- Sector price rises from material shortages and supply delay
- War in Ukraine

25. Project specific issues have also arisen:

- specialist requirements have been needed for the fit-out of heritage areas
- additional opening-up works were required, and subsequent associated structural costs incurred
- initial site access was problematic and a subsequent need for costly utilities diversions
- changes to drawings from stakeholder feedback and requirements from the pandemic for agile working has had implications for design costs
- the Disabled Residents Team were crucial in developing the design to deliver radically inclusive spaces
- a site incident involving collapsed steels has delayed the build schedule and caused costs (some, but not all, of which are potentially recoverable).

Rationale for further investment sought

26. This section of the report now summarises the specific investment required to conclude the programme, summarised in the table below.

Table 1. Summary of investment required

<p>Commercialise enterprise</p> <p>£ 3.0m</p>	<ul style="list-style-type: none"> • Design, material and fit out costs to establish: <ul style="list-style-type: none"> ○ Enhanced stage engineering and lighting for income generating events ○ Level 06 bar, restaurant and terrace fit out ready for commercial operator, including marquee to enable events all year round / weather resilience ○ modern and agile civic and commercial spaces, enabling: civic and town hall commercialisation; estate efficiencies; income generating civic spaces and functions e.g. weddings and events ○ Operational team to establish direct and indirect revenue generating activities: <ul style="list-style-type: none"> • Venue management team • Marketing costs • Events booking system
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<p>Environmental enhancements</p> <p>£ 1.5m</p>	<ul style="list-style-type: none"> • Smart technology to enable high energy performance and cutting-edge workforce and visitor experience, reducing running costs. Direct benefit to commercialisation streamlining bookings and visitor operations. Operationally, Smart also provides a single user interface for FM to run the various elements of the Building Management System • Public realm redesign to increase the amount of soft landscaping and biodiversity. Incorporation of hostile vehicle mitigation elements within a revised furniture design.
<p>Operationalisation of Town Hall and wider campus</p> <p>£ 5.9m</p>	<ul style="list-style-type: none"> • Establishment of a high performing facilities management function able to operate a more complex campus scheme and provide commercial tenants with first class experience, ensuring ongoing commercial income • Provision of additional furniture for civic, public, event and workspaces • Enhanced digital resilience • Provision of transparency of the democratic process (chamber windows) • Improved accessibility works throughout the Town Hall as recommended by Disabled Residents Team and accessibility consultants • Move costs enabling timely occupation of the new town hall and wider estate efficiencies
<p>Assuring the completion of a heritage build</p> <p>£ 10.2m</p>	<ul style="list-style-type: none"> • Enhanced design, monitoring, build and contract assurance costs driven by inclusivity, heritage status and delays, including: <ul style="list-style-type: none"> ○ Historic costs (early programme consultant appointments) ○ Site incident (staff costs, insurance and legal fees) ○ Increase in provisional sums (majority due to heritage, kitchens, gas suppression & joinery) ○ Proposed commercial settlement ○ Other works (lighting and ceiling costs necessary later due to complications with the ceiling uncovered through the build) ○ Other costs (delay notices due to factors like utility diversions outside the Council's control)
<p>Contingency</p> <p>£ 2.4m</p>	<ul style="list-style-type: none"> • To provide for the potential for further cost variations particularly around design changes and set up of the new Town Hall business operations.

