

To: Cabinet Member for Finance and Asset Management
Date: 01 March 2022
Report of: Executive Director – Development
Title of Report: Works to St Aldates Chambers

Summary and recommendations	
Purpose of report:	To seek approval to drawdown the first phase of funds in consultation with s151 office and delegate to the Director of Development the budget allocation, construction works and lease arrangement needed to take forward the consolidation of the Council's office accommodation at St Aldates Chambers into the basement, second and third floors, and to rent out the ground and first floors.
Key decision:	Yes
Cabinet Member:	Councillor Ed Turner, Cabinet Member for Finance and Asset Management
Corporate Priority:	Foster an Inclusive Economy A Vibrant and Sustainable Economy
Recommendation(s): That the Cabinet Member for Finance and Asset Management resolves to:	
<ol style="list-style-type: none"> 1. Approve the drawdown of the first phase of £858k from the £1m within the capital programme. 2. Delegate to the Director of Development in consultation with the Cabinet Member for Finance and Asset Management and the Head of Law and Governance, and Head of Financial Services, the authority to enter into all appropriate contracts to implement the recommended changes to St Aldates Chambers and associated works to the Town Hall. 3. Delegate authority to the Director of Development, in consultation with the Council's Section 151 Officer, the Head of Law and Governance and Cabinet member for Finance & Asset Management to enter into lease(s) agreement(s) for the letting of two floors within St Aldates Chambers. 	

Appendices	
Appendix 1	Confidential Appendix – projected income and savings from renting 2 floors of SAC

Introduction and background

1. The Council, like many other organisations, adopted new ways of working during the pandemic, including an increase in working from home. While this brought with it many challenges, and underlined the importance of the office from a collaboration, social and cultural perspective, it also delivered many benefits. As we emerge from the pandemic it is envisaged the Council and the majority of Council staff will adopt flexible and hybrid working arrangements, where staff will split their working hours between home and the office.
2. While individual officers and teams will have different requirements, a staff survey carried out in mid-2021 indicated that the majority typically wanted to work from home 3 days a week, and in the office 2 days a week. A separate survey on business needs undertaken with Heads of Service and managers supported these findings. Work led by Facilities Management has indicated that based on this level of demand, the Council only requires use of 2 floors at St Aldates Chambers (SAC), alongside the basement, and use of the town hall. This includes a mix of fix desk space, touch down points, meeting rooms, collaboration space and some (limited) storage.
3. The 2021/22 budget, agreed by Cabinet and the Council in February 2021, set out savings and income benefits based on consolidating our office requirement at SAC into the basement, plus 2 floors of SAC, and subsequently letting the remaining 2 floors within SAC to a third-party. This have been updated as part of the draft 2022/23 budget. Given this includes assumptions around our estimated income, this is included in a confidential appendix to this report, given it is commercially sensitive. The draft 2022/23 Budget also includes an initial £1m capital allocation for works necessary to achieve these ongoing revenue savings and income. This is a high level estimate and is subject to further detailed cost and design development.
4. Renting 2 floors of SAC will a) bring in income into the Council to support the delivery of services, b) reduce costs associated with operating two floors of SAC and c) ensure the maximum use of the office footprint at SAC and therefore maximise footfall in the city centre to support local businesses.

The Project

5. The savings and income assumptions in the 2022/23 budget rely on undertaking construction works to re-profile the office space at SAC to consolidate the City Council office requirement, and the subsequent letting of the remaining two floors of SAC, to both be undertaken within 2022/23.
6. While there remains inherent risks associated with achieving these work streams within the timeframes, in order to have the best possible chance we need to start the necessary construction works as soon as possible, and no later than March 2022.

7. This paper therefore requests authority to draw down the first phase of funds of £858k from the £1m capital allocation and to delegate entering into contract(s) for necessary construction works to take place as soon as possible. It also seeks delegation to enter into future leases with third-party tenants.
8. Based on initial feasibility work, approved by the officer level Development Board, the ground and first floor will be marketed for leasing to a third party tenant or tenants, with the basement, second and third floors retained for City Council office accommodation.
9. The Council has appointed agents to advertise and find suitable tenants to let the ground and first floors. To meet income targets the assumption is we need a tenant to be in place, and so works completed to the ground and first floors, by June 2022.
10. The Council is in the process of vacating the identified lettable floors within SAC, with the Customer Services Centre having now moved into the County Council's Central Library at the Westgate Centre, as a 12 month pilot scheme. Should the pilot scheme not be successful and Customer Services are unable to continue to operate within the library, a backup plan referred to as 'Plan B' can be initiated. The project team have identified an alternative space within the Town Hall, where Customer Services can be relocated to if needed.
11. The SAC project comprises of a number of 'parts' which have been broken down to the following:

Phase	Area	Description
1	Fees	Professional fees & surveys etc.
1	Communal spaces up to 1 st floor	OCC to employ ODS to carry out works within these areas. Works to include de-branding, re-decoration, upgrades to staff corridor (replacement of leaky roof, replacement cladding panels for neutral colours) etc.
1	M&E Full Building Systems (all floors)	OCC to employ ODS to carry out these works which include items such as <ul style="list-style-type: none"> - Ventilation upgrade - Intruder alarm

