



RECORD OF EXECUTIVE DECISIONS

The following is a record of the decisions taken at the **Special Meeting** of **CABINET** held on **Wednesday 27 April 2022**. The decisions will come into force and may be implemented from **Tuesday 10 May 2022** unless the Corporate Overview and Scrutiny Management Committee or its Committees object to any such decision and call it in.

Durham County Council Headquarters Alternative Options Assessment **[Key Decision: REG/04/22]**

Summary

The Cabinet considered a joint report of the Corporate Director of Regeneration and Economic Growth and the Corporate Director of Resources which was the third in a series of reports reviewing the plans to occupy the newly constructed building on The Sands in Durham City. The report considered the options for the location of the Council's Headquarters (HQ) and the functions and use of its estate to support wider economic objectives for the county should the Council not occupy The Sands site. The report set out a proposal to dispose of The Sands site, (excluding the surface car park area and new multi storey car park), subject to planning. The Cabinet considered the key business case requirements and value for money, including economic, financial, commercial, management and strategic objectives.

On 16 June 2021, Cabinet agreed to review the options for use of the newly constructed Durham County Council Headquarters (HQ) at The Sands in Durham City and to set out an approach for reviewing the options for the Council's HQ functions.

The building at The Sands is now complete, however, the common land de-registration process has resulted in additional unforeseen /unbudgeted costs of circa £2.1 million having been incurred to practical completion – resulting in an overall development spend of £51.2 million.

These additional costs can be largely offset should the Council not occupy the building, as the planned investment in audio-video/ICT infrastructure and in new furniture and fittings, that was included in the original budget sum, can be saved.

This would reduce the overall additional spend incurred to a forecast £0.6 million, which can be financed from capital contingencies, and would require a revised development budget of £49.7 million.

On 29 September 2021, Cabinet agreed to a number of recommendations with regard to the future of the Council's estates strategy and Council HQ functions. It was agreed that further work would be undertaken on alternative options for office accommodation and committee space for the Council. The protection of the strategic employment development site at Aykley Heads and future demolition of the existing County Hall building was also agreed. The need to meet public interest and value for money considerations underpinned the September 2021 report and these considerations need to inform any change to the original plans for the Council to occupy The Sands building.

Cabinet agreed that the viable alternative to the Council occupying the new HQ building on The Sands would be for the disposal of that building or letting of it to a single third-party occupier within a reasonable timescale and to conclude the position by Summer 2022. The September 2021 report identified the difficulties in securing interest in a building of this size, noting that another single occupier would likely be the only viable alternative. Cabinet noted the high-level risks and issues that needed to be considered prior to any final decision not to occupy the building on The Sands and to dispose of it.

The September 2021 report also advised of an interest from a third party in acquiring the building. It was agreed that negotiations with the third party would progress on a subject to contract basis, while at the same time a business case for an alternative accommodation strategy would be prepared. The interest from a specific third party was referenced in the report, but not formally identified at that time due to commercial confidentiality.

The interested third party, Durham University, seeks to acquire the building to enable the development of the University business school. The use of the building, readiness of the University and the heads of terms agreed for the purchase price are the key factors in the justification for the disposal to a 'special purchaser' in this case.

Durham University Business School (DUBS) and its strong global reputation would provide an important economic asset to the overall development. The University also has a key role in enabling and supporting an inclusive economy. The University has presented clear evidence of a readiness to move forward with the business school, subject to planning.

Common with all scenarios considered in the September 2021 Cabinet report was the need to limit the timescales to implementation. It was agreed that any negotiation with the third party must be concluded no later than three months following approval of any viable alternative office accommodation strategy, which was anticipated to be Summer 2022.

It was agreed that should it not be possible to reach a satisfactory outcome from negotiations with the interested third party within the timeframes set out in the Cabinet report, or if a viable alternative office accommodation strategy was not found, then the Council would occupy the building on The Sands as its new HQ.

The proposed disposal to the University is subject to planning approval of a change of use for the existing site to support the use as a business school (use for education purposes). A planning application led by the University is expected to be considered by the County Planning Committee in July 2022. The report provided Cabinet with the outcome of the negotiations with the University and the business case for disposal, including the broader economic outcomes and the alternative Council office accommodation strategy that could be implemented. The report addressed the public interest and value for money considerations that need to inform any change in the original plans for the Council to occupy the building on The Sands.

Underpinning the recommendations set out in the report were a range of issues, not only the importance and opportunity to ensure a high performing and consistent approach for publicly accessible, workforce accommodation and space, but also the opportunities to achieve strong economic objectives releasing wider development for the county, a strong commercial outcome for public money and an alternative accommodation plan that meets the Council's needs.

A number of key areas were considered as part of the business case:

- (a) demonstrating a strong financial position from progressing the alternative options;
- (b) a clear economic case that meets the Council's aspirations for levelling up and an inclusive economy;
- (c) the connectivity of the development of the Council's estate with broader regeneration master plans for the county including the Aykley Heads strategic employment site development;
- (d) the need to ensure that climate change is considered in the proposals; and
- (e) ensuring that the development of the estate can reflect the needs of the Council to deliver effective services and workforce wellbeing.

