

Manchester City Council Report for Information

Report to: Resources and Governance Scrutiny Committee – 19 July 2022

Subject: Call in of decision: Capital expenditure of £1,170,000 to fit out levels 5 and 6 of Manchester Town Hall.

Report of: Deputy Chief Executive and City Treasurer

Summary

This report concerns the Call In of the following decision: Capital expenditure of £1,170,000 to fit out levels 5 and 6 of Manchester Town Hall. In recommending the decision, officers have considered the alternative future use of Levels 5 and 6 of the refurbished Town Hall. Options included letting the space on a commercial basis; using the space to accommodate council staff; using the space to accommodate partners and; deferring the fit out of the space to a later date.

The recommended approach is to fit out the office space as part of the Our Town Hall Programme; relocate Legal Services into the Town Hall when the project is complete, which in turn will release space in the Town Hall Extension; work with health partners to move into the Town Hall Extension – this will provide a revenue stream and support the collocation and collaboration of health and care staff supporting the delivery of integrated health and care in the city.

Recommendations

The Committee is recommended to consider and comment on the information in the report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

The matters addressed in this report involve the allocation of office space and are anticipated to have a neutral impact on carbon emissions.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
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The matters addressed in this report involve the allocation of office space. Once proposals are more developed, an Equality Impact Assessment will be carried out.
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Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	None
A highly skilled city: world class and home grown talent sustaining the city's economic success	None
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The collocation of health and care staff will support the provision of high quality health and care services across the city.
A liveable and low carbon city: a destination of choice to live, visit, work	None
A connected city: world class infrastructure and connectivity to drive growth	None

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The report involves a decision to accommodate health and care staff in the Town Hall Extension. Whilst proposals are still being developed, this will be on the basis of creating a revenue income (subject to commercial negotiation).

Financial Consequences – Capital

The report involves a decision to commit Capital expenditure of £1,170,000, funded from Capital Receipts.

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Background documents (available for public inspection):

None

1.0 Introduction

- 1.1 This report concerns the Call In of the following decision: Capital expenditure of £1,170,000 to fit out levels 5 and 6 of Manchester Town Hall. Members have requested more detail on the background of this decision through the Scrutiny Call In process.

2.0 Background to the Decision

- 2.1 In the original proposals for the refurbished Town Hall, it was intended that the fit out of levels 5 and 6 would be undertaken by a commercial tenant and the project cost plan would only fund a fit out to a 'Shell and Core Plus' level, rather than a full fit out of the office space. This was in expectation that the commercial tenant would then fund the remaining works as part of a rental business case.
- 2.2 In 2019, Officers tested the market with local property agents to determine the extent to which space on Level 5 and 6 in the Town Hall would be commercially viable as office space. Feedback was that the space would not be attractive to corporate businesses.
- 2.3 The core reasons for this were a lack of a dedicated 'commercial' entrance, visible external presence for brand promotion; clashes with the mix of civic and event uses; the lack of climate control systems; and the scale, configuration and utilisation of the spaces which did not compare favourably to the large open plan suites forming most commercial requirements.
- 2.4 A recommended alternative use of the space was for the public sector, either by MCC directly or other public partners. The Town Hall Strategic Board, chaired by the Leader of the Council and including the Deputy Leader and Executive Member for Finance, asked that these alternative uses be considered in more detail. This was to include the principle of creating space in the Town Hall Extension, by moving people into the Town Hall in 2024. Space in the Extension was deemed as more attractive for potential commercial use as well as suitable space for public sector partners.
- 2.5 Officers followed up this direction with further market research. The new capacity created on levels 5 and 6 of the Town Hall will be in the region of 220 workstations. With internal relocations within the Town Hall Complex, this capacity could be made available in either the Town Hall or Town Hall Extension. Officers considered how the total capacity could be utilised, either to accommodate MCC teams directly; offered to partner organisations; or offered on the commercial office market.
- 2.6 Officers reviewed with local agents the potential to let commercial office space in the Town Hall Extension. Whilst the open plan office floor plates in the Town Hall Extension were considered likely to be more attractive to corporate occupiers, there were a number of challenges that the agents identified, including:

- Branding and secure access is important and both could be difficult to achieve in the Extension due to the multiple entrances and cores, and the spread of shared facilities like meeting rooms;
- As with the Town Hall, identity is important - it could be a challenge for commercial tenants to stand out from the Council as the main occupier;
- The lack of a designated 'commercial' entrance would cause issues for commercial tenants, whilst introducing a 'commercial' entrance could create operational issues for the Council (although more achievable in some parts of the Extension with some remodelling than in the Town Hall itself – for example, the Post Office has previously occupied a small ground floor space).
- Whilst the different cores provide opportunities for small lettings, it is unlikely that a large organisation would see the benefit of a letting of a whole floor. Single lettings have limitations too due to the use of entrances - occupiers would have exclusive possession so it would not be possible for visitors to walk through offices as they do now to access shared facilities.
- The lack of air conditioning was a limiting factor in the market at the time.

