

Core Office Strategy

IMPORTANT - Appendix 1 to Appendix A of these papers is not for publication as it contains exempt information of the description in paragraph 14, 16 and 21 of Schedule 12A of the Local Government Act 1972.

Reasons for the Report

1. To provide Members of the Committee with an opportunity for pre-decision scrutiny of the Core Office Strategy.
2. To explain the Outline Business Case (OBC) to be presented to Cabinet on 22 June 2023, seeking approval to progress to a Full Business Case (FBC) on the preferred option.

Structure of the Papers

3. To facilitate this pre-decision scrutiny attached to this report are the following papers:

Appendix A: Cabinet Report titled Core Office Strategy. *The following appendices are attached to Appendix A*

Appendix 1 - Outline Business Case - Confidential / exempt from publication

Appendix 2 - County Hall (Floor Plans)

Appendix 3 - City Hall (Floor & Heritage Plans)

Appendix 4 - Equalities Impact Assessment

Scope of the Scrutiny

4. The report attached at **Appendix A** seeks approval of an OBC for a Core Office Strategy which considers future options for the Council's core office requirements at City Hall and County Hall.
5. The OBC seeks approval for initial investment in the Council's core office accommodation, authorisation to develop the FBC to be presented to a future meeting of the 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 the report.
6. For clarity, Cabinet is asked to:
 - Approve the OBC for the Core Office Strategy
 - 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 within allocated budgets.
 - Authorise the development of a Full Business Case for the preferred option.
7. Members are reminded that **Appendix 1 to Appendix A** is not for publication as it contains exempt information of the description in paragraph 14, 16 and 21 of Schedule 12A of the Local Government Act 1972. The meeting will go into closed session to provide an opportunity for Members to refer to information in the Outline Business Case.

Background & Context

8. This Committee has responsibility within its Terms of Reference for scrutiny of the Council's operational property estate.
9. The Council's approach to flexible working post pandemic means that far less office space will be required by the organisation in the future. The core office estate will consist of City Hall and County Hall with the release of Wilcox House in March 2024.

10. The Council has appointed independent advisors to assist with the preparation of an OBC to consider options for the Council's core office requirements. Detailed condition surveys for both City Hall and County Hall were presented to Cabinet in December 2021. At the same time the Council adopted a new Property Strategy 2021-26 which set out the requirement to review the core office estate. Further, 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.

11. The current Core Office budget for City Hall, County Hall and Willcox House is circa £5.1m per annum. The report contains a full explanation of the current core estate and future maintenance requirements at **points 7-20**. The conclusion drawn is that the *Outline Business Case should 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.*

Issues

12. The report presents further issues that must be addressed in taking this decision:

- The options considered need to be delivered within existing budget allocations.
- Both City Hall and County Hall present a significant challenge in terms of carbon reduction.
- Modern buildings are more energy efficient.
- The adoption of a hybrid working model requires the Council to agree an amount of space to meet current and future needs.
- City Hall is constrained by its heritage status, and therefore it is incumbent on the Council to identify a sustainable use.
- New Building Regulations emerging in 2025 will require any building conversions or new developments to demonstrate carbon compliance.

13. Therefore, the Council's Core Office Strategy is based on delivering a modern fit for purpose office solution in line with the current budget allocation of £5.1m for 2023/24.

Outline Business Case

14. The OBC considered a range of potential options:

- 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.

15. **City Hall** has listed status, and as such will require investment by the Council. The OBC includes City Hall as a potential part of the solution, rather than an option to deliver the whole solution. The three options considered for City Hall are as follows:

- Investing in City Hall to retain it in its current format providing circa 35,000 sq. ft of office space.
- Increasing the available office space up to c60,000 sq. ft by remodelling the corridors and utilising the front courtyards.
- 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.

16. **County Hall** 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. A full refurbishment including meeting the Council's carbon reduction targets has been forecast at circa £100m. The 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 requirements. The whole building would need to be refurbished, with the Council then having to rely on securing tenants to occupy the surplus refurbished space.

17. A **new build** office would deliver the best fit in terms of the Council's future requirements and would be the cheapest to deliver. The existing County Hall site has been identified as the preferred location for the following reasons, the site:

- is in Council ownership.

- is in a strategic location, easily accessible by public transport.
- forms part of one of the Council's major regeneration projects, so any Council investment would support wider Council regeneration objectives.
- currently accommodates the Council's main technology infrastructure. This means that the Council's main communications node terminates at the North Wing of County Hall, therefore a new build adjacent to the existing communications node would keep costs to a minimum.
- Aligns with the Council's One Planet Commitments for the regeneration of Atlantic Wharf.
- Development on the County Hall site will have limited disruption to service delivery.

Preferred Option

18. The OBC attached at **Confidential Appendix 1 to Appendix A** 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 to Appendix A (Chapter 5, Appendix 15)**. The exact amount would need to be determined through a FBC 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.

19. A FBC would explore further opportunities to maximise income at City Hall and the new build to offset against the costs of investment. The report states clearly that detailed financial appraisal will need to form part of the FBC as the basis for taking a final decision on whether or not to proceed.

20. Members will note the report clarifies that the Council's decision on the future of the core office accommodation could also assist delivery of other key Council projects

such as the new Indoor *Arena* and the regeneration of the Red Dragon Centre
(*point 53*)

21. The Council has been in dialogue with the Wales Millennium Centre to provide a leading-edge content creation facility for the Arts, known as the Capella Project. 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 OBC for the Capella Project will be taken to July Cabinet, which may assist the Council's consideration of the new build option at Atlantic Wharf.

22. The proposed interim strategy is to activate measures to reduce operating costs *in advance of* agreeing the final core office FBC. The proposal is to:

- **County Hall** – reduce the Council's occupation of the building by retracting into north and east wings and the Courtyard area only.
- **City Hall** – avoid an unplanned closure of the conference and wedding venue by upgrading the Mechanical & Electrical infrastructure in line with the budget allocation provided in the capital programme.
- Move the ARC and Telecare Services to County Hall by September 2023 permitting relinquishment of the lease for Willcox House.

23. To progress the Core Office Strategy the next steps are:

- Complete the FBC this year to implement the long-term plan for City Hall and the provision of a new office building to replace the current County Hall building at Atlantic Wharf
- 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.
- Conclude the Capella Project OBC, due to be considered at Cabinet July 2023.

24. Members will note that the report is recommending Cabinet explore the delivery of a new County Hall of circa 100,000sqft. The financial advice within the report states that, *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. The report is recommending significant investment outside of the current Capital Programme and existing revenue budgets.

25. Finally, Members will note that HR advises continuing engagement with employees on the core office proposals in respect of dates, future usage and requirements of Council core buildings.

Way Forward

26. In attendance to facilitate this scrutiny will be the Cabinet Member for Investment and Development, Councillor Russell Goodway, the Director of Economic Development, Neil Hanratty, Assistant Director County Estates, Donna Jones; and Operational Manager Major Projects, Chris Barnett. Members will receive a presentation and the panel will take questions.

Legal Implications

27. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

28. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATION

The Committee is recommended to:

- i. Consider the Outline Business Case for the Core Office Strategy, the Proposed Interim Strategy for County Hall and City Hall; and
- ii. Agree any comments, observations and recommendations it wishes to forward to the Cabinet Member for Investment and Development to inform consideration by Cabinet on 22 June 2023.

Davina Fiore

Director of Governance & Legal Services

14 June 2023