

CABINET

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| Date of Meeting | Tuesday, 20 th March 2018 |
| Report Subject | County Hall Demolition, Relocation and Master Planning – Business Case Development |
| Cabinet Member | Leader of the Council and Cabinet Member for Finance Cabinet Member for Corporate Management and Assets |
| Report Author | Chief Executive Chief Officers (Organisational Change) |
| Type of Report | Strategic |

EXECUTIVE SUMMARY

Flintshire County Council have reduced the size of its corporate office accommodation by approximately 43% by floor area (base year 2013/14) and now only occupies Phase 1 and 2 at County Hall. Unity House in Ewloe is vacant and has been the responsibility of the Council for the last twelve months. The costs of just keeping Ewloe Offices unoccupied are in the order of £0.700m per annum. In line with the Councils corporate property rationalisation strategy the relocation proposals for Unity House should not be seen in isolation but as part of an ambitious strategy for the Mold Campus.

Work to progress the remedial works needed to relocate workforce into Unity House are being progressed and this has been broken down into a number of areas.

- Mechanical and electrical work;
- Furniture and interior space planning
- Data coms and access systems
- Minor building work, the building is generally in very good decorative order;
- Wider external works

Demolition of phases 3 and 4 is currently receiving detailed consideration. The buildings and surrounding services and infrastructure make demolition works complex and it needs an approach that sees this work being undertaken in a highly coordinated way.

In the context of the wider site development proposals this crosses into Stage 2 of the original phasing proposals reported to Cabinet in October 2017 and involves a more rounded assessment of the whole Mold campus site and how this may sit with any potential re-development.

Since Informal Cabinet considered the feasibility study for the Theatr Clwyd capital project work has taken place to ensure the comments and requirements discussed at that meeting are followed up.

Further and more detailed analysis has been undertaken on the costed options relating to the rationalisation, demolition and redevelopment option. Within the current efficiency programme for financial year 2018/19 is a £300k efficiency target, this relates to business rate mitigation strategies on Unity House and Phases 3 and 4, County Hall partly using provisions set out in s44a of the Local Government Finance Act prior to demolition of Phase 3 and 4 of County Hall and the phased re-commissioning of Unity House during the fourth quarter of 2018-19. Thereafter there will be a £90k projected recurring budget efficiency which is likely to increase when running costs for Unity House are more fully understood.

This efficiency will increase further at the end of year five following the redevelopment of the Mold campus site to £717k pa.

Cabinet, in October 2017 were clear that Trade Unions and workforce should form part of workforce group to inform this work particularly around the move to Unity House. Trade Unions have nominated officers to sit on the workforce group. A number of management teams have also visited Unity House and it would be from these groups that members of the workforce would be identified.

RECOMMENDATIONS

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| 1 | To approve the use of the negotiated financial sum received upon expiry of the lease as part of the unconditional dilapidations payment. |
| 2 | To note the allocation of funding within the Councils Capital Programme for the demolition of phases 3 and 4 of County Hall when sufficient capital receipts become available. |
| 3 | That approval be given to progress the appointment of a development partner for the redevelopment of the County Hall campus, with further reports being brought back to Cabinet as this process makes progress. |
| 4 | That joint delegated authority be given to the Chief Officer (Organisational Change) and the Chief Officer (Governance) in consultation with the Cabinet Member for Economic Development to complete the appointment of a contractor, named in the confidential appendix, for the design and development and construction works at Theatr Clwyd in line with this report and subject to being satisfied that the specific actions required and identified in this report are satisfied prior to the completion of the appointment and the procurement process. |

REPORT DETAILS

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| 1.00 | BACKGROUND INFORMATION AND PROGRESS UPDATE |
| 1.01 | Flintshire County Council have reduced the size of its corporate office accommodation by approximately 43% by floor area (base year 2013/14) and now only occupies Phase 1 and 2 at County Hall. The current ongoing revenue costs of operating the building are in the region of £1.2m. The maintenance needs for the Mold building over the next 25 years are estimated to be £26m. |

