

APPENDIX A

CARDIFF COUNCIL CYNGOR CAERDYDD

CABINET MEETING:

June 2023

Core Office Strategy

INVESTMENT & DEVELOPMENT (CLLR RUSSELL GOODWAY)

AGENDA ITEM:

PORTFOLIO: INVESTMENT & DEVELOPMENT

Appendix 1 of this report is not for publication as it contains exempt information of the description contained in paragraphs 14, 16 and 21 of Schedule 12A of the Local Government Act 1972.

Reason for this Report

1. To present the Core Office Strategy Outline Business Case and to seek authority to progress to a Full Business Case on the preferred option.

Background

2. The pandemic has changed the way the Council operates as well as the expectations of service users and employees. The adoption of digital technologies has enabled the introduction of more flexible ways of working and service delivery. Through the pandemic the Council adopted a Hybrid Working Model which provides a framework for flexible office use. The primary implication for the Council is that far less office space will be required by the organisation in the future.
3. The Council's property estate represents the second largest call on the Council's revenue budget at around £38m per annum. This includes the cost of managing and maintaining property, National Non-Domestic Rates (NNDR), rents and other property related costs such as insurances etc. Since 2015, the Council has worked to reduce the size of its estate to manage the rise in operational costs and to mitigate the growing maintenance backlog. To that end the Council's core office estate will shortly consist of only City Hall and County Hall with both Global Link and the Friary Centre already relinquished and Willcox House scheduled to be released in March 2024.

4. Detailed condition surveys for both City Hall and County Hall were presented to Cabinet in December 2021. Authority was granted to commence work on developing a long-term Core Office Strategy in line with future requirements and current allocated budgets. At the time of the report in 2021 the projected cost to remain in City Hall and County Hall in their current format, given the age of the buildings and their associated maintenance requirements and the improvements required for decarbonization, was circa £140m. Since then, there has been significant cost price inflation in the construction sector as well as further cost pressures resulting from not having undertaken certain priority works and the cost could now be as much as £180m. The requirement for this level of investment means that the Council would not be able to remain in the two existing buildings over the long term without a substantial increase in allocated budgets.
5. In December 2021, the Council adopted a new Property Strategy 2021-26 which set out the requirement to review the core office estate. The Council's Corporate Plan 2023-26 commits to a '*critical review of the core office estate*' to deliver leaner and greener Council buildings, and to protect the Council's historic buildings. The Corporate Plan also commits to reducing the carbon footprint in the built environment by 30% by 2025/26 and to implementing the Hybrid Working Model to reduce revenue costs. The One Planet Cardiff Strategy (OPC) published in 2021 sets out the Council's objective to achieve a net carbon zero estate by 2030.
6. The Council has appointed independent advisors to assist with the preparation of an Outline Business Case to consider options for the Council's core office requirements.

The Current Core Office Estate

County Hall

7. County Hall was opened in 1988 and serves as the main Council office building providing circa 277,000 sq ft of office accommodation. The building consists of 4 wings and a courtyard building as illustrated by the plan attached at **Appendix 2**. County Hall accommodates important 24/7 operational services such as the Urban Traffic Control Centre (UTC) and the Council's IT servers and disaster recovery. Following the pandemic and the switch to hybrid working, the building is now significantly bigger than the Council currently uses or is anticipated to use in the future. The current utilisation of County Hall is set out at **Confidential Appendix 1 (Chapter 2)**.
8. The building condition report presented to Cabinet in December 2021 outlined a significant maintenance backlog, with priority items estimated to be in the region of £27m and the total required for a full refurbishment including meeting the Council's carbon reduction targets at circa £100m. Since the condition survey was undertaken, the UK has seen substantial cost price inflation in the construction sector. The projected revised cost of full refurbishment has therefore increased as set out at **Confidential Appendix 1 (Chapter 3, Appendix 10)**.

9. Further to the above, the cost of operation of County Hall is also significantly higher than a modern equivalent. County Hall was designed to meet good practices in the 1980s, however, many of its operational systems are now out of date or at end of life, which costs more to run. This issue is compounded by the fact that the building is also significantly bigger than the Council requires and therefore the Council is paying more for utilities and other costs than it would otherwise have to do.