Detailed analysis of investment items

Commercial enterprise

27. There are three businesses that are central to the strategy: venue and wedding hire, performing arts and catering and hospitality. Investment will:
- fit out the town hall to a high standard to enabling thriving new enterprises
 - ensure the Assembly Hall realises its potential to become a destination setting for larger wedding receptions, conferences, events and professional performances
 - a specification for the stage and lighting sufficient to ensure the optimal market offer
 - a sixth floor and terrace delivering a destination restaurant, bar and all-weather event space. Income will be maximised with the addition of a marquee guaranteeing year-round use.
28. Rather than these three new businesses operating in isolation to the wider scheme, Cabinet's investment will pay for the appointment of a Civic Campus Director who will lead the whole operational and management team to shape West King Street as an arts and culture destination, as well as ensuring the necessary revenue is generated. It is critical for the long-term success of all elements of the campus that the wider placemaking agenda is successful.
29. Investment will see a greater proportion of soft landscaping and improved alternatives in the new public realm in front of the Civic Campus, a more attractive proposal than the originally proposed bollard-style hostile vehicle mitigation solution. This means a more attractive area for visitors, improved space for arts, culture, and event offerings, supporting commercial enterprise.
30. Investment will enable modern, hybrid offices, thereby enabling the Town Hall's fourth floor to be released to let commercially. Post pandemic remote working requires more collaborative, and technology enabled spaces to continue lower staff to desk ratios and associated estate efficiencies effectively. Sites like 145 King Street can then be repurposed, reducing wider estate costs. New furniture will also address accessibility issues identified by the Disabled Residents Team. In summary, investment will provide upgraded furniture and furnishings across the public, civic and commercial zones where reuse of existing is no longer an option. Previous poor-quality furniture would limit the commercial value of spaces.

Environmental Enhancements

31. Investment will deliver a Smart town hall building reducing environmental impact, streamlining operational costs, commercialising and modernising workforce and civic spaces, as follows:
- improving operational, energy and environmental efficiencies from greater control and management, streamlining operations

- enabling delivery of the commercial strategy with increased revenue from room and event bookings
- delivering a sustainable reduction in carbon emissions with energy savings estimated between 10-20% across multiple utilities
- enhance well-being and productivity of staff and visitors and a more seamless in-building experience
- future proof the building systems and how they work together, through flexible and adaptable technology
- provide control, automation, analysis and reporting to shape more proactive building use and operations; and
- support and extend the ruthlessly inclusive approach across the Town Hall, ensuring accessibility for all through the digital apps and interfaces.

32. Smart technology is necessary to achieve net zero carbon by 2030. An uplift to the original budget for an upgraded design for the public realm is not just driven by a desire to improve the environmental credentials of the space in front of the Town Hall, but also by planning requirements that this area is befitting of a project of this stature. Funding is also sought to enhance the heating, ventilation, and air conditioning (HVAC) system to improve air quality and to help prevent the spread of infectious disease.

Operationalisation

33. Originally the furniture budget was limited to a small provisional sum for some joinery items assuming 100% re-use was expected. However, existing items did not meet accessibility and health and safety standards and additional furniture was required for public/ events / revenue generating areas. Structural changes were also required to improve public access to democracy (chamber windows) that weren't identified at programme conception.

34. Investment will create capacity within Facilities Management (FM) teams to deliver the move to the Civic Campus whilst maintaining BAU, but also the specialist skills to operationalise the technologically advanced building. Resources are required in advance of occupation to prepare a successful operational launched. A dedicated consultant will enable definition of the FM Target Operating Model and ensure resources are minimised into the future. Upfront investment in designing FM services should minimise the cost of delivery longer term. An effective FM service is also an imperative for a successful commercial campus.

35. The additional investment will also seek to futureproof the Town Hall's digital resilience to run the more complex IT/AV kit; to move the Council's main IT server from 145 King Street; to increase the number of automated doors throughout the Town Hall to ensure accessibility and enhance the employee and visitor experience.

Assuring the completion of heritage build

36. Market and project factors outside the Council's control have impacted on build costs as outlined in paragraphs 24 and 25 above. Combined, these factors have increased the capital investment required in the build.
37. These costs relate to the prolongation of the Council's project team, the existing employer's agent, cost consultant and technical advisor plus the existing client monitoring team (CMT), made up of the original architects, a mechanical, electrical & plumbing specialist, an IT/AV specialist and a site inspector, all of which will ensure that the works are constructed in line with the specification and contract and that all systems are commissioned and working prior to occupation. Recent events mean additional assurance services are required so both a fire and heritage consultant will be appointed.
38. Construction monitoring and assurance is now required for longer, is more important than ever, but adds costs to the programme. Investment will enable the Council to resource contractor and wider stakeholder negotiations following delays and complications. Remediation works in the Town Hall courtyard should be covered by insurance, subject to the standard deduction of the £150,000 policy excess, but costly work is required to explore the recovery of prolongation fees. In addition, once the revised construction period is agreed, there are likely to be addition costs in respect of insurance cover.