Technical reviews to assess the key aspects of the strategic, economic, financial, commercial and the management case for the proposals were undertaken. This included understanding the costs and comparison of the benefits of the alternative estates strategy that is proposed, against the original business case for occupying the building on The Sands. Additional work will be required on the detailed development and assurance of the project as it is implemented.

In reviewing the preferred option for the alternative estates strategy, the following options and building scenarios were considered:

Aykley Heads, Plot C, offers potential to provide a flexible space in a building that will be available within a relatively short timescale. Consideration would need to be given to the grant funding provided by the LEP to part finance the construction.

Conclusion: To be further considered as part of an alternative accommodation strategy.

Aykley Heads, Plot D Development Site offers the potential to provide flexible dual use civic space for the Council and, importantly, conferencing accommodation and facilities for the broader Aykley Heads development, along with office accommodation. The overall size of accommodation can be adjusted to reflect need.

Conclusion: To be further considered as part of an alternative accommodation strategy.

Durham Salvus House is currently occupied by Business Durham and a number of small businesses. If this building were to be used to accommodate additional Council staff, businesses would need to be relocated.

Conclusion : Due to impact and disruption for businesses already located in this site, this option is not considered appropriate for further consideration.

Spennymoor Education Development Centre is extensively used by schools and a significant refurbishment and/or extension is not considered to represent the best option for the accommodation requirements set out in this report given the impact on existing users and wider implications on timescales for the development of the wider Aykley Heads site.

Conclusion: Not considered appropriate for further consideration.

Meadowfield Annand House provides limited scope for additional office accommodation of the scale required.

Conclusion: Not considered appropriate for further consideration.

Durham Priory House is currently leased out by the Council. Any Council occupation would require the current lease to be terminated with a resulting risk of the occupant relocating outside of the County Durham area.

Conclusion: Not considered appropriate for further consideration.

Tanfield Lea Comeleon House has limited scope to provide additional office accommodation of the scale required.

Conclusion: Not considered appropriate for further consideration.

Stanley Front Street is a vacant building which significantly detracts from the Town Centre and future investment opportunities. Although refurbishment costs are higher than for other buildings, bringing the building back into use as office accommodation as part of this strategy will bring broader regeneration opportunities and outcomes.

Conclusion: To be further considered as part of an alternative accommodation strategy.

Taking account of the desired objectives, the preferred alternative accommodation strategy, as set out in the report consisted of occupation of the building currently under construction at Plot C, Aykley Heads, a new build civic centre incorporating a conferencing facility at Plot D, Aykley Heads and the refurbishment of the former Customer Access Point building at Front Street, Stanley, which were recommended for the following reasons:

- a) considers the estate as part of a broader plan for regeneration;
- b) provides flexibility for the Council's office accommodation;
- c) allows increased use of existing assets;
- d) provides the option for civic accommodation to be used as a conference facility for the wider Aykley Heads employment site, which will enhance marketing opportunities for the Aykley Heads site;
- e) overall, the revised estates strategy seeks to deliver against a range of objectives to meet a balanced outcome and ensure value for money.

The Cabinet also considered a separate, private report which included information considered to be exempt under paragraph 3 Schedule 12A of the Local Government Act 1972.

Decision

The Cabinet:

- (a) noted the work that has been undertaken to review the Council's current main office estate and office accommodation requirements, to reflect the needs of the business and the ways of working post Covid, and the business case underpinning the preferred alternative office accommodation strategy set out in the report;

- (b) noted the options set out in the report to provide an alternative HQ and office accommodation, including the proposal for a new civic site for the authority which provides an opportunity for wider events space at Aykley Heads and will enhance the attractiveness of the site to prospective occupiers;
- (c) agreed the preferred office accommodation option for a new build civic centre at Aykley Heads Plot D, use of the building under construction, Plot C at Aykley Heads for office accommodation and refurbishment and use of the former Stanley Customer Access Point;
- (d) noted the flexibility to review the scope and scale of the new build and refurbishment areas to reflect any changing requirements which could include bringing other buildings into the strategy. Authority for such changes to be made to be delegated to the Corporate Director of Regeneration Economy and Growth and Corporate Director of Resources in consultation with the Cabinet Members for Resources, Investments and Assets and for Finance;
- (e) noted that this strategy will be further developed considering technical delivery, legal issues, consultation and further detailed appraisals commensurate with a development of this type and scale;
- (f) agreed to progress with the disposal of the building on The Sands, to exclude the surface car park area and multi storey car park, to Durham University. The disposal to be subject to planning permission for a change of use to enable the building to be used as the University's business school;
- (g) delegated authority to the Corporate Director of Regeneration Economy and Growth and Corporate Director of Resources in consultation with the Cabinet Members for Resources, Investments and Assets and for Finance to agree the detailed terms of the disposal;
- (h) agreed that should the University not move forward with the acquisition within timescales set out in the report, that the Council moves into the existing building on The Sands;
- (i) agreed that any surplus funds from the disposal that are not otherwise required for the delivery of the Council's revised estate strategy will be available for MTFP planning purposes and can be considered for a range of investment opportunities including levelling up investment across the wider county;
- (j) agreed that the capital budget for The Sands development is increased by £0.6 million, financed from capital contingencies, on the basis of the building being sold to Durham University, or £2.1 million if retained and occupied.