

Divisions Affected - All

CABINET 23 JANUARY 2023

OXFORD CITY CENTRE ACCOMMODATION STRATEGY

Report by Executive Director of Resources

RECOMMENDATION

1. **The Cabinet is RECOMMENDED to:**
 - a) progress Option 2: 'Consolidation in Speedwell House and disposal of County Hall' as the preferred option and progress the project through the Council's capital governance and reporting processes, noting the financial position.
 - b) To engage the market to assess interest in both New and Old County Hall to inform a final decision on Old County Hall's future.

Executive Summary

2. In November 2022 Cabinet approved the Property and Assets Strategy which set out Oxfordshire County Council's (OCC) 10-year ambition for its property portfolio driven by the need to repurpose the estate to enable new ways of delivering services, support agile working and decarbonise existing buildings.
3. The Strategy confirmed the continued need for a core central office and democratic facilities in Oxford city centre based on its central location, historical significance, strong public transport links, access to a larger workforce and the range of facilities in the city.
4. Following approval of the Strategy, the Oxford City Centre Accommodation Strategy project was established to drive forward the future of office accommodation and the Council's workplace in the city centre, giving consideration to available options and identifying a preferred option.
5. A cross party Cabinet Advisory Group (CAG) was established in February 2023 to provide guidance and feedback to the Cabinet Member for Finance, on the development of options and a business case to deliver the objectives set out in the Property and Assets Strategy, specifically in relation to the city centre accommodation options under the Oxford Accommodation Strategy.

6. An Initial Business Case was developed (the definition of which is a commitment to investigate) including the case for change and the rationale for the shortlisted options and was considered by the CAG in June 2023. The shortlisted options were:
 - (a) **Option 1 - Consolidation in County Hall** following major refurbishment, with the release of Speedwell House. This option would involve a temporary decant of County Hall to Speedwell House to enable the refurbishment of County Hall.
 - (b) **Option 2 - Consolidation in Speedwell House** following redevelopment and extension of the existing building, with the release of County Hall.
7. The CAG supported progressing further technical appraisal of these two options to inform an appraisal of the socioeconomic benefits of the options, and to test and confirm the preferred option in an Outline Business Case (the definition of which is a commitment to invest).
8. The Outline Business Case recommends Option 2 (consolidate in Speedwell house and Dispose of County Hall). This Option demonstrates the greatest alignment with the Council's Spending Objectives and Critical Success Factors, whilst avoiding a complex decant of County Hall and associated costs, having a shorter delivery programme, and maximising the Council's role in place shaping and social value in the city.
9. The CAG considered the Outline Business Case in December 2023 and supported the recommendation of the OBC, to proceed with Option 2.
10. Annex 1 sets out a summary of the Outline Business Case.
Confidential Annexes 2 and Annex 3 set out the full Outline Business Case and supporting information. Given the commercially sensitive nature of both the costs and potential value of capital receipt, these two annexes are **exempt from the public**.

Strategic Case for Change

11. The Council is at a critical decision-making stage with regards to its city centre estate. There has been a cumulative lack of investment for over a decade in the city centre assets which has resulted in buildings that are either mothballed, or require significant mechanical and electrical and Net Zero investment to comply with modern safety and compliance standards. This lack of investment has resulted in major assets such as County Hall and Speedwell House now requiring unaffordable amounts of investment if they are to be considered fit for purpose and compliant with modern standards. Added to this, and following an increase in more agile working patterns as a part of the Delivering the Future Together Programme (DTFT) in a post pandemic world, it is no longer justifiable or sustainable to retain offices that, at their peak, are only 35% occupied at any given time.

12. There is now an unavoidable priority to take a decision on the future of the Council's city centre office accommodation, as well as a key window of market opportunity to maximise the Council's assets to support its financial sustainability and the wider economic and social development of the city centre. To do nothing is no longer an option, the city centre assets do not reflect the organisation that OCC aspires to be - an employer, partner and placeshaper of choice - nor do they comply with modern safety and compliance standards. The Council has a once in a generation opportunity to use its assets, covenant and influence to be the 'place shaper of choice' in the city centre and at the heart of economic and social regeneration.
13. A high-level space assessment has been undertaken which estimates a total 4,500m² of space is required to house necessary democratic functions and the corporate workforce, taking into account improved space efficiency and a change in working patterns. Details are set out in Annex 1, Appendix 2.
14. Strategic Objectives and Critical Success Factors were identified by the project team and agreed with the Cabinet Advisory Group (CAG) at IBC stage, and were reconfirmed for the OBC. These are set out in Annex 1, Appendix 2. They reflect the aims of the programme and the city centre project itself. Spending Objectives consider the rationale and drivers for intervention and the key outcomes and benefits that are being sought, whilst the Critical Success Factors are attributes essential to the successful delivery of the project. Together the Spending Objectives and Critical Success Factors provide the framework against which options have been assessed and appraised in order to recommend a preferred option.