		<ul style="list-style-type: none"> - Intercom systems - Fob access <p>Fire alarm etc.</p>
2	Ground Floor tenant area	Assumed tenant to take space as seen (subject to M&E works described below in 'M&E Full Building Systems' having been completed) and carry out works themselves. OCC to provide capital contribution to the prospective tenant to carry out works.
2	First Floor tenant area	Assumed tenant to take space as seen (subject to M&E works described below in 'M&E Full Building Systems' having been completed) and carry out works themselves. OCC to provide capital contribution to the prospective tenant to carry out works.
3	OCC retained area improvements	<ul style="list-style-type: none"> - Review of space layout and usage - Review of available technology available for use, with potential for new tech to be purchased. - Customers service 'Plan B' space within the Town Hall. (refer to section 10 for further information)

12. As noted above, based on high level estimates the project has been allocated £1m within the Capital Programme. The budget still needs further refinement due to costings being estimates at this stage. The budget will need to cover these costs, alongside internal capitalised officer time, agency fees, fit out works to the OCC

floors, and minor works to the town hall required should the Customer Service Centre pilot at the Central Library not prove to be successful, and a suitable space is then needed for face to face customer support. The high level estimate costs associated with the above phases of work are included within the confidential attachment.

The project team are currently finalising a full scope of works and working on an estimate of costs for the project. However, based on the above assumptions, it may well be that additional funds are required to complete all three stages of the project. At this stage, the report is therefore seeking draw down of the £858k Stage 1 funds only.

13. Once design documentation and specifications have been completed the project can be fully costed by a Quantity Surveyor and Oxford Direct Services, who submit a price to carry out the works. If additional funds are required, then a further key decision report will be forthcoming, with a recommendation to Council for an in year Capital budget increase. It should be noted that given the projected income from this work, there is sufficient headroom in the business case for a budget increase in line with current estimations.
14. The project programme is currently estimating for construction works to start towards the end of March 2022, with all works to tenant areas and communal spaces due for completion prior to the end of June 2022. Getting the works undertaken in the communal areas will be key to letting the ground and first floors and securing the rental income as quickly as possible.
15. Timescales for when the works within the Council occupied areas on the second and third floors will be undertaken are still being reviewed. However, clearly this will depend on agreeing the right strategy in terms of Council decant to allow works to be undertaken. This will be agreed working with the unions and subject to a detailed staff communications strategy.

The Council has also appointed a “New Ways of Working” Programme Manager. Their role will be to work with the wider Council, including ICT, FM and HR to put in place a change programme to support the move to hybrid working and the consolidated 2 floors at SAC. Their work will be overseen by the Corporate Management Team.

Financial implications

16. The 2021/22 budget setting process, agreed by Cabinet and the Council in February 2021, set out savings and income benefits based on consolidating the City Council office requirement into the basement, plus 2 floors of SAC, and subsequently letting the remaining 2 floors within SAC to a third-party. These savings, have been updated as part of the draft 2022/23 budget which are presented within a separate appendix to this report.
17. Given this includes assumptions around our estimated income, this is included in a confidential appendix to this report, given it is commercially sensitive.
18. Exact costings for the works to be carried out are currently being refined. The 2022/23 Budget includes a £1m capital allocation for works necessary to achieve on going revenue savings and income. The Stage 1 costs of £858k are within this

budget and will allow for further refining of the overall budget envelope. However, if additional funds beyond the £1m is required, this will be subject to a separate decision and in year Capital budget approval. As noted in the confidential appendix, there is felt to be sufficient headroom in the business case to accommodate an increase in line with current estimations, which include a good level of contingency.

19. It should be noted that while the 2022/23 budget profiles this spend to take place in 2022/23, a proportion of the approved £1m capital allocation for this project may need to be brought forward to allow spend within the current financial year 2021/22, enabling construction work to begin in March 2022, prior to the start of the new financial year.

Legal issues

20. Section 123 Local Government Act 1972 provides that a principal Council may dispose of land held by them in any manner they wish and provides the authority for the Council to enter into a lease of space at St Aldate's Chambers. It further provides that the land may not be disposed of for a consideration less than the best that can reasonably be obtained.

21. The Local Government Act 2000 provides that all Executive functions are the responsibility of the Leader of the Council, who may exercise those functions in person, through an Executive Committee, or by delegation to an Individual Executive Member. The Leader has delegated the taking of this decision to the Cabinet Member for Finance and Asset Management to take as an Individual Executive Member Decision.

Level of risk

The risks associated with this project are -

- ii) Project programme overrun – this will mean a delay to the savings and income. A project manager is in place and regular project board has been established to manage this project to mitigate this risk
- iii) Project cost overrun – the urgent work to achieve the savings and income targets are those to ensure the ground and first floor can be let, these works will be prioritised, with additional costs for other aspects if required brought back to Cabinet with an appropriate business case
- iv) Lettable interest / signing and commencement of lease(s) – An agent is appointed to market the space, and regular meetings will take place to oversee this work
- v) There are potential health and safety risks from the proposed works. These will be mitigated by ensuring a competent contractor is appointed and over seen to carry out the works.

Equalities impact

22. An Equalities Impact Assessment will be produced as part of the broader New Ways of Working Programme.

Environmental Impact

23. The overall aim of the project will seek to reduce staff travel and the overall office footprint for the City Council. This will have inherent sustainability benefits.
24. Oxford Direct Services will be the contractor used for carrying out the construction works needed within St Aldates Chamber and at the Town Hall. By using ODS we are using a local Oxford contractor who support and are committed to sustainability and responding to climate change, thus supporting and enforcing the Council's carbon and environmental practices and policies.

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Background Papers: None