City Hall

10. City Hall is a Grade I listed building constructed in 1908 as part of the Cathays Park Civic Centre development. City Hall has served as an office and events space for over 100 years and is home to the Council's main debating chamber.
11. Whilst City Hall provides accommodation of 156,000 sq ft, the nature of the building reflects the design of the era with large corridors, stair wells and public/event space, and as a result the office space is limited to circa 40,000 sq ft. This reduces to circa 35,000 sq ft when circulation space is considered. The Council's ability to alter the internal configuration is limited due to the heritage nature of the building.
12. The building condition report presented to Cabinet in December 2021 outlined an essential works programme of c£14m-£16m primarily relating to the Mechanical & Electrical systems and associated works. The antiquated heating system and structural issues present significant challenges to ensure they meet current and future standards.
13. The Council also needs to maintain and enhance the fabric of the building in line with the heritage and listed status of the building. To achieve this, the Council is required to engage with CADW to determine the extent to which any proposed works will be permissible. In addition, there is a covenant conveyed when the building transferred to the Council which restricts its use.
14. Like County Hall, the inefficient heating system and the structure/fabric of the building significantly adds to the operational cost of running the building. The heating system is at end of life and requires immediate action to avoid unplanned closure of the building. It uses an historic steam boiler powered by gas which circulates warm air through ducts around the building. The system cannot be isolated to heat only the required areas of the building, which means at weekends when the building is only open for events, the Council incurs the cost of heating the whole building. The system has also failed sporadically over recent years. The age of the system means repair cannot be assured moving forward and therefore the building is at risk of sudden closure without notice. In March 2023, a budget was allocated in the capital programme to mitigate the risk of unplanned Mechanical & Electrical failure.
15. Overall, City Hall is inefficient compared to modern standards and is therefore comparatively expensive to run. It is also costly in terms of the Council's One Planet Cardiff commitments and will require significant works to meet the carbon reduction objectives by 2030.

16. At present the building provides a wedding venue/conference center at the front of the building and offices to the rear. Since Covid-19 the building has become under-utilised as an office space and will require investment to make it useable for hybrid working even as a short-term measure. Any long-term plans to increase the capacity of office accommodation will need to consider implications on the event venue and the associated impacts on income.

Willcox House

17. Willcox House is a circa 60,000sqft office building near Ferry Rd, Grangetown. Originally leased in 2004, the building was used as an office building primarily for the Housing and Communities Service Area. In 2015 the Council's Alarm Resource Centre (ARC) was accommodated in the building. Willcox House has a high running cost, primarily due to the rent payable under the lease. In March 2021, Cabinet approved the relinquishment of the lease requiring the relocation of existing services including the Alarm Receiving Centre (ARC) to alternative Council accommodation. Willcox House has now been fully vacated of all office staff and the Council is in the process of relocating the ARC to the North Wing in County Hall. Willcox House should be fully vacated and released by autumn 2023. In 2019/20 the cost of running Willcox House was circa £1.50m. This budget is due to be released in financial year 2023/24 upon relocation of the ARC to County Hall.

Urban Traffic Control Centre (UTCC)

18. The Urban Traffic Control Centre is located in the North wing of County Hall on levels 1 & 2. The Operational Camera Control Centre is located on Level 1 and is co-located with South Wales Police. The Centre is core to the management of the city's transport network and uses multiple systems to interrogate information gathered on the network in real-time to optimise movement of traffic around the city. The plan at **Appendix 3** illustrates the location of the UTCC and associated services and data infrastructure.
19. Most of the systems and connectivity currently used to operate the UTCC have been in place since the opening of County Hall. There are elements of the existing UTCC that are now in urgent need of replacement to maintain operations. Key issues that need to be considered concerning the costs associated with the maintenance and relocation of the UTCC are set out at **Confidential Appendix 1 (Chapter 2, Appendix 6)**.
20. Securing the best long-term location for the UTCC forms a key part of the Outline Business Case for investment in the Council's core office accommodation. To inform the process the Council appointed advisors to consider the following:
 - Mitigating the risk of failure - what can the Council do to mitigate the risk of failure until a long-term solution is determined for the UTCC.
 - Affordability - what is the minimum cost to the Council to replace the UTCC and the optimum property solution.

- Property consideration - what are the key requirements in determining a property solution for the UTCC taking account of improvements to avoid double-handling and service continuity.

Core Office Budgetary Consideration

21. The current Core Office budget for City Hall, County Hall and Willcox House is circa £5.1m per annum. This includes circa £0.8m of income associated with the operation of the conference and wedding venue at City Hall. The Council is taking steps to reduce these costs through the release of Willcox House, however, the current budget does not include the anticipated increase in energy cost due in 2023/2024 which could be as much as a further £1m - £1.2m per annum.
22. Given all the above, this Outline Business Case does not include an option to retain both buildings in their current form as the advice received suggests the cost of investing in the buildings to enable them to be occupied over the long term is unaffordable and would require a substantial increase in allocated budgets as set out in **Confidential Appendix 1 (Chapter 5, Appendix 15)**.

