

WILLCOX HOUSE RELOCATION

**INVESTMENT & DEVELOPMENT
(COUNCILLOR RUSSELL GOODWAY)**

AGENDA ITEM:

Appendices 1-9 of this report are not for publication as they contain exempt information of the description contained in paragraphs 14 of part 4 and paragraphs 21 of part 5 of Schedule 12A of the Local Government Act 1972.

PORTFOLIO: INVESTMENT AND DEVELOPMENT

Reason for this Report

1. To seek authority to negotiate suitable terms for a short-term extension to the lease of Willcox House following the expiry of the existing lease in March 2021 to facilitate the transition from Willcox House by March 2022 as part of the rationalization of the Council's core office estate.
2. To seek authority to relocate staff and services based at Willcox House, including the Alarm Receiving Centre and associated ICT infrastructure.

Background

3. The Council's Property Strategy 2015-2020 *Fewer but Better Buildings* established the ambition to reduce the Council's operational footprint to reflect changes to the way in which public services are delivered. The key themes of the strategy are:
 - To develop a more modern portfolio of assets which supports and assists delivery of front-line services, costing less to run and maintain.
 - To work closely with Public Sector and Community partners to identify opportunities for property and service collaboration
 - Disposal or relinquishment of assets to deliver capital receipts and targets relating to the cost of the operational estate.

4. In terms of the core office estate, the strategy outlines a number of key issues:
 - The Council's office footprint will need to reduce substantially to reflect the changing size and shape of the organization and the move to more modern working practices.
 - Significant parts of the Council's office estate is outdated, in extremely poor condition and in need of significant investment and modernisation.
 - The replacement of the Council's 'core' office requirement offers the greatest potential for delivering measurable improvements in property performance. This also offers significant opportunities to develop a more sustainable property portfolio, with a lower carbon footprint.
 - Substantial additional investment will be required to bring any retained office buildings up to a standard that would make them fit for purpose over the next 30 years.
5. Capital Ambition, the Administration's five-year policy programme, re-emphasised a commitment to modernizing the Council's core office requirement and commits to take forward a new Core Office strategy for the Council's key operational buildings. Capital Ambition also includes a specific ambition to continue the Property Strategy's 'fewer but better' buildings principle, committing to an approach to rationalise and de-carbonise the Council's operational estate.
6. The Council's Corporate Plan 2020-2023 outlines how Capital Ambition will be delivered. The Corporate Plan includes the specific objective to deliver fewer but better Council buildings through a review of the Council's existing estate.
7. The Council's overall approach to operational buildings outlined in Capital Ambition, the Corporate Plan and the Property Strategy is predicated on the impact that its estate has on the way people access services, how services are delivered, the cost of delivering services, as well as its environmental footprint. Addressing these issues through the 'fewer but better buildings principle' is seen as a critical approach to delivering improved services, a more productive workforce with improved wellbeing, a reduced carbon footprint and a lower overall cost.
8. In addition, the Council's Workforce Strategy 2018-2021 sets out key priorities and future activities that are required to ensure we have a workforce to meet the ambitions set out by Cabinet in Capital Ambition. One of the key priorities is embedding and further developing an approach that maintains and improves the health and wellbeing of employees through the improved use of the Council's operational estate.
9. On 28 March 2019, the Council resolved to declare a global climate emergency. Given that a significant proportion of the Council's footprint resides with its operational estate, this only raises the importance of

promoting the key Property Strategy objective of delivering buildings with the highest environment standards.

10. Whilst the policy background of the Council's operational estate was well established prior to the Coronavirus pandemic, the *Restart, Recover, Renew: Next Steps For Cardiff During The Covid-19 Crisis* Cabinet report of 11 June 2020 recognised the impact of the pandemic on current and future working arrangements.
11. The report outlined that "Digitisation has been stepped up across the board. With working from home entrenched as the 'new normal' among much of the workforce, the Council has a real opportunity to change services for the better with long-term implications for the organisation's sustainability and carbon footprint. As remote working continues, it will be increasingly difficult for analogue and paper based processes to function effectively and so they will need to be progressively replaced by digital systems."
12. The Restart Plan, attached as an appendix to the *Restart Recover, Renew: Next Steps For Cardiff During The Covid-19 Crisis* report, committed to the completion of a return to the office strategy that would establish new ways of working in light of the COVID-19 pandemic and support more flexible working arrangements. Due to the pandemic the majority of staff normally based at Willcox House, County Hall and City Hall are currently working from home. A recent corporate survey issued to office-based staff highlighted that the vast majority of staff surveyed wanted to continue flexible working arrangements, including working from home, either on a full-time or part-time basis. This has afforded an opportunity to embed smarter working across the council and this will result in the long-term requirement for a smaller office footprint. Our future office accommodation should afford staff the choice of how they work, with more emphasis on hot desking and collaboration and innovation spaces being readily available in our core office estate.