- 2.7 The agents concluded that the Town Hall Extension would more likely appeal to public sector partners rather than commercial tenants.
- 2.8 Officers considered the feasibility of relocating a group of MCC staff from elsewhere, ideally from leased accommodation. No immediate opportunities to release freehold properties were identified. The corporate estate rationalisation programme has been successful in considerably reducing the use of leased accommodation. By 2024 the only leased office property in the operational estate is anticipated to be Etrop Court in Wythenshawe district centre (leased until 2032). There are c100-150 staff from 'city-wide' services based there, who could potentially move to the city centre at an appropriate point, but given the long lead time, and that this would only release a partial floor in a leased building, this is not a practical option for 2024.
- 2.9 Officers considered use of this capacity by partners. With the ongoing integration of health and social care, estate planning between the health family and local authority is becoming increasingly joined up. It was identified that the capacity in the Town Hall Complex could provide suitable accommodation for health colleagues. This would provide not only the opportunity to redirect rental payments back into the public sector, but also provided an unparalleled opportunity to co-locate health and care staff in a single building, driving collaboration, new ways of working and enhancing the delivery of health and care services.
- 2.10 Consultation across health partners and MCC services concluded that, should this option be selected, the optimum solution would be to accommodate health partners in the Town Hall Extension, creating space by relocating Legal and Democratic services into the Town Hall. This was because:

- It would bring all the services under the City Solicitor together in the Town Hall (as the Coroners and Registrars Service, and the Civic and Ceremonial Office were already selected to be based in the Town Hall)
 - Legal Services had already occupied the Town Hall prior to refurbishment, and the nature of the accommodation in the Town Hall suited the legal teams ways of working.
 - The amount of accommodation in the Town Hall was the right size for Legal services.
 - There were already health and care staff based in the Town Hall Extension, and it made sense to co-locate all health and care staff together.
- 2.11 Whilst this option would necessitate the fit out of Level 5 and 6 for Legal Services, a revenue stream would be created by leasing space in the Town Hall Extension (subject to commercial negotiation) which will support the Councils revenue budget position.
- 2.12 Officers also considered leaving level 5 and 6 of the Town Hall fallow, and only committing to fitting out the accommodation once a potential tenant had been confirmed. However, it was noted that deferring fit out was likely to be less efficient than completing the fit out under the scope of the Our Town Hall Project, and that fit-out works would likely have a detrimental impact on Albert Square and the operational Town Hall if they were deferred until after 2024.
- 2.13 Considering all these factors, Officers concluded that the most beneficial option was to seek to bring health and care staff into the Town Hall Extension. This in turn required the fit out of Levels 5 and 6 in the Town Hall, to accommodate Legal Services.
- 2.14 The budget increase of £1.17m was approved at Executive in March 2022 as follows “Our Town Hall Level 5 and 6 Fit Out. Additional funding is required for the fit out of levels five and six for the Our Town Hall Project. The original proposal was for a commercial tenant to fund the works but following market advice that the accommodation is more suitable for the public sector, the accommodation has now been incorporated into the Council’s wider estates strategy. A capital budget increase of £0.573m in 2022/23 and £0.597m in 2023/24 is requested, funded by Capital Receipts”. This key decision is for the approval to spend.
- 2.15 Following the changes across the health system in Manchester, most recently the formal creation of the ICS in June 2022, Officers are now working to finalise arrangements with health partners for accommodation in the Town Hall Complex.

3.0 Recommendations

- 3.1 Officers have considered the future use of Levels 5 and 6 of the refurbished Town Hall and considered a number of options as set out in this report. The recommended approach is to fit out the office space as part of the Our Town Hall Programme; relocate Legal Services into the Town Hall when the project

is complete, which in turn will release space in the Town Hall Extension; work with health partners to move into the Town Hall Extension. This will provide a revenue stream and support the collocation and collaboration of health and care staff, supporting the delivery of integrated health and care in the city.

- 3.2 The Committee is recommended to consider and comment on the information in the report.