



**Subject:** COUNCIL HOUSE COMPLEX WORKS – PHASE 3a  
**Report of:** CORPORATE DIRECTOR, ECONOMY  
**Relevant Cabinet Member:** Councillor Ian Ward, Leader of the Council  
**Relevant O &S Chair(s):** Councillor Tahir Ali – Economy and Skills Overview and Scrutiny Committee  
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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: <b>005395/2018</b>		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

## 1. Executive Summary

- 1.1 This report seeks to update Cabinet in relation to the proposed works to the Council House Complex (Council House and Extension) following conclusion of the Royal Institute of British Architects (RIBA) stage 3a of the design process. Whilst the proposed works were predominantly to modernise the mechanical and electrical infrastructure within the Council House complex the scheme also included significant alterations to the Birmingham Museum and Art Gallery (BMAG) to improve access and circulation within BMAG and introduce improved environmental controls within galleries. The expectation was improvements to the museum were to be funded from external sources, including a major Heritage Lottery Fund application.

- 1.2 Following the completion of an options appraisal (attached as Appendix 1) this report now proposes a way forward. The completion of RIBA stage 3a provides the potential for a natural cut-off point ahead of the further development of drawings etc. to enable the submission of planning and listed building consents.
- 1.3 In light of the Council's current financial position and in the absence of any identified external funding at this stage of the project it is now considered prudent to suspend the further development of the scheme and adopt a "do minimum /holding" position in relation to the proposed major works as recommended in Option1b of section 4.2 of this report.
- 1.4 It should be noted that the adoption of this recommendation does mean that regular testing of installations will need to continue to ensure systems are operating in a safe manner. In addition it cannot be guaranteed that during the period of delaying the works that the closure of parts of the building or large scale remedial works will not be required.
- 1.5 The delay of the works will however, enable Birmingham Museum's Trust (BMT) further time to seek additional grant funding from external sources and fundraising opportunities for the works which they have identified as being required to BMAG and the proposed new Collections and Cultural Centre.

## **2. Recommendations**

- 2.1 Notes the contents of the report and progress made to date by the design team.
- 2.2 Approves the proposal (Option 1b in Section 4.2 of this report) to defer further works to the Council House complex and agree the allocation of revenue funding (circa £2m) up to 2022 to enable the Council House complex to be kept operational.
- 2.3 Authorises the Assistant Director of Property (Interim) to progress the decant of City Council staff from the Margaret Street offices.
- 2.4 Declares the property (indicatively identified edged in black on the attached plan as Appendix 2, subject to minor variations) surplus to Council requirements and approve its proposed disposal by means of a long lease.
- 2.5 Notes that in accordance with existing surplus property procedures no internal re-use of the property has been identified.
- 2.6. Delegates approval of final sale terms for the property to the Assistant Director of Property (Interim) jointly with the Corporate Director Economy and Leader of the Council.
- 2.7. Authorises the City Solicitor to negotiate, execute and complete all necessary legal documents to give effect to the above recommendations.

### **3. Background**

- 3.1 The initial report to Cabinet (October 2016) allocated £0.500m capital funding to develop the proposals for the replacement of the mechanical and electrical infrastructure and in March 2017, Cabinet allocated a further £0.500m revenue to the Place Directorate to assist in the development of a scheme for improvements to Birmingham Museums and Art Gallery. At this stage it was agreed that the two projects would be developed jointly as a single scheme under the same Governance arrangement. A further £0.500m capital was allocated to the project by Cabinet in December 2017 to enable the scheme to progress to RIBA Stage 3a – detailed Business Case ahead of the submission of planning and listed building consents.
- 3.2 The requirement to undertake works to the Council House complex was initially driven by the poor state of the electrical installation and the findings of independent consultant reports undertaken in 2010 and 2014. In 2016, in accordance with legislative requirements, the 5 yearly Electricity at Work Act testing was undertaken and the outcome of this test concluded that the electrical installations were in an unsatisfactory condition and recommended replacement in the near future with a more frequent testing regime in the interim if replacement works for any reason were not undertaken. As a result of the test in 2016 a number of remedial works were required to isolate existing cabling and replace with temporary supplies etc. (cost of c£0.052m) which was funded from the Central Administrative Buildings (CAB) revenue budget.
- 3.3 The proposed works to BMAG included major material alterations to the main visitor entrance (off Chamberlain Square), adaptation of the vehicular entrance into the Council House courtyard for deliveries, alterations to improve vertical circulation and flow through the Museum; re-purposing of the Waterhall to serve as the main restaurant, conversion of the Edwardian Tea Rooms to gallery space and construction of a new build circulation core within the Council House courtyard.
- 3.4 The core design team appointed by the Council for the Council House complex works, led by Bouygues UK, has progressed designs to incorporate changes to BMAG's footprint in line with the wider project and developed the scheme for the works to the Council House complex up to Royal Institute of British Architects (RIBA) Stage 3a. This means that the scheme is developed to a point where the detail of the scheme requires finalisation of the drawings etc. to enable the submission of planning and listed building consents (which has been termed Stage 3b).
- 3.5 The current estimated cost of the works described above is £81.4m capital and £6m revenue as summarised below. The full breakdown of costs is set out in Appendix 1 (Options Appraisal).