Issues

23. The Council acknowledges a need to address the suitability of its core office estate for continued long term use. This is driven by the need to reduce costs, to provide accommodation that meets the needs of modern working practices, and to reduce the Council's carbon footprint. The continued pressure on budgets means the options available for the Council to consider need to be delivered as far as is possible within existing budget allocations. This constrains the range of choice and forces a need for early intervention. Addressing the maintenance backlog and meeting the challenge of carbon reduction on the existing core buildings would not be affordable.
24. In addition to managing the revenue implications of any major capital investment, the Council needs to consider the day-to-day operational costs of its core office estate, including the on-going impact of rising energy costs. Modern buildings are more energy efficient and are also able to be managed by fewer people, through the effective use of modern technology and techniques.
25. Both buildings present a significant challenge in terms of carbon reduction. Although City Hall is a Grade I listed building that benefits from certain 'carbon credits' it still has substantial limitations in the extent to which works can be undertaken to achieve carbon reduction goals. County Hall would be even more challenging. The options around the long-term sustainability of both buildings will require different solutions with different value for money considerations.
26. The type and nature of office accommodation required for current and future service delivery has changed significantly in recent years. City Hall and County Hall were both designed around the fixed desk model. Over recent years there has been an accelerated move away from fixed desks to a greater

range of flexible open-plan spaces, meeting rooms and group working arrangements. The adoption of a hybrid working model requires the Council to agree an amount of space to meet current and future needs. The extent to which the fixed internal layout of City Hall and the more flexible layout of County Hall can meet these new requirements will need to be a key part of any business case moving forward. The quality and functionality of office space will also be an issue in terms of retaining and recruiting staff in the public sector.

27. Whilst the future use of City Hall is constrained by its heritage status, it is nonetheless owned by the Council, and therefore it is incumbent on the Council to identify a sustainable use for the building to mitigate its deterioration over years to come. The Council, as owner, is legally obliged to protect City Hall as a heritage asset and therefore will be required to meet its maintenance backlog whether it utilizes the space as an office or not. The cost of doing so will also need to be planned through existing budget allocations.
28. There are currently no existing or proposed buildings in Cardiff that can/will meet the future carbon reduction targets required by the Council's One Planet Cardiff commitment. This limits the short-term and long-term options for the Council. The carbon footprint issues will shortly switch from being a policy aspiration to a legal obligation as the emerging new Building Regulations 2025 will impose a requirement on carbon, which means that any building conversions or new developments will be required to demonstrate compliance moving forward. Therefore, any work that the Council undertakes as part of the Core Office Strategy will need to meet or exceed these requirements.
29. It is no longer feasible for the Council to make do with City Hall and County Hall in their current formats without significant investment. A failure to address priority works will lead to further cost increases that go well beyond the current inflation driven rises. The level of investment required to address priority works alone suggest a need for detailed consideration of the long-term strategy to ensure the Council avoids unnecessary abortive spend. In addition, the Council's pledge to reduce its carbon footprint by 2030 and the implications of the emerging building regulations means that the Council can no longer afford to stand still.

Core Office Strategy

30. The Council's aim in bringing forward the Core Office Strategy is to deliver a new long-term solution to substantially reduce the financial pressures associated with the growing maintenance backlog. It is also seeking to contribute towards the One Planet Cardiff commitment to reduce the carbon impact of the Council's property estate.
31. The strategy is based on delivering a modern fit for purpose office solution in line with the current budget allocation of £5.1m budget for 2023/24, as far as is possible.

32. The scale of challenge to modernise and deliver the decarbonisation of the existing City Hall and County Hall (**see Confidential Appendix 1, Chapters 1 & 3, Appendices 2 & 10**) is significant. The core office strategy aims to avoid a requirement to add a significant additional budget allocation to address the growing list of priority works.

Current and Future Requirements

33. As part of the work to prepare an Outline Business Case independent advisors have been appointed to consider future needs in terms of service requirements emerging from the developing hybrid working strategy and how the new ways of working will change the nature of future space requirements and layouts. Transport implications of future requirements also need to be considered in the context of the need to support a reduction in the Council's carbon footprint.
34. To understand the future requirements for office space several engagement activities have been undertaken including an employee survey and a change management exercise across all services. This has been supplemented by an assumption on the level of attendance at the core offices of fixed and flexible workers based on service usage to date and future service requirements. These requirements cover both permanent desk-based service requirements and staff using space on an agile basis along with the requirements for Members, committee meetings and management space.
35. The work on emerging future requirements presented in **Confidential Appendix 1 (Chapter 2)** identifies the Council's need for approximately 140,000 sq ft of office accommodation, which is around a third of the size of the existing estate including Willcox House.

Outline Business Case

36. The Outline Business Case has considered a range of potential options available to the Council as set out at **Confidential Appendix 1**. The options can be summarized as: City Hall only; County Hall only; a new build only; various combinations of City Hall and a new build – with a range of sizes depending on the intensity of use of City Hall.
37. Given its listed status, City Hall will require investment by the Council in any case. The key question is the extent to which the building should be used to provide core office accommodation in the future, and the consequent level of investment that would be required. The crux of the options appraisal, however, is the choice between a refurbishment and re-use of the existing County Hall building in comparison to a new build option.