Initial Business Case (IBC)

15. In accordance with the Council's capital governance procedures, an Initial Business Case (IBC) was developed in the first half of 2023 to establish a case for change, consider a long-list of potential options and identify short-listed options. The IBC was developed through engagement with the Cabinet Advisory Group and provided a provisional budget for assessed and shortlisted options, with a commitment made to investigate options further.
16. The IBC was considered by the Cabinet Advisory Group in June 2023, with support for the shortlisted options identified be further appraised to confirm a preferred option.
17. The success criteria for the project were identified as required to achieve:
 - (a) Strategic fit and business requirements
 - (b) Value for money
 - (c) Contribution to regeneration
 - (d) Affordability
 - (e) Deliverability/achievability
18. The IBC considered city centre accommodation options across the following in scope assets:

- (a) County Hall
- (b) Speedwell House
- (c) Rewley Road site
- (d) Westgate Library Offices

19. The IBC determined that based on achievement of the success criteria, the following options should be appraised further within the OBC:

Option 1 - Consolidate in County Hall

20. Option 1 consolidates OCC's city centre workforce in a refurbished County Hall. This option assumes that Speedwell House would either be:
- (a) Released for disposal with or without outline planning consent.
 - (b) Retained and refurbished by the Council before being leased out for income generation purposes
 - (c) Retained under a ground lease enabling the Council to realise a capital receipt/share of the income

Option 2 - Consolidate in Speedwell House

21. Option 2 consolidates OCC's city centre workforce in a refurbished and extended Speedwell House. New County Hall and the Link building would be disposed of, with the option to either retain or release Old County Hall.
22. Following the refurbishment of Speedwell House, this option assumes that New County Hall and the Link building would either be:
- (a) Released for disposal with or without outline planning consent
 - (b) Retained and refurbished by the Council before being leased out for income generation purposes
 - (c) Retained under a ground lease enabling the Council to realise a capital receipt/share of the income

23. The preferred way forward following the qualitative and quantitative appraisal within the IBC was Option 2: Consolidation in Speedwell House. However, this decision was subject to further technical and financial appraisal of both shortlisted options described above as part of this OBC to determine the preferred option.

Option 0 – Do Minimum


24. A Do Minimum option was also carried forward from the IBC for further appraisal but only for comparison purposes. Under the Do Minimum option there is a base capital investment need of £26.3m across the retained city centre assets. This base need comprises major refurbishment, investment in mechanical and electrical systems, and investment to support Net Zero to enable continued long-term occupation in County Hall (and assumes Speedwell House remains mothballed).

Outline Business Case (OBC)

25. Following the recommendation from IBC stage that the two shortlisted options be further appraised, the OBC undertakes a more detailed options appraisal and establishes the feasibility of the project, with a commitment to invest to a final budget. The OBC includes:
- The reaffirmed strategic case for change and the anticipated outcomes of the investment (including a data-driven evidence base that demonstrates the need to invest).
 - A refreshed option appraisal based on a detailed cost benefit analysis of each short-listed option following technical feasibility work.
 - An agreed procurement strategy.
 - An implementation plan and final budget for the preferred option.
26. Following the appraisal of the shortlisted options, Option 2 shows the greatest alignment with the Council's Spending Objectives and Critical Success Factors for the project and provides the Council with a new, fit for purpose, agile office space and democratic centre. It also releases key surplus assets in a prime city centre location that can therefore contribute to the social and economic development of Oxfordshire for future generations. This option also reduces the Council's city centre footprint by 43% as opposed to 33% under Option 1. There is also an associated programme benefit under Option 2 by avoiding the need to decant County Hall allowing the Council to deliver the programme within a shorter timeframe than Option 1. This saves the Council around 18 months and a considerable decant cost.
27. An appraisal of the Options against the spending objectives which has informed the assessment against the Critical Success Factors is set out below.

Option Assessment

● Likely to meet the CSF
 ● Potential to meet the CSF
 ● Not likely to meet the CSF



Critical Success Factors(CSFs)	The preferred option must...	Option 0	Option 1	Option 2	Comments
		Do Minimum	Consolidate in County Hall	Consolidate in Speedwell House	
Strategic fit and business requirements	<ul style="list-style-type: none"> Be consistent with Spending Objectives, service requirements, and customer and workforce needs 	●	●	●	Option 2 is likely to meet the Council's Spending Objectives, and workplace and customer requirements. Option 1 meets the Spending Objectives to a lesser extent as its contribution to the local economy and community is lower. Option 0 does not meeting the Spending Objectives.
Value for money	<ul style="list-style-type: none"> Demonstrate optimal public value in terms of potential costs, benefits and risks Make net revenue savings on property running costs through a reduction in floor space 	●	●	●	Options 1 and 2 both release surplus assets for reinvestment, however the value of County Hall exceeds that of Speedwell House so Option 2 will release higher receipts overall. Option 2 delivers a greater reduction in floor area compared to Option 1.
Contribution to Regeneration	<ul style="list-style-type: none"> Contribution to regeneration and economic development Enhance social value in the city and countywide 	●	●	●	Given County Hall's greater floor area (5,500m ²) compared to Speedwell House (4,000m ²) and prime location, Option 2 shows the greatest contribution to regeneration through socio-economic benefits, and would deliver these more quickly.
Affordability	<ul style="list-style-type: none"> Be cost neutral or net positive Demonstrate minimum reliance on public borrowing 	●	●	●	Option 2 has the lowest net capital requirement and could provide the opportunity to achieve a cost neutral project without reliance on borrowing.
Deliverability / Achievability	<ul style="list-style-type: none"> Viability in planning, legal, third party and other terms Can match the level of available resource required for successful delivery Match the ability of potential suppliers to deliver the required services 	●	●	●	Option 2 has some planning risk in extending Speedwell House but avoids the need for a complex decant and brings a surplus asset to market more quickly than Option 1.
		Discount	Discount	Preferred Option	