## Council House

Element of Works	BCC	BMT	Total
<b>Capital</b>	£	£	£
Landlord's services infrastructure works (re-wire)	33,500,000	0	33,500,000
Museum alterations/enhancements to BMAG	0	11,800,000	11,800,000
<b>Total Capital £</b>	<b>33,500,000</b>	<b>11,800,000</b>	<b>45,300,000</b>
<b>Revenue</b>	£	£	£
Decant and storage costs	1,000,000	0	1,000,000
<b>Total Revenue £</b>	<b>1,000,000</b>	<b>0</b>	<b>1,000,000</b>

## Council House Extension

Element of Works	BCC	BMT	Total
<b>Capital</b>	£	£	£
Landlord's services infrastructure works (re-wire)	27,800,000		27,800,000
Museum alterations/enhancements to BMAG		8,300,000	8,300,000
<b>Total Capital</b>	<b>27,800,000</b>	<b>8,300,000</b>	<b>36,100,000</b>
<b>Revenue</b>	£	£	£
Decant and storage costs	5,000,000	0	5,000,000
<b>Total Revenue</b>	<b>5,000,000</b>	<b>0</b>	<b>5,000,000</b>
<b>Notes</b>			
1. Excludes VAT			
2. Assumes no new store			
3. Excludes sunk costs to date			
4. Revenue costs exclude cost of prudential borrowing			
5. Excludes contingency over and above Constructing West Midlands tier 1 and 2 risk allowances (7.5%)			
6. Excludes Birmingham Museum Trust (BMT) final fit out and staff costs – verbally advised by BMT at £18m per phase (£36m in total)			

- 3.6 It should be noted that since the original report to Cabinet in October 2016 the scope of the project has changed significantly. Whereas the original proposals were to replace the failing mechanical and electrical infrastructure the scheme now included a major new build addition (circulation core in the Council House

courtyard) together with major structural interventions and adaptations to the museum, including improved environmental controls to the gallery spaces.

- 3.7 The new build, alteration works and parts of the proposals for the services infrastructure will require Listed Building consent and the design team have worked with both the Council's Conservation team and Historic England and have taken their design advice to help reduce the impact of the works on the complex, particularly the historic architectural features.
- 3.8 Due to the intrusive nature of the works at the Council House complex, a full decant of both buildings would be required. To address this issue BMT have proposed a first phase new build Collection and Cultural Centre, at a site on the east side of the city, Poolway, East Meadway. This building will form part of the decant strategy for the Museum and provide a longer term storage, conservation and office solution. It will also enable BMAG to vacate the two lower floors of the Council House Extension on a permanent basis creating a disposal/revenue generating opportunity for the City Council.
- 3.9 On 31<sup>st</sup> July 2018 Cabinet approved the development of a Final Business Case (FBC) for the preferred option to build a new Collection and Cultural Centre: this included the allocation of £70,000 (from the previously identified budget allocation) to develop funding bids. BMT have submitted funding bids to the Heritage Lottery Fund (£4.5m) and the Greater Birmingham and Solihull Local Enterprise Partnership (£4m) for the funding of the Phase 1 Collection and Cultural Centre building. The total cost of phase 1 is estimated by BMT to be £16.3m. Additionally, subject to completion of the FBC, Cabinet allocated the site at the Poolway, East Meadway (with a value of £3.08m) to enable the construction of phase 1 of the Collection and Cultural Centre and a potential future phase to replace the Museum Collections Centre at Dollman Street.
- 3.10 On the basis that the decision is taken to defer the proposed major work to the Council House complex the provision of the new off-site solution becomes less pressing and the proposed delay in progressing the works will assist BMT with their fundraising proposals, both for this scheme and their proposals for works to BMAG.
- 3.11 The original Cabinet approval (October 2016) was based upon an estimated overall cost for the infrastructure works (mechanical and electrical and other required works) of £21-24m depending upon phasing and excluding decant costs. This proposed the renewal of the time expired infrastructure across both the Council House and the Extension assuming that layouts and occupancies would remain broadly as they were at that time. The report to Cabinet in December 2017 advised that the current emerging estimates, as part of the feasibility design, indicated that the cost of replacing the services across the Council House complex (including making good finishes etc.) was likely to be in the region of £37m.
- 3.12 The Stage 3a costs for these works is now estimated to be £61.3m. Whilst this is significantly higher than the original estimates that formed the basis of the original Cabinet report, it should be noted that the original estimates were based upon the application of square metre costs without the benefit of site surveys or a proposed detailed design solution. Risk assessments have now been made for asbestos and the logistical challenges of carrying out this major scheme are better understood. Inflation has now been factored in based on the assumed programme for delivery.
- 3.13 As indicated earlier in the report, the revised Council House layouts include the proposal for a new accessible entrance to BMAG from Chamberlain Square with a