City Hall

38. The Council, as owner of City Hall, is required to find a long-term sustainable solution for the building. Even though City Hall has a gross floorspace of 156,000 sq ft, the net usable space is not big enough to accommodate the whole of the Council's current and future core office requirement without substantial remodeling of the building including the demolition of corridors

and dividing walls and the complete removal of the event venue. Remodeling would be extremely expensive compared to alternative new build options and unlikely to be supported by CADW. The option to use City Hall 'only' to meet the Council's requirement is unaffordable in terms of current budget allocations. The OBC therefore only includes City Hall as a potential part of the solution rather than providing an option to deliver the whole solution.

39. An important factor in the consideration of City Hall is the current venue income which forms a significant part of the current core office accommodation budget allocation. The removal of the event venue for office space would place a significant additional burden on the budget and therefore options for use of City Hall all retain the event venue in the south wing and the large event halls.
40. The three options considered for City Hall are as follows:
 - a. Investing in City Hall to retain it in its current format providing circa 35,000 sq ft of office space.
 - b. Increase the available office space up to c60,000 sq ft by remodeling the corridors and utilizing the front courtyards.
 - c. Maximising the office space in City Hall, whilst retaining the event venue, up to 100,000 sq ft by redesigning the corridors, utilizing the front courtyards and enclosing the rear courtyard.
41. The options above consider the heritage requirements and the use, risk, and cost of delivery. Compared to modern new build development, the costs associated with the upgrade of City Hall for office use are disproportionate and prohibitive. The recommended option for City Hall set out in the Outline Business Case attached at **Confidential Appendix 1 (Chapter 1, Appendix 1)** is to provide the minimum investment required to ensure the building remains safe and protected. This would require the minimum disruption/remodeling of the existing building as possible. In terms of the options presented above, this would be based on option a. 35,000 sq ft would be the maximum use of office space, however, the actual amount of space would depend on the Council's ability to secure new income opportunities to mitigate the costs of refurbishment of City Hall.

County Hall

42. As previously outlined, the current County Hall building provides circa 277,000 sq ft of office accommodation at Atlantic Wharf, Cardiff Bay. This is almost twice the Council's identified current and future requirement.
43. The potential for the Council to utilize County Hall 'only' by retaining the existing building in part or full has been considered (see **Confidential Appendix 1 (Chapter 3)**). The re-use of County Hall would be significantly more costly compared to a new build option. The conventional benefit of re-using County Hall would be a perceived reduced embodied carbon impact. On the face of it the benefit would be marginal, explained later in this report. The re-use of the building would be disruptive to service delivery during the

period of refurbishment. Although there is surplus space in the building which would allow some flexibility, it would mean works being undertaken in phases adding substantial time and further cost. There are also some issues requiring upgrade that will affect the whole building at the same time. A partial refurbishment to match the Council's requirement is not a realistic option. Instead, the whole building would need to be refurbished with the Council then having to rely on securing tenants to occupy the surplus refurbished space. To secure tenants the building would need to be refurbished to Grade A standard. If the Council is able to secure tenants to co-locate, it would be more prudent to build a larger new build office which would be significantly cheaper to deliver and the rent from occupiers could create a revenue surplus for the Council which could help to ensure the overall project is delivered within existing budget allocations. If refurbished space is provided in the existing building it is unlikely that the rent will cover the cost of the refurbishment of the surplus space.

New Build

44. Given the lack of availability of Grade A office space available in the city the only viable option for alternative office space is to build new. A new build office would deliver the best fit in terms of the Council's future requirement and would be the cheapest to deliver. It would also have the lowest operational carbon and could be delivered to net zero. A new build would potentially have a higher embodied carbon impact, but this can only be tested once the form of construction of the new build is confirmed. As explained later in this report, because of the life expectancy of the new build compared to the existing County Hall building and the amount of new building material required for a full Grade A refit of the existing County Hall, the difference between the 2 options in terms of embodied carbon is likely to be marginal.
45. If the Council was able to progress a new build 'only' option the project could be delivered within existing budgets. However, the requirement to utilize some space at City Hall increases the cost. If the Council is required to use 35,000 sq ft at City Hall, in the absence of any alternative income generating use, the cost of delivering a new build and the City Hall refurbishment would exceed existing budget allocations. However, this option would still be the cheapest option other than the new build 'only', and would be significantly cheaper than utilizing either of the existing buildings to fulfil the Council's requirement.
46. Whilst there could potentially be a number of locations for a new build option across the city centre and Cardiff Bay, the existing County Hall site has been identified as the preferred location for the following reasons (as detailed at **Confidential Appendix 1 (Chapter 4, Appendix 14)**):
 - The site is in Council ownership and is already a long-established Council HQ location.
 - The site is in a strategic location, easily accessible by public transport - soon to be improved through investment in the Metro.
 - The site forms part of one of the Council's major regeneration projects, so any Council investment in a new core building would support wider Council regeneration objectives.