Willcox House

13. Willcox House is one of the Council's Core Office buildings. It is occupied under a 15-year lease agreement commencing 2 March 2006 and due to expire on the 1 March 2021. Within the lease agreement, the Council is responsible for all repairs, maintenance and running costs. Approximately 700 staff from the People and Communities Directorate and staff from the Customer and Digital Services team (including the contact centre and switchboard) are based in the building.
14. The Council's security and surveillance team along with the Telecare team are also based in the building within a modified space to accommodate the Alarm Receiving Centre (ARC). Willcox House also hosts the Social Care Emergency Duty Team (EDT) who operate their 24 hours a day.
15. In light of the Property Strategy and the pending expiry of Willcox House lease, together with the impact COVID-19 has had on the Council's working arrangements, the Council has secured and considered

independent professional advice on options available at lease expiry in March 2021. The independent advice also outlines associated costs including commentary on dealing with any relevant dilapidations claim from the Landlord.

Issues

16. Under the provisions of the Landlord and Tenant Act 1954, the landlord has the ability to serve a notice offering new terms at lease expiry to the tenant. The landlord is required to serve this notice between 6 and 12 months in advance of the termination date. A valid Notice was served by the landlord to terminate the existing Willcox House lease on the contractual expiry date of 1 March 2021, however as part of the Notice the Landlord also proposed terms for a new lease. **(See Confidential Appendix 1).**
17. In light of the notice served and the relocation timelines involved, the Council has agreed Heads of Terms for a short-term lease extension to allow for the vacation of Willcox House and the relocation of staff and ICT infrastructure. **(See Confidential Appendix 2).**
18. As part of relinquishing the Willcox House lease consideration has been given to the services currently operating out of the building. As part of this process, the Council's Change Delivery Team has commenced engagement to determine new working requirements within existing accommodation. **(See Confidential Appendix 3).** This report provides a high-level summary of the work that is required to transfer all staff out of Willcox House by 1st March 2021.
19. The Council is also currently mapping service area requirements as part of its Restart and Recovery strategy for corporate offices. The Willcox House vacation project links directly with this strategy and the long-term aspirations of enabling the office-based workforce to be able to operate in a more agile way of working, where home working and remote working is the norm.

Alarm Receiving Centre (ARC)

20. The ARC, the Emergency Duty team (EDT) and Telecare services team provide 24/7 'life and limb' type services. As part of the relocation of Willcox House, the Council must ensure that there is continuity for the services provided by the ARC and other key services. There can be no disruption, downtime, or lapse to these services. In response, the Council appointed advisors to review options for the relocation of the ARC and ICT infrastructure contained within Willcox House. The review considers site options and outlines layouts, design, building works and ICT requirements for the preferred location. **(See Confidential Appendix 4).**
21. The recommended solution is to deliver a standalone ICT site that can initially house the relocation of the ARC and Disaster Recovery services

from Willcox House, but have the long-term capacity to relocate ICT services such as the Data Centre and Telematics from County Hall.

22. The site for the recommended relocation is circa 2.25 acres, with an existing building of circa 9,900sqft with car parking for circa 50 vehicles. See attached marketing details and agreed terms for the acquisition. **(Confidential Appendices 5 & 6).**
23. The preferred site solution offers the Council the opportunity to meet a number of key requirements and the opportunity to deliver within the required timescales as well as avoid significant abortive costs. This site also allows the Council the opportunity to develop ICT services with the ability to merge services such as Telematics and others in the future and the capacity to relocate the current Data Centre contained within County Hall.
24. The Council instructed external valuation advisors who have confirmed that the purchase price represents market value. **(Attached as Confidential Appendix 7).**
25. The Council has also considered a number of options with regards the relocation of the Councils core ICT Disaster Recovery. These options are set out within **(Confidential Appendix 4)**. The recommended solution is to relocate these services to the new site.