new build circulation core constructed within the Council House courtyard. This requires other physical alterations to the existing building fabric and services that would not be required if the proposal was simply to renew the services infrastructure together with making good finishes as contemplated within the 2016 Cabinet report. The costs for these enhancements to BMAG are £11.8m in the Council House and £8.3m in the Extension as per the table above, totalling £20.1 million.

- 3.14 In addition to the £20.1m cost factored in for enhancements associated with BMAG there will be additional costs for final museum fitting out and staffing costs to be externally funded by BMT.
- 3.15 As agreed previously by Cabinet the project team have been reviewing opportunities to “dispose” of, by way of a long lease, areas of the Council House Extension. In order to progress this work, Savills UK plc were appointed to provide commercial advice on the areas proposed to be released (which comprised most of the ground and first floors of the Extension and the whole of the Margaret Street offices).
- 3.16 The reduced space for BMAG is predicated on the basis that certain of their functions (mainly conservation and storage but also HQ/administrative and education functions) will be accommodated off site in the proposed new Collections and Cultural Centre. BMT will potentially vacate 5,760 m<sup>2</sup> in the Extension partially offset by gaining space currently occupied by the Council in the Council House. There will be a net loss of space of circa 4,000 m<sup>2</sup> for BMT across the Council House complex as a result of the proposed new layouts. While leased temporary off site accommodation might provide an interim solution the costs of this option may be excessive and a long term solution would need to be found in relation to the shortfall in accommodation if space were to be vacated in the Extension.
- 3.17 Savills UK plc have indicated that the proposed disposal of the Council’s offices on Margaret Street could be progressed in isolation without detriment to the wider disposal opportunities in the Council House Extension. Although if this option is adopted it would create issues in relation to temporary decant space for the functions based in the Council House to facilitate the phase 1 works to the Council House.

#### **4. Options considered and Recommended Proposal**

- 4.1 The following options and sub-options have been considered:

**Option 1a** – Do Nothing; defer major works to Council House complex for say 5 years and do not maintain mechanical and electrical installations in an operable and safe condition – Total Cost nil. Both options 1a and 1b have risks as set out in section 4.2 below.

**Option 1b** – Do Minimum; to defer further works to the Council House complex and agree the allocation of revenue funding (circa £2m) up to 2022 to enable the Council House complex to be kept operational. Recommended option - see section 4.2 below.

**Option 2a** – Replacement of Mechanical & Electrical installations and making good works to Council House (Phase 1) only – Total Capital Cost £33.5m – Revenue Cost £1.0m to decant exhibits to Council House Extension.

**Option 2b** – Replacement of Mechanical & Electrical installations, reconfiguration of Council House (Phase 1 only) to accommodate BMT proposals, including new circulation core, forming of new accessible entrance off Chamberlain Square and builders works to provide new restaurant facility in the Water Hall etc. – Total Capital Cost £45.3m - Revenue Cost £1.0m to decant exhibits to Council House Extension.

**Option 3** – Replacement of Mechanical & Electrical installations and making good to whole Council House complex (phase 1 – Council House, Phase 2 – Council House Extension) – Total Capital Cost £61.3m – Revenue Cost £6.0m to decant all exhibits to temporary store.

**Option 4** - Replacement of Mechanical & Electrical installations, reconfiguration of Council House complex (Phase 1 – Council House, Phase 2 – Council House Extension) to accommodate BMT proposals, including new circulation core, forming of new accessible entrance off Chamberlain Square and builders works to provide new restaurant facility in the Water Hall, structural adaptations to galleries etc. – Total Capital Cost £81.4m – Revenue Cost £6.0m to decant all exhibits to temporary store.

- 4.2 Taking account of the City Council's current financial position and the situation with external funding the recommended proposal is Option 1b (Do Minimum; to defer further works to the Council House complex and agree the allocation of revenue funding (circa £2m) up to 2022 to enable the Council House complex to be kept operational). It must be recognised that the adoption of this option will require the ongoing testing of the electrical installation and any remedial repairs required to keep the building complex operational. Additionally, it should be noted that there are no guarantees that all parts of the complex can remain operational during this period without major interventions if critical failures arise to the mechanical and electrical infrastructure.