- UTC - the site currently accommodates the Council's main technology infrastructure (in the North Wing of County Hall) including the Council's Data Centre and the Urban Traffic Control Centre. This means the Council's main communications node currently terminates in the North Wing. Any significant relocation of these facilities would be expensive (as set out at **Confidential Appendix 1 (Chapter 3)** and therefore a new build adjacent to the existing communications node would keep these costs to a minimum.
- One Planet Commitments - retention of a new County Hall within Atlantic Wharf assists with the delivery of a wider infrastructure and energy strategy to meet the Council's One Planet commitments for the regeneration of Atlantic Wharf.
- A new office development can be delivered on the County Hall site whilst the Council continues to occupy the existing County Hall building with only limited disruption to service delivery.

Carbon Considerations

47. Whilst the avoidance of financial pressures is a key driver of the Core Office Strategy, it is not the only one. The Council is also concerned about the carbon implication of the choices it makes. It is also committed to reducing the carbon impact of its property estate by achieving net zero by 2030, which is fast approaching. **Confidential Appendix 1 (Chapter 3)** provides a high-level overview of the potential carbon impact of the various options available to the Council.
48. Given modern building techniques, operational carbon will inevitably be lower in a new build option compared to the retro fit of an existing building because a new building would be designed to require the absolute minimum heating and cooling, if any at all. On the other hand, embodied carbon would normally be lower through the re-use of an existing building compared to a new build because an existing building would normally require less new construction materials. There are however numerous variables that can affect the embodied carbon comparison. In terms of County Hall, its form of construction would require it to be stripped back to its concrete frame to allow a conversion to Grade A. This will require a substantial amount of new construction materials. The size of County Hall is also circa twice the size of a proposed new build option to meet the Council's estimated current and future requirement. This means there is likely to be significantly less advantage in terms of a reduced requirement for new construction materials than would normally be expected through the refurbishment of an existing building. Furthermore, County Hall's concrete frame has a limited life expectancy of 30-40 years. A new build structure would be designed for 100 years and guaranteed for a minimum of 60 years. Any calculation of embodied carbon would also need to take account of the life expectancy of the building. Whilst it is difficult to undertake a proper comparison of old versus new until the actual form of construction of the new build option is confirmed, on the face of it, it would seem the potential for embodied carbon benefit from utilizing the existing County Hall building would not be significant enough to justify the substantial additional costs involved.

Outline Business Case Preferred Option

49. The Outline Business Case attached at **Confidential Appendix 1** recommends a combination of a new build office at the County Hall site (indicatively 105,000 sq ft) and the refurbishment of a residual amount of office space at City Hall (indicatively 35,000 sq ft) to meet the Council's requirement of 140,000 sq ft. Based on current assumptions, delivery of this solution would require additional revenue to be allocated to the Council's current core office budget allocation as indicated in **Confidential Appendix 1 (Chapter 5, Appendix 15)**. The exact amount would need to be determined through a Full Business Case process. There is potential to reduce the level of investment at City Hall by only carrying out priority works and also the new build option has the potential for shared facilities with other adjacent uses which could reduce costs and increase income.
50. If Cabinet provides authority to progress a Full Business Case, opportunities to maximise income at City Hall And the new build will be explored further to offset against the costs of investment. In terms of City Hall, this may result in less than the proposed 35,000 sq ft of office space being utilized for offices. Any reduction in the scale of office accommodation to be provided at City Hall would need to be met by an increase in the amount of office space to be provided in a new build development. A reduction in space to be provided at City Hall would also result in a reduction in the overall cost of the project as new build accommodation is significantly cheaper to deliver per square foot than the refurbishment of a listed building. This in turn would reduce the amount of additional revenue budget required to fund the project. Indicative costs are set out in the OBC attached at **Confidential Appendix 1**. Specific costs would be confirmed through a Full Business Case process.
51. As is to be expected at this stage in the business case process, the OBC does not provide sufficient clarity on the financial model required to deliver the preferred option. Detailed financial appraisal will need to form part of the Full Business Case as the basis for taking a final decision on whether or not to proceed. Consideration of the full range of potential operational impacts across the Council will be required including any impacts on current income, opportunities for income growth, and any implications on running costs. For example, if the Registration Service is required to relocate from City Hall for any extended period it would have a significant impact on the income potential of that service. In addition, consideration will also need to take account of any short-term impacts arising from temporary closures or relocations whilst works to deliver the final plan are being undertaken.
52. The Full Business Case would also need to confirm the assumptions presented in this report regarding operational carbon and embodied carbon to ensure the preferred option is prudent in terms of the current climate emergency and meeting the Council's ambitions for 2030.