Options Analysis and Recommendation

39. A do-nothing option is not presented to Cabinet because it would mean:
- failing to deliver on the Council's commitment to rejuvenate West King Street
 - proceeding without a modern accommodation hub and relying on alternative interim, leased accommodation into the future.
40. The cost of doing nothing would far exceed the investment sought from Cabinet as a result.

Option 1. Complete at minimal cost

41. This option would meet the costs necessary to conclude the build only, forgoing the opportunity to achieve a commercial and environmentally high performing scheme.
42. Failure to establish a Smart building with high environmental credentials would increase running costs and mean failure to deliver against the manifesto commitment to realise an environmentally positive heritage building.
43. This option is inconsistent with the Council's vision to be commercial and enterprising whilst responding to the climate and ecological emergency. Into the longer term, failure to establish commercial enterprises from the town hall would

miss the benefits to both place and council budgets. Opportunity costs would exceed the investment sought from Cabinet into the longer term.

Option 2. Investment proposed

44. The reasons for the investment proposed are now summarised to conclude detailed analysis.

Reasons for decision

Recommendations 1,2 & 3.

45. The paper has demonstrated how enhanced investment will enable the scheme to meet or exceed all aspects of the founding business case: a rejuvenated campus, local economy and community; financial benefits; and environmental impact.

46. In summary, considering the Council's core vision values, additional investment is required to: **rise to the challenge of the climate and ecological emergency** by enhancing the Town Hall's energy performance and improving its surrounding gardens; be **ruthlessly financial efficient** by delivering an enhanced fit out that reduces longer term running costs and maximises the commercial potential of the venue; **take pride in H&F** by transforming King Street into a new civic and cultural destination; **do thing with residents, not to them** by creating a radically inclusive venue whilst fitting out the site for new ways of working, thereby releasing the workforce to work more closely with residents; to **create a compassionate Council** by concluding a scheme with genuinely affordable housing; to **build shared prosperity** by enhancing local economic performance from the regeneration of West King Street.

Recommendation 4. Contract for design and assurance services

47. The award of a contract is necessary to provide ongoing design assurance and to monitor compliance with the contracts Employers Requirements for the Town Hall. The estimated contract value of £860k is based on a number of working assumptions by officers and will be subject to negotiation. On this basis it is considered that the value could ultimately be lower than £860k.

48. No suitable Framework or Dynamic Purchasing System is available. Considering the nature of the works, a Competitive Procedure with Negotiation will be pursued which involves a two-stage competition inviting five competitors anticipated to be architect's firms, expected to take eight weeks. The tender will be evaluated applying 80% technical and 20% commercial considering the technical nature of the work.

49. The award of a contract is necessary to provide the ongoing design assurance and to monitor compliance with the contract's Employers Requirements for the Town Hall, likely to a firm of architects.

Recommendation 5. Award of contract for Information Technology and Audio-Visual design compliance and monitoring services

50. The award of contract to Entec Si is necessary to ensure that the Council has the optimal level of quality assurance and witnessing expertise in place to ensure delivery of the IT and AV design intent, which is seen to be critical for the Council to achieve its ambitions for hybrid working and for the refurbished Town Hall to be “breathtakingly ahead of its time”.
51. The use of framework for a value of £328,060 with a contract term of one year commencing from 1st February 2023 enables the council to compliantly secure this necessary service.