## **5. Consultation**

- 5.1 The Cross Party Working Group of Members (chaired by the Leader of the Council), Project Board and officers from Property Services, Finance, Procurement, Place Directorate and Legal Services have been involved in the preparation of this report. The Council House Building Management Team and the Conservation Officer have also been engaged.
- 5.2 The outcome of the Ward Councillors consultation is attached as Appendix 3.
- 5.3 Birmingham Museums Trust (BMT) have been engaged in the proposals to refurbish the Council House complex and further subsequent discussions re the proposal to defer the works; Capita ICTDS have also been engaged in relation to the works required to the ICT Infrastructure within the complex. Historic England have been consulted in relation to the proposed works together with others i.e. Engie, Paradise Circus development team etc.

## **6. Risk Management**

- 6.1 Refer to Appendix 1 – Options Appraisal

## **7. Compliance Issues:**

### **7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

7.1.1 The proposals in this report contribute to the City Council Plan 2018-2022 specifically supporting the 5 strategic outcomes of:

1. Birmingham is an entrepreneurial city to learn, work and invest in
2. Birmingham is an aspirational city to grow up in
3. Birmingham is a fulfilling city to age well in
4. Birmingham is a great city to live in
5. Birmingham residents gain the maximum benefit from hosting the Commonwealth Games

### **7.2 Legal Implications**

7.2.1 The primary functions of the City Council are contained in various statutes and Local Government Act 1972. The appropriate powers relevant in this matter are:-

- Section 132 of the Local Government Act 1972 which gives power to the Council to acquire or provide and furnish halls, offices and other buildings, whether within or without the area of the authority, for use for public meetings and assemblies;
- The power to manage, acquire and dispose of assets in land and property is contained in Sections 120 and 123 of the Local Government Act 1972; and
- Section 1 of the Localism Act 2011 which gives a Local Authority a general power to do anything that individuals generally may do.
- The ongoing discussions with BMT in relation to the lease terms for BMAG and the other historic buildings/sites will need to include clauses to enable the City Council to progress the major works proposals at a, yet to be agreed, date in the future.

### **7.3 Financial Implications**

7.3.1 On the basis that the recommendation to proceed with option 1b is agreed, it is proposed that the scheme be deferred and the contractor and design team are stood down. The project documents should, however, be in a position whereby the scheme can be resurrected should funding become available in the future. The contractor has been operating under a pre-construction services agreement with each RIBA design stage instructed sequentially subject to funding. There are not expected to be any financial consequences to the Council arising from standing down the contractor and design team.

7.3.2 The works required to keep the Council House complex operational is estimated to be circa £2m. The anticipated works include further testing of the electrical installation and remedial repairs as required, repairs to the mechanical installation and other works which will be of a repairing (and therefore revenue) nature and will not contribute to a future scheme of works or increase the value of the asset. Financial provision for these costs



is being accommodated within the City Council's 2019/20 Budget and Long Term Financial Plan.

#### **7.4 Procurement Implications (if required)**

7.4.1 In accordance with the proposed recommendation there are no procurement issues identified at this time as all remedial works etc will be undertaken utilising existing framework contracts ( Construction West Midlands Framework)

7.4.2 Any proposed refurbishment proposals including decorative work ahead of the Commonwealth Games will be brought forward as a further Full Business Case in due course.

#### **7.5 Human Resources Implications (if required)**

7.5.1 No implications have been identified.

#### **7.6 Public Sector Equality Duty**

7.6.1 An initial Equalities Assessment (EA) has been carried out and concluded there is no adverse impact on the wider community and the protected characteristics and groups under the Equality Act 2010 therefore a full EA is not currently required. A Public Sector Duty Statement and a Stage 1 Equality assessment is not required at this stage. The Equalities Assessment, number EQUA149, is annexed as Appendix 4.

### **8. Background Documents**

#### **8.1 Report to Cabinet, dated 18th October 2016 – Council House Complex – Options Appraisal**

Cabinet authorisation, 21st March 2017 allocating £500,000 to Place Directorate to progress Stage 1 HLF bid.

Report to Cabinet dated 12th December 2017 – Council House Complex Works – Phase2

Report to Cabinet dated 31<sup>st</sup> July 2018 – Birmingham Museum and Art Gallery, The New Museums and Collection Centre, Options Appraisal

#### **8.2 List of Appendices accompanying this Report:**

Appendix 1- Options Appraisal

Appendix 2 – Site Plan of Margaret Street block

Appendix 3- Ward Councillor Consultation

Appendix 4 -Equalities Assessment (number EQUA149)