Strategic Alignment

53. The Council's decision on the future of the core office accommodation could define the way the Council's Atlantic Wharf Regeneration Scheme is implemented and more importantly the sense of place created. How the Council decides to utilise the County Hall site in the future will affect the infrastructure plan for the wider site, including the remediation strategy, energy strategy, ecology strategy, SABS, and public/green space strategy. This could also assist delivery of other key Council projects such as the new Indoor Arena and the regeneration of the Red Dragon Centre. Such opportunities are captured as part of the Option 2 and 3 in the Outline Business Case attached at **Confidential Appendix 1 (Chapter 4, Appendices 11-14)**.

Capella Project

54. As part of the Atlantic Wharf Regeneration Scheme, the Council has been in dialogue with the Wales Millennium Centre to develop an exciting new proposal to provide a leading-edge content creation facility for the Arts, known as the Capella Project. Several options across the Atlantic Wharf site are being considered for the project. However, initial feasibility suggests an option closely aligned to new Council offices on the County Hall site would be the most affordable, providing opportunities for shared facilities and lower costs (for both parties). The Outline Business Case for Capella is being taken to July Cabinet which may assist the Council's consideration of the new build option at Atlantic Wharf.
55. **Confidential Appendix 1 (Chapter 4)** provides an overview of the various considerations linked to the Capella project and the other associated Atlantic Wharf projects including the energy strategy, updates on new Indoor Arena and the redevelopment of the existing Red Dragon Centre. It also outlines the various planning obligations the Council needs to consider as landowner such as SABS, highway infrastructure, public space and energy requirements linked to or assisted by a decision on the future of County Hall.

Proposed Interim Strategy

56. The Council is facing significant budgetary pressures relating to its Core Office estate, largely due to the exponential rise in energy costs, which are set to continue into the foreseeable future. It is therefore proposed to bring forward interim measures to reduce costs in advance of agreeing the final Core Office Strategy Full Business Case. These measures will align with the final strategy and will not create abortive costs.
- a. County Hall – reduce the Council's occupation of the building by retracting into north and east wings and the Courtyard area only.
 - b. City Hall – to avoid an unplanned closure of the City Hall conference and wedding venue the Mechanical & Electrical infrastructure will be

upgraded in line with the budget allocation provided in the capital programme, as set out in Confidential Appendix 1. Further improvements to City Hall will be considered as part of the Full Business Case to be presented back to a future Cabinet meeting.

Willcox House

57. In order to relinquish the lease of Willcox House, in 2021 the majority of Housing and Communities staff were moved to accommodation in County Hall. The remaining ARC and Telecare services were scheduled to move to Oakhouse following redevelopment. However, the cost of refurbishment of Oakhouse to the required standard escalated following the pandemic due to inflationary pressures and rising material and specialist equipment costs. Delivery of the project significantly exceeded the assigned budget and consequently the ARC and Telecare Services are due to move to County Hall by September 2023 permitting relinquishment of the lease for Willcox House. Oakhouse is currently being reviewed by Education and Estates as a potential provision for ALN accommodation.

Next Steps

58. Bring forward the Full Business Case (FBC) to implement the long-term plan for City Hall with the target of completing the FBC this year.
59. Conclude the Capella Production Studio Outline Business Case (OBC). Due to be considered at Cabinet July 2023.
60. Conclude the Council's 'Hybrid Working Model' to define the number and types of the workspace layouts for City Hall and the new build provision.
61. Bring forward the Full Business Case (FBC) for the provision of a new office building to replace the current County Hall building at Atlantic Wharf this year.

Reason for Recommendation

62. To present the Outline Business Case for the Core Office Strategy and to seek approval to progress to a Full Business Case for the preferred option.

Finance Implications

63. This report seeks approval of an Outline Business Case (OBC) for a Core Office Strategy which considers future options for the Council's core office requirements at City Hall and County Hall.
64. The OBC seeks approval for initial investment in the Council's core office accommodation, authorisation to prepare Full Business Cases to be presented back to a future meeting of Cabinet for the long-term plan of investment in City Hall and for development of a new office building at Atlantic Wharf, as well as approval to implement the proposed interim measures at City Hall and County Hall as set out in this report.