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| | <p>Unity House in Ewloe is vacant and has been the responsibility of the Council for the last twelve months. The costs of just keeping Ewloe Offices vacant are in the order of £0.700m per annum. The building has been on the market for sale for nearly a year now with little serious interest. This position has been compounded further by the recent vacation of offices used by HSBC on the same Business Park together with the development of new high quality office accommodation directly opposite Unity House.</p> <p>It is therefore important that the relocation proposals for Unity House are not seen in isolation but as part of an ambitious strategy for the Mold Campus.</p> |
| 1.02 | <p>Cabinet received a report on the demolition of County Hall the relocation to Unity House and the wider redevelopment of the County Hall campus.</p> <p>The proposals at that time were set out in three distinct stages:-</p> <ul style="list-style-type: none"> • Stage 1 – relocate a large proportion of the workforce from County Hall to Unity House, demolish phase 3 and 4; • Stage 2 – explore further civic office accommodation for a reduced workforce either on the existing campus or elsewhere, including the demolition phases 1 and 2; • Stage 3 - Redevelop the remaining campus which may be coterminous with the Theatre development proposals. <p>This report will provide a current update on the progress of all of these stages.</p> |
| 1.03 | <p>County Hall and Unity House, Ewloe</p> |
| 1.03.1 | <p>Work to progress the remedial works needed to relocate the workforce into Unity House are being progressed; essentially this may be broken down into a number of areas as set out below:-</p> <ul style="list-style-type: none"> • Mechanical and electrical work; • Furniture and interior space planning • Data coms and access systems • Minor building work, the building is generally in very good decorative order; • Wider external works <p>Mechanical and Electrical work</p> <p>There are currently two main items of activity being undertaken at the moment, the heating system and related controls and the building ventilation system. The systems deployed by the previous tenant were a mixture of a number of systems but primarily air conditioning, based on the fact that the facility was a worldwide IT support centre. This meant that the conventional heating and comfort cooling systems were either not used or were used in a limited way. In addition the existing boiler is of an age that now requires renewal; in addition the main boiler room was extensively damaged and stripped of all copper pipework rendering the boiler inoperative. Tender action is progressing for the renewal of the boiler systems and the cooling system. The ‘damage’ element of the boiler room is being dealt with through our insurers.</p> |

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| | <p>Furniture and interior space planning The interior space and layout, being primarily open plan, has considerable opportunity to create a modern and innovative office environment. Work to build on this effective use of space has been considered further. Essentially the office layout will determine the location of many of the IT, data and electrical services and as such the office layout is a critical activity. Contract activity is in progress to appoint an advisor who has specific skill sets that will see space fully maximised and furniture used in a highly efficient manner.</p> <p>Data coms and access systems As noted above this is, to a greater or lesser degree, linked to the item above. Whilst there are many data points within the existing floor system many of these are likely to be in the wrong place or of insufficient number.</p> <p>The current access system in the building is defunct and a system which mirrors the systems in County Hall or Alltami Depot but updated, are proposed to be used in Unity House.</p> <p>Minor building work This will generally be minor in extent, decoration, minor carpet, floor finish replacement, ceiling tiles, new glazing etc. as the building is in good decorative order.</p> <p>Wider external works This relates to increased car parking provision in the main and work continues to be developed around the number of parking bays and secure access systems to these car parks.</p> <p>Funding The Council received a financial sum from the previous tenant as an unconditional dilapidations payment upon expiry of the lease. Although the dilapidations payment does not need to be applied to renovation of the building it is fitting that it should be used in this manner.</p> |
| 1.03.2 | <p>Demolition of phases 3 and 4 is currently receiving detailed consideration. The buildings and surrounding services and infrastructure make demolition works complex and it needs an approach that sees the work being undertaken in a highly coordinated way. There are further risks due to the proximity of major road infrastructure. The current proposal being considered is to use a framework contractor who would have the necessary skill sets to deal with the demolition and effectively manage the site wide elements.</p> <p>Funding As previously reported estimated costs have been identified and the work is supported through funding, when made available, within the Councils capital programme for 2019/20 onwards.</p> |
| 1.04 | <p>Redevelopment of the Remaining County Hall Campus</p> |
| 1.04.1 | <p>In the context of the wider site development proposals this crosses into Stage 2 of the original phasing proposals reported to Cabinet in October 2017 and involves a more rounded assessment and consideration of the whole site and how this may sit with any potential re-development.</p> |

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| 1.04.2 | <p>In developing the proposals we have recommissioned specialist advisors to re-visit proposals around site value and site composition i.e. housing mix, hub office and wider site layout and how this may be strategically procured.</p> <p>The site presents perhaps one of the largest strategic redevelopment opportunities in the Council's ownership and will be a complex task requiring specialist skills to assemble all of the various components together, the type of partnership that could support the Council in achieving this requires more detailed consideration.</p> |
| 1.04.3 | <p>In the context of the above there is a potential to consider some of the site wide elements with the refurbishment works at the Theatre, accepting that the refurbishment itself is a distinct and separate procurement activity. An update on progress with the Theatre refurbishment project is set out below.</p> |
| 1.05.4 | <p>Theatr Clwyd</p> |
| 1.05.5 | <p>The Council in conjunction with Theatr Clwyd and Arts Council of Wales have been working through a feasibility study for the Theatr Clwyd capital project work.</p> |
| 1.05.6 | <p>Arts Council of Wales (ACW) are due, in March 2018, to confirm their capital programme for future years including considering the allocation of funding for the Theatr Clwyd project.</p> |
| 1.05.7 | <p>It is clear that a project of this scale can only be affordable if it is recognised and also funded by Welsh Government (WG) as a strategic project of national significance. A project of this size is well beyond the financial means of the Council the size of Flintshire. As such the Council have commenced early negotiations with WG over strategic project recognition.</p> |
| 1.05.8 | <p>As part of the project there also needs to be clarity about any future support which secures the future revenue sustainability of the theatre.</p> |
| 1.05.9 | <p>The feasibility study was considered by the Capital and Assets Programme Board who helped develop these key actions.</p> <p>The capital programme now includes provisional allocations, subject to the funding being available in the capital programme, and the satisfactory completion of these actions. The Feasibility Study recommended progressing the £30m redevelopment as the smaller £15m refurbishment would see no real customer improvements or modernisation and, therefore, would be unlikely to be successful in gaining funding support from WG and ACW. No progress will mean ongoing operation of the theatre in the medium term is not sustainable due to the level of maintenance and refurbishment work that is required.</p> |
| 1.05.10 | <p>Being ready to progress detailed design and development work if and when the key actions are satisfactorily completed – Work had previously been put in place to identify a contractor for the detailed design and development work subject to capital funding being confirmed. During the pause to address the key actions a review of this work has taken place with procurement to ensure the appointment process is robust and to seek advice about how to complete this in the best interest of the Council without giving any contractual commitment at this stage. The findings of this review are:</p> |