Reason for Recommendations

26. To release the Council from a long-term lease commitment of Willcox House in line with the Corporate Strategy and the Council's Property Strategy.
27. To deliver a relocation of essential ICT infrastructure including the ARC and the Councils core ICT Disaster Recovery to maintain and improve services.
28. To approve the process of relocating staff from Willcox House to existing Council core offices, in line with newly adopted working practices.

Financial Implications

29. As set out in the above report, the Council has been served with a section 25 notice by the landlord of Willcox House giving notice to vacate the building by March 2021. Council officers have therefore developed an options appraisal considering a number of different options in response (renew lease, buy or vacate) and concluded that vacating Willcox House is the best financial option in the long term in order to achieve the Council's stated ambitions. **(see Confidential Appendix 9)** for further details of financial benefits).
30. In order to achieve vacation of Willcox House within the relevant timescales there is a requirement for capital investment. This capital investment will include the costs of relocating staff and services who

currently occupy Willcox House, any associated enabling works and adaptations required to County Hall in order to accommodate relocated staff, items such as furniture and ICT equipment required to enable smarter working, the relocation of Disaster Recovery Unit, project support costs etc. Details of these costs can be seen in **Confidential Appendix 9**.

31. The Council is also aware that there will be a dilapidations liability associated with ending the lease on the property and will therefore be required to reach a dilapidations settlement with the landlord. **(Confidential Appendix 8)** sets out details of anticipated dilapidations costs. These costs are also incorporated within the overall costs shown in **Confidential Appendix 9**.
32. In order to facilitate the specialist requirements of the ARC, a separate options report has been commissioned to determine the best value solution for the relocation of this critical service. This report identifies a preferred property as the optimal solution for the re-provision of the ARC.
33. The acquisition and fit out of the preferred location is therefore included within the Financial Summary attached at **(Confidential Appendix 9)**. As per appendix 9, whilst relocating ARC to a standalone building has a higher initial capital cost than the alternative solution in County Hall, it was deemed that relocating to a standalone building is the best value solution overall as this is considered to be a more permanent long-term solution for the ARC, but also potentially the data centre and co-location of Telematics in the future. For this reason, relocating to a standalone building avoids potential abortive costs associated with providing an interim solution in County Hall, whilst also providing the Council with greater flexibility for co-location of critical services as a long term solution which will achieve additional operational benefits.
34. The acquisition costs for the building in relation to the relocation of the ARC and associated ICT infrastructure are supported by an independent valuation as detailed in **(Confidential Appendix 7)**. These costs, as well as adaptation works and necessary equipment to ensure no disruption, down-time or lapse to the ARC services have been included into the financial summary. However, all ancillary costs will need to be explored in further detail to determine final costs.
35. The capital costs of this project will be funded on an 'Invest to Save' basis utilising the funding identified within the approved Capital Programme for delivering the 'Core Office Strategy'. The revenue impact of these initial capital costs will be repayable from the revenue savings generated from vacating Willcox House. The Financial Summary in **Confidential Appendix A** suggests that this will result in a significant annual net revenue saving to the Council. There is also significant cost avoidance on future capital costs that would otherwise be required to invest in Willcox House.
36. It is not currently anticipated that the relocation of staff into County Hall will result in increased running costs for the building given Covid-19 restrictions and imminent implementation of smarter working policies

which will mean the number of staff occupying the building is unlikely to increase from previous years. On this basis it is assumed that the running costs of County Hall or alternative premises will be met from within existing budgets. Any budgets to be funded from the Housing Revenue Account (HRA) should be proportionate to the HRA services provided to tenants from the new accommodation arrangements and should be suitably reviewed periodically.