65. In order to deliver the interim proposals, there is a requirement for some initial capital investment at both City Hall and County Hall, as well as some one-off project revenue costs. This will enable urgent maintenance work to be undertaken at City Hall, including installation of a new heating system to eliminate the risk of unplanned closure, as well as works at County Hall to consolidate all services to the East and North wings, and establish new touchdown and collaboration spaces in the Courtyard. This is considered to reduce the County Hall usable area to circa 70% of the current footprint. Cabinet approved and allocated a one off £4.2m capital budget in March 2023 which will fund the initial costs detailed within the report.
66. The initial capital investment and one-off project revenue costs outlined above will help manage the Council's exposure to energy price inflation. The interventions set out in this report (part year closure of City Hall plus the vacation of two wings of County Hall) are forecast to be sufficient to offset the significant energy price increases expected in the Core Office estate during 2023/24. In the absence of these mitigating actions, additional premises budgets of circa £1m are estimated to be required. The steps identified in this report to reduce the footprint of the Core Office estate will result in circa £1m cost avoidance in 2023/24. Actual costs against forecasts will need to be continually monitored and reviewed going forward due to the ever-changing external energy market environment.
67. Whilst noting the critical cost avoidance in premises and utility savings that will be generated from these key interventions, it is also important to consider the operational, reputational, and financial impact the closure of City Hall will have, particularly regards the Registration service, City Hall Functions, events and catering services currently provided by the Council. The Council holds significant net income budgets for these services as well as a staffing establishment to coordinate and deliver them, and the closure of City Hall will significantly impact related income generation opportunities. Whilst alternative arrangements are being explored for existing services to be delivered elsewhere, the closure of City Hall for a temporary period will significantly reduce the ability for income generation with an unavoidable adverse financial impact during this period. The potential for premises cost avoidance highlighted above will be partly offset in both years by reduced income generation whilst City Hall is closed.
68. Certainty regarding City Hall closing and re-opening dates, as well as the future accommodation that will be made available and the timing of this will be critically important for planning and forecasting purposes. Customer bookings across the activities are usually taken many months in advance and certainty will be required to plan ahead. Any uncertainty or delays in programme or delivery will result in further lost income and will also have a negative impact on premises related running costs.
69. It is recognised that the Council has a significant maintenance backlog on both County Hall and City Hall buildings, with the report referring to substantial additional investment being required to bring any retained office buildings up to a standard that would make them fit for purpose over the next 30 years.

70. The report is recommending Cabinet explore the delivery of a new County Hall of circa 100,000sqft. Based on the report by GL Hearn, the Council would require significant investment outside of the current Capital Programme for the delivery of a New County Hall. The figures within the report, estimate that an additional revenue requirement of circa £4 to £5 million would be required to finance this investment.
71. The report also sets out that a 10-year and a 30-year investment plan is required for City Hall to modernise and contribute to decarbonisation targets. This would also involve a significant ongoing capital investment which is not currently identified within the Capital Programme.
72. In addition to recommending the preparation of an FBC for the Core Office accommodation strategy, this report outlines plans for the Urban Traffic Control Centre; a critical piece of Council infrastructure. The investment into a separate UTCC will need to form part of the Core Office FBC to be brought forward to a future Cabinet meeting.
73. The report is recommending significant investment outside of the current Capital Programme and existing revenue budgets. The affordability of such investment will need to be further explored at FBC stage to fully understand the financing requirements for the Council. Further clarity will be sought as more detailed proposals are brought forward for consideration to ensure that any strategy proposed demonstrates affordability, supports a reduction in operational and lifecycle costs and reduces ongoing maintenance liabilities.
74. Any investment must be considered as part of the longer-term budget setting processes to determine the annual budget requirement and to allow for a coordinated phased delivery of investment which minimizes the impact on existing service delivery.

Legal Implications

75. This report relates to the Council's proposals on the future of existing core offices and has the benefit of external advisers who have prepared the outline business case at Appendix 1. The decision maker should have regard to the recommendations made in Appendix 1. The report also seeks approval of interim measures relating to City Hall and delegates responsibility to the Director of Economic Development to implement such measure within an approved budget.
76. As the project is at outline stage it is anticipated that further legal advice will need to be provided as the proposals develop further. With regard to future works it is expected that the appointment of any contractor will be made in accordance with the Council's Contract Procedures Rules and in accordance with Procurement Law. In connection with any proposals concerning property transactions, it is expected such matters will have regard to the Council's Acquisition and Disposal of Land Procedures Rules and advice sought from a qualified valuer.

77. It is noted that City Hall is a listed building and that appropriate advice will need to be sought on the requirement for listed building consent before proceeding with any works.

Equalities & Welsh Language

78. In considering this matter the decision maker must have regard to the Council's duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must, in making decisions, have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are: (a). Age, (b) Gender reassignment (c) Sex (d) Race – including ethnic or national origin, colour or nationality, (e) Disability, (f) Pregnancy and maternity, (g) Marriage and civil partnership, (h) Sexual orientation (i) Religion or belief –including lack of belief.
79. When taking strategic decisions, the Council also has a statutory duty to have due regard to the need to reduce inequalities of outcome resulting from socio-economic disadvantage ('the Socio-Economic Duty' imposed under section 1 of the Equality Act 2010). In considering this, the Council must take into account the statutory guidance issued by the Welsh Ministers ([WG42004 A More Equal Wales The Socio-economic Duty Equality Act 2010 \(gov.wales\)](#)) and must be able to demonstrate how it has discharged its duty.
80. An Equalities Impact Assessment aims to identify the equalities implications of the proposed decision, including inequalities arising from socio-economic disadvantage, and due regard should be given to the outcomes of the Equalities Impact Assessment where required at Appendix 4. There will be a requirement to continually review each element of the assessment, in particular in preparation for and during scheme delivery, ensuring that differential impacts are identified, and mitigations implemented.
81. The decision maker should be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.