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| | <p>- Council Chief Officers are in a position to recommend the appointment of the contractor named in the confidential appendix as the most economically advantageous tenderer for both stages of capital work (Design and Development and Construction) at Theatr Clwyd with an estimated value of £30m, having followed the procedure for a direct award under the Welsh Procurement Alliance framework agreement.;</p> <p>- This will be subject to the Council allocating capital funding to the Design and Development stage of the project and meeting the Council key actions around capital funding contributions, and progress on discussions about revenue sustainability;</p> <p>- There will be a clear break clause at the end of design and development phase to ensure that construction only progresses, and a further contract is only entered into with the contractor for the development, if and when the full capital contributions are in place. This mechanism will allow the Council to terminate the contract if funding is not available for the construction phase, or allow the Council to continue with the contract if funding is available to move forward to the construction phase.</p> <p>Funding The capital programme now includes provisional allocations subject to the funding being available through the achievement of capital receipts and the satisfactory completion of these actions</p> |
| 1.06 | Workforce Engagement |
| 1.06.1 | <p>In relation to this specific area, Cabinet, in October, were clear that Trade Unions and workforce should form part of workforce group to inform the work particularly around Unity House. Trade Unions have nominated officers to sit on the workforce group. A number of management teams have also visited Unity House and it would be from these groups that members of the workforce would be identified.</p> <p>In addition to the above an engagement session was held at the end of February with all current modern trainees to gauge their views and ideas around what a modern office workspace could look like and work.</p> |

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| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | Financial Implications |
| 2.01.2 | <p>As noted within the report the funding options are as set for the various elements at paragraphs:</p> <p>1.02.1 – Unity House, use of the dilapidations settlement; 1.02.2 – Demolition of Phases 3 and 4 and, use of the Councils own Capital Resources; 1.03.3 – Theatr Clwyd; use of the Councils Capital own resources and funding from other sources.</p> |
| 2.01.3 | Moving workforce to Unity House will create a number of financial efficiencies for |

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| | <p>the Council.</p> <p>Further and more detailed analysis has been undertaken on the costed options relating to the rationalisation, demolition and redevelopment option. Within the current efficiency programme for financial year 2018/19 is a £300k efficiency target, this relates to business rate mitigation strategies on Unity House and Phases 3 and 4, County Hall partly using provisions set out in s44a of the Local Government Finance Act prior to demolition of Phase 3 and 4 of County Hall and the phased re-commissioning of Unity House during the fourth quarter of 2018-19. Thereafter there will be a £90k projected recurring budget efficiency which is likely to increase when running costs for Unity House are more fully understood.</p> <p>This efficiency will increase further at the end of year five following the redevelopment of the Mold campus site to £717k pa.</p> |
| 2.01.04 | <p>The Council received a financial sum from the previous tenant as an unconditional dilapidations payment upon expiry of the lease. Although the dilapidations payment does not need to be applied to renovation of the building it is fitting that it should be used in this manner.</p> <p>Note:- the dilapidations payment is the subject of a confidentiality agreement to protect Unilever's position in future property negotiations. Revealing that sum would open the council to risk of legal action for breach of that confidentiality agreement and a potential claim for damages.</p> |
| 2.02 | Human Resource Implications |
| 2.02.1 | Preparatory work will take place with the Human Resource and Learning and Development teams to ensure workforce are ready and maximise the benefits of working in a modern and open plan building. |

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| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | With workforce and Trade Union colleagues through the workforce consultation group. |

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| 4.00 | RISK MANAGEMENT |
| 4.01 | The main risks are minor cost overruns or time delays. A risk register has been developed and is being used on the project. |

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| 5.00 | APPENDICES |
| 5.01 | Confidential appendix Part 2 item only. |

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| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | <p>Cabinet Report – October 2018</p> <p>Contact Officers: Ian Bancroft / Neal Cockerton Telephone: 01352 704511 / 01352 703169 E-mail: ian.bancroft@flintshire.gov.uk / neal.cockerton@flintshire.gov.uk</p> |

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| 7.00 | GLOSSARY OF TERMS |
| 7.01 | <p>Capital Programme - The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme.</p> <p>Capital Receipt - Receipts (in excess of £10,000) from the disposal of an asset.</p> |