Regeneration and Socio-economic Benefits

28. The Council has a once in a generation opportunity to use its assets, covenant and influence to be the '*placeshaper of choice*' in the city Centre and at the heart of social regeneration:
- The city centre masterplan is incomplete without a reimagining of the County Hall site as part of a corridor of regeneration, also comprising the redevelopment of the Rewley Road site. This creates a unique opportunity to provide real community and social benefit by encouraging innovation and investment, improving wellbeing, and creating a sustainable and greener future.
 - The redevelopment of Speedwell House for the Council's long term occupation will comprise improvements to the surrounding public realm, including open space and a potential cafe opposite the magistrates court, and will significantly enhance an area of the city where the market alone has not led to regeneration. This also links to wider aspirations to create a public sector quarter in this part of the city, alongside the crown court and police station.
 - Not only are there opportunities to work along side the ongoing rejuvenation of Oxford Castle Quarter but there is the potential to better link the city centre to the wider West End redevelopment (Oxpens, Osney Mead and Oxford station), opening up significant underutilised areas close to the bustling heart of a world-renowned city. Regenerating this area creates opportunities through modernising and improving existing employment sites in a central area that can be reached by people living close by, on foot, bike or public transport, minimising car journeys, with new homes incorporated into the overall master plan contributing to housing need in the city.
29. For these reasons Option 2: Consolidation in Speedwell House will provide most socio-economic benefit, beyond any commercial transaction, with the Council leading regeneration in a part of the city where the market has not, and releasing County Hall for alternative uses close to other areas of regeneration. Option 2 also releases a greater floor area than Option 1 for alternative uses with proportionate socio-economic benefits in terms of Gross Value Added (GVA), driven by the future use.
30. At this stage, Option 2 also delivers the most in terms of total quantifiable direct and indirect benefits over Option 1. It will also enable the Council to take the fullest placeshaping role and enable socio-economic benefits through:
- (a) Leading on redevelopment of public sector quarter around Speedwell House with improvements to the public realm
 - (b) Releasing County Hall to contribute to further regeneration of the West End and the city centre masterplan.

Stakeholder Engagement

31. A stakeholder engagement plan has been developed for internal stakeholders including elected councillors and colleagues across service areas, as well as external stakeholders such as Oxford City Council and potential One Public Estate partners. There will be a potential impact to the workforce, although deemed to be immaterial given any change to base office will be to another city centre location. The impact on colleagues, the environment and equality will continue to be addressed as the project progresses.

Next Steps and timescales

32. Subject to the recommendations being approved, the project to redevelop Speedwell House will progress to a Full Business Case and a commitment to spend through the Council's capital governance processes.
33. Subject to the recommendations being approved, New County Hall will be registered on the Disposal List. Following the market engagement exercise, a decision will be required on the disposal of new County Hall alongside a decision on the future of Old County Hall.
34. Current timelines anticipate that Speedwell House would be ready for occupation by March 2027, with a sale of New County Hall prior to this. These timescales are indicative and are commensurate with the current level of design and stage of the project, and are dependent on planning approval timelines.

Financial Implications

35. As set out in the report there is no option that does not result in additional investment being required. However, Option 1 and 2 generate receipts which it is expected would enable the associated costs to be funded.
36. Option 0, remain in County Hall with refurbishment, is expected to be the highest cost of the options in the OBC.
37. The expectation is that the costs of Option 2 can be met from the release of new County Hall. Consideration will need to be given to the approach for Old County Hall once a market engagement exercise has been undertaken.
38. Under Option 2 County Hall would continue to be utilised ahead of moving to Speedwell House saving any cost of additional accommodation required while work progresses. The capital receipt would need to be generated through a forward sale so that the property continues to be available for use until it is possible to move into Speedwell House.
39. The actual costs and capital receipts for Option 2 will become clearer after the completion of the market engagement exercise. Once this information is available, a decision can then be made on whether to proceed with the project and how it will be financed.

It currently costs £1.05m per annum to run the council's city centre estate. Both Option 1 and Option 2 show a marginal revenue efficiency compared to this baseline. However, when compared to the Do Minimum Option 0, Option 2 shows a slightly greater saving per annum saving, than Option 1. Given the relatively small difference in running costs across Options 1 and 2 this is not considered a key differentiator in the options appraisal.

Comments checked by:
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Legal Implications

40. There are no immediate legal implications for the Committee's consideration of the preferred option and the Council is entitled to determine how best to use its own property. However, the reorganisation of the Council's estate will require appropriate legal documentation to set out the transaction, consultancy and construction arrangements.

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