Recommendation 6. Increase of the long-term leasehold interest to the LLP

52. This final section of the paper is concerned solely with the context and reason for recommendation 6: that Cabinet approves the increase of the long-term leasehold interest to the LLP from a term of 255 years to a term of 999 years.
53. In December 2018 Cabinet approved the grant of leases for the residential units to the LLP for 255 years and the Conditional Agreement for Lease (CAL) was signed on that basis. On 1 December 2020, the Council granted leases of the new build commercial units for a term of 250 years from the date of completion to H&F Housing Developments Limited, the Council's nominee. The leases for the residential units have not yet been drawn down by the LLP.
54. In January 2021 the GLA wrote to its development partners expressing their expectation that shared ownership leases from the 2021 programme onwards should be for 999 years to ensure that shared ownership leaseholders are protected from unreasonable costly and burdensome leasehold extension processes (Appendix 2). The GLA have strongly encouraged other housing providers to adopt the same lease length for outright sales.
55. The Civic Campus shared ownership homes are being delivered by A2Dominion under the 2016-21 programme. Both A2Dominion and the Council appreciate the sentiment of the GLAs proposal and wish to extend both the shared ownership and outright sale the leases to 999 years as recommended to protect lease holder interests.
56. For consistency, it has been proposed that the Council could also extend the commercial leases. If it chooses to do so, leases will be surrendered, and new ones granted for a term of 999 years (less 3 days). Council appointed commercial property agent BNP Paribas have advised that, as at the date of the valuation, a change in the term of the leasehold interest from 250 to 999 years would not have had a material impact on the residual value reported, which was subsequently fixed within the Conditional Agreement for Lease between the Council and the LLP. There would, therefore, have been no additional monetary consideration for the Council in this respect.

57. The do-nothing option available to Cabinet is to retain the existing 255-year term, but this is not considered to be in the interests of leaseholder residents or reflective of the Council's commitment to residents, therefore.

58. The extension of the lease terms is not anticipated to have any additional taxation implications however the finance team will continue to monitor this with support from the Council's external taxation advisers. The tax implications of surrendering and regranting of commercial leases to the nominee with the extended term of 999 years will be reviewed if the Council chooses to extend these leases.

Recommendations 7 and 8: Variation of the CAL

59. The LLP requires the Council to grant to the LLP the leases of each block in advance of the date of practical completion of the town hall glass pod works in order to fulfil their obligations under the agreements for lease in respect of the affordable housing units.

60. The CAL already includes a provision allowing the LLP to drawdown the leases in advance of the date of practical completion of the glass pod works but it does not include any provisions dealing with how the consideration for the leases will be paid as the final construction costs will not be known as at the date of grant of the leases.

61. Should the final constructions costs be less than the acceptable land value, the LLP will need to make a balancing payment. The CAL needs to be varied to include suitable provisions to deal with the timing of that payment (if one is required) and to protect the Council against any risk of any such balancing payment not being made by the LLP.

62. In the event that there is a timing difference between the drawdown of leases and the receipt of consideration by the Council, the Council may be required to recognise a capital debtor which may, in turn, have a technical, temporary impact on the Council's Capital Finance Requirement (CFR). As such, it has been recommended to delegate to the Director of Finance authority to temporarily increase the Capital Finance Requirement (CFR), as necessary, pursuant to preparing the Council's accounts. Any increase, should it be deemed necessary, would be temporary, would unwind as and when consideration was received and would not impact on the Council's revenue position.

63. The tax implications of the granting the LLP leases in advance of the date of practical completion of the glass pod works are currently being reviewed by our external taxation advisers.

Risk Management Implications

64. Risks are periodically assessed and reviewed at Civic Campus Programme Board. Investment is necessary to assist in securing delivery of the Programme benefits through essential upgrades, additional staff capacity to enable

transformation programmes to progress at pace and undertake preparatory work required for the eventual re-occupation.

65. A number of risks are identified in the report which will need to be monitored and mitigated as appropriate:

- Failure to secure the requisite value of anticipated CIL receipts to fund the additional capital costs being requested in the report. As set out in the finance implications this strategy and funding mix will be kept under review and reported as part of future capital budget monitoring reports
- The further potential impact of inflationary pressures, project delays and ongoing detailed design work on the construction and fit out cost and ongoing running costs following project completion. A detailed technical and legal analysis has been undertaken regarding the granting of leases to the LLP in advance of practical completion of the glass pod works. This has identified a technical risk (paragraph 63) in the event that there is a timing difference between the drawdown of leases and the receipt of consideration by the Council. As a result, the Council may be required to recognise a capital debtor which may, in turn, have a technical, temporary impact on the Council's Capital Finance Requirement (CFR). This risk is being mitigated by seeking a delegation to the Director of Finance to temporarily increase the CFR if necessary. In addition, an external specialist has been engaged to assess the tax implications of granting the leases in this way. Officers will need to ensure that any advice provided is then followed in conducting the relevant transactions.

Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 20 January 2023.

ICT (required for any changes to IT systems)

66. The proposed implementation of ICT infrastructure will enable appropriate digital services to be established for all Civic Campus systems and will deliver a modern experience for visitors and the workforce.

Implications completed by: Ramanand Ladva, Digital Services Programme Manager, 20 January 2023.

Local Economy

67. By reimagining a new artistic, cultural, retail and recreational Civic Campus the local economy will be strengthened.

Implications completed by: Joanne Woodward, Director of Planning and Property,

Property

68. Cabinet's investment benefits the corporate estate by establishing the new Town Hall as a safe, modern, inclusive, high quality and high performing main

accommodation hub around which the wider estate will be reduced. Cabinet's investment will make possible the delivery of significant cost avoidance from the review and consolidation of the wider estate.

69. The scheme also delivers high quality commercial and affordable spaces into Council ownership creating a role for Council owned property to be let responsibly, rejuvenating West King Street and delivering social, cultural, financial/ commercial and economic benefit.

Implications completed by: Jonathan Skaife, Acting Head of Commercial Property, 20 January 2023.

Business intelligence

70. Investment in Smart technologies will create an opportunity for the Council for deep insights into property performance and workforce behaviour that will enable data and management information to drive effective financial, social and environmental decision making and therefore benefits. It will need to be determined at a later point how this is met from teams supporting the eventual operations of the new Civic Campus.

Implications completed by: Matthew Sales, AD Programmes and Assurance, 20 January 2023.

HR Implications

71. In May 2021 we outlined the Hello Hybrid Future plan to be delivered for everyone and all buildings. We focused on how we continue to transform our workforce at pace, making the most of new opportunities, benefits and efficiencies that presented themselves post pandemic.

72. New ways of working have created an opportunity to reduce the wider estate and Cabinet's investment enables consolidation to the Campus as we continue to progress our hybrid working model.

73. Over the last 6-9 months a series of prototypes have been in place and designed for the workforce to inform Town Hall needs and requirements - how we work as well as what workplace and technology requirements are needed.

74. Investment in crucial to evolve the new ways of working journey by:

- investing in the fit out and new technologies enhances productivity / employee satisfaction
- ensuring that we attract the best talent by strengthening our employee proposition
- facilitating a forward thinking, collaborative environment
- to be ruthlessly inclusive
- to enable a digital environment for staff, residents, and visitors.

75. The old Town Hall didn't support collaborative and hybrid working due to the design, layout and lack of hybrid technology. Investment is needed to ensure that the new town hall is a modern, agile, best in class office and accommodation hub for the workforce meeting all general needs accommodation.

76. This commercial offer from Civic Campus will enhance employee wellbeing, attract the best talent and provide an enhanced place with a key focus on arts and culture, as well as where the workforce and visitors can connect with the borough – the people and the place.

Implications completed by: Mary Lamont, Assistant Director, People & Talent, 20 January 2023.

Section 106 and Community Infrastructure Levy

77. Borough Strategic CIL is already earmarked to help fund the refurbishment of the Grade II Listed Town Hall and this report seeks to increase the commitment on the CIL. S106 affordable workspace contributions will also be used to provide workspace within the Civic Campus that supports and grows local start-ups, small businesses and enterprises that are essential to H&F's economy. Opportunities to invest further S106 contributions continue to be investigated where these align with the purposes for which funds have been secured and can help to deliver the wider social, economic, and environmental benefits sought through the Civic Campus project.

Implications completed by: Matt Paterson, Head of Spatial Planning, 20 January 2023.

Consultation

78. Consultation for the wider Civic Campus Programme has been extensive and outlined in previous reports.

List of Appendices:

Exempt Appendix 1: Legal note on the deed of variation of the Construction Contract dated 1st December 2020

Appendix 2: Mayor of London letter regarding lease lengths

Exempt Appendix 3: Legal note on variation to the Conditional Agreement for Lease (CAL)

Exempt Appendix 4: Note on the Accounting Treatment of proposed partial land transfer