37. Vacating Willcox House will generate revenue savings against the Council's core office estate, although in order to fully capitalise on this, and avoid the risk of potential abortive costs, a long-term Core Office strategy that fits changing working practices will be developed and implemented. Embedding and enhancing some of the positive changes to working practices that have materialised in response to the Covid-19 pandemic, in particular a smarter working culture and new agile working practices, will be developed to facilitate benefits outlined in the report, e.g. allowing the Council to reduce its gross internal area, reduce running costs etc.
38. As detailed within the report there are a number of operational requirements to consider for the variety of different services currently operating from Willcox House. The project timescales are tight in terms of this project both for vacating the staff from Willcox House, as well as re-providing the essential ARC services elsewhere, in line with the deadline for vacation of the building. The options appraisal assumes the vacation and ICT requirements for these services are re-provided within these timelines. Any delays are likely to negatively impact on the capital and revenue expenditure required to meet the programme for relocation of staff and services.

Legal Implications (including Equality Impact Assessment where appropriate)

39. The Council is in occupation of the premises as a secure business tenant afforded the protection of the Landlord and Tenant Act 1954 part II ("the Act"). A secure business tenancy may be terminated by a Landlord by service a section 25 notice, in this case offering terms for renewal of the tenancy. If the Council does not wish to renew terms, it will be required to vacate the premises and deliver up possession to the Landlord by the expiry date provided in the section 25 notice.
40. If the Council is minded to stay in possession, then prior to expiry of the section 25 notice, the Council will either need to agree terms for such renewal as required, or submit an application to court to settle terms of the renewal, otherwise its statutory protection is lost and it must vacate the premises.
41. The Council's acquisition of a new lease is a statutory right. The Council's Disposal and Acquisition of Land Procedure Rules requires the decision maker to have regard to valuation advice in relation to the proposed lease terms, but in the event of a dispute, may ultimately be determined by application to court.

Generic advice

42. When exercising any delegated authority under the scheme of delegations the decision maker should be satisfied that the decision is a) within budget and b) in accordance with the Council's policy framework. All decisions taken must have regard to the Council's fiduciary duty to its taxpayers and be reasonable and proper in all the circumstances.

Equalities Impact Assessment/public duties

43. The Council has to satisfy its public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties) – the Public Sector Equality Duties (PSED). These duties require the Council to 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'. The 'Protected characteristics' are: • Age • Gender reassignment • Sex • Race – including ethnic or national origin, colour or nationality • Disability • Pregnancy and maternity • Marriage and civil partnership • Sexual orientation • Religion or belief – including lack of belief.

Well Being of Future Generations (Wales) Act 2015

44. 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.
45. In discharging its duties under the Act, the Council has set and published wellbeing objectives designed to maximise its contribution to achieving the national wellbeing goals. The wellbeing objectives are set out in Cardiff's Corporate Plan 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.
46. 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

47. 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 using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

HR Implications

48. Trade Unions and employees have been consulted on the contents of this report. These consultations will continue as part of the process of transfer of staff to any new locations.

RECOMMENDATIONS

Cabinet is recommended to delegate authority to Director of Economic Development, in consultation with the Cabinet Member for Investment and Development, the Director of Communities, the Monitoring Officer and the Section 151 officer to:

- (i) Agree a 12-months extension of the Willcox House lease with a 6-month rolling break to manage the transition of staff and services out of Willcox House.
- (ii) Complete the acquisition of the property set out in Confidential Appendix 5 and in line with the terms set out in Confidential Appendix 6 to enable the relocation of the ARC (Alarm Receiving Centre) and the Disaster Recovery Unit from Willcox House.
- (iii) Progress the relocation of staff and services from Willcox House as set out in Confidential Appendix 3.
- (iv) Progress a Disaster Recovery Strategy.

SENIOR RESPONSIBLE OFFICER	Director Name
	Date submitted to Cabinet office

The following appendices are attached:

- Confidential Appendix 1 - Section 25 Notice (Willcox House)
- Confidential Appendix 2 - Heads of Terms (Willcox House)
- Confidential Appendix 3 - Staff/Service Relocation Report
- Confidential Appendix 4 - ARC Relocation Report
- Confidential Appendix 5 - Site Details (ARC Relocation)
- Confidential Appendix 6 - Heads of Terms (ARC Relocation)
- Confidential Appendix 7 - Valuation Report

Confidential Appendix 8 - Surveyor Report (Willcox House)

Confidential Appendix 9 - Finance Report

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