The Well-being of Future Generations (Wales) Act 2015

82. The Well-Being of Future Generations (Wales) Act 2015 ('the Act') places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible. In discharging its duties under the Act, the Council has set and published well being objectives designed to maximise its contribution to achieving the national well being goals. The wellbeing objectives are set out in Cardiff's Corporate Plan 2020 -23.
83. When exercising its functions, the Council is required to take all reasonable steps to meet its wellbeing objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting

the wellbeing objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.

84. The wellbeing duty also requires the Council to act in accordance with a 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term
- Focus on prevention by understanding the root causes of problems
- Deliver an integrated approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

85. The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible on line using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

Policy and Budget Framework

86. The decision maker must be satisfied that the proposal is within the Policy and Budget Framework, if it is not then the matter must be referred to Council.

Property Implications

87. All property implications are contained within the body of the report.
88. Where there are property transactions or valuations required to deliver any proposals, they should be done so in accordance with the Council's relevant Asset Management process and in consultation with appropriate service areas.

HR Implications

89. This report seeks approval of an Outline Business Case (OBC) for a Core Office Strategy which considers future options for the Council's core office requirements at City Hall and County Hall.
90. The OBC seeks authorisation to prepare Full Business Cases to be presented back to a future meeting of Cabinet for the long-term plan of investment in City Hall and for development of a new office building at Atlantic Wharf, as well as approval to implement the proposed interim measures at City Hall and County Hall.

91. The report outlines that the Council's core office estate will shortly consist of only City Hall and County as the office accommodation at Wilcox House is scheduled to be released in March 2024, resulting in the relocation of the ARC service within the People and Communities directorate to County Hall.
92. The closure of Wilcox House has resulted in Cleaners employed at the site being placed at risk of redundancy. Affected employees have been given access to redeployment opportunities at alternative locations or are able to access the Council's Voluntary Severance Scheme.
93. As outlined in the financial implications of this report, it is important to consider the operational, reputational, and financial impact the closure of City Hall will have, particularly regards the Registration service, City Hall functions, events and catering services currently provided by the Council. Whilst alternative arrangements are being explored for existing services to be delivered elsewhere, it will be necessary to relocate employees for a temporary period whilst the associated works are undertaken.
94. The adoption of digital technologies has enabled the introduction of more flexible ways of working and service delivery. Through the pandemic the Council adopted a Hybrid Working Model providing a framework for flexible office use in addition to home and agile working. The primary implication for the Council is that far less office space will be required in the future which is outlined in this report.
95. The Council has recently published its Workforce Strategy for the period 2023- 2027 whereby it is acknowledged that the Hybrid Working Model will continue working where appropriate to meet organisational needs.
96. The Council as a major employer in the City of Cardiff and the wider region wishes to attract, retain and develop the best talent in its ambition to become an employer of choice. In order to remain in competitive in a fast-changing labour market, the Council needs to continue its work in developing a Hybrid Working Policy which may result in employment contractual developments.
97. Additionally, as outlined in this report, the quality and functionality of improved office space and technology will also be an issue in terms of supporting recruitment and retention.
98. The culture, health, wellbeing and engagement of employees is vitally important to keep the workplace safe and healthy, and our workforce engaged and resilient. Ensuring all our employees, wherever they are based, have access to our support services and can take part in the associated activities remains critical. Engagement with employees needs to continue on the Core Office proposals in respect of dates, future usage and requirements of Council core buildings.
99. The Trade Unions have been consulted on the information within this report and there will be ongoing engagement and consultation with both Trade Unions and staff as the full business case develops.

RECOMMENDATIONS

Cabinet is recommended to:

- 1) Approve the Outline Business Case for the Core Office Strategy attached at **Confidential Appendix 1**.
- 2) Delegate authority to the Director of Economic Development in consultation with the Cabinet Member for Investment and Development, the Section 151 Officer, and the Legal Officer to deliver the proposed Interim Strategy for City Hall as outlined in this report and at **Confidential Appendix 1** within allocated budgets.
- 3) Authorise the development of a Full Business Case for the preferred option as set out in this report and at **Confidential Appendix 1**.

SENIOR RESPONSIBLE OFFICER	Neil Hanratty Director of Economic Development
	Date

The following appendices are attached:

Appendices

- Confidential Appendix 1 - Outline Business Case
- Appendix 2 - County Hall (Floor Plans)
- Appendix 3 - City Hall (Floor & Heritage Plans)
- Appendix 4 - Equalities Impact Assessment