



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

Thursday, 11 January 2024

Report of the Executive Director - Corporate Services and Transformation

County Hall Options Appraisal - Outline Business Case for the Future of CCHQ

(Cabinet Member for Corporate Services and Budget)

1. Divisions Affected

1.1 *County-wide*

2. Key Decision

2.1 This is a key decision.

This is a key decision because it is likely to be significant in terms of its effect on communities living or working in an area comprising two or more electoral areas in the County.

3. Purpose

3.1 In November 2022 CMT/Cabinet received and noted the findings of the Strategic Outline Business Case (SOBC) for the future of County Hall and approved the shortlist of four options to be taken forward to the next stage – Outline Business Case - for more detailed analysis of the deliverability and benefits of each. The purpose of this report is to:

- provide a briefing on the outcome of that work and ask Cabinet to note the findings in the Outline Business Case
- to request approval for the recommended option (Option 3) for the future of County Hall and the Council's HQ in which the Council

moves to a smaller new headquarters on the Matlock Campus site and the main County Hall campus is redeveloped to deliver mixed use

- to support the inclusion of £375,000 in the Capital Programme for 2024/25 to fund the development of the full detailed business case, subject to approval of the 2024/25 Capital Programme by Full Council in February 2024.
- To seek Cabinet approval to delegate to the Director of Property in consultation with the Director of Legal and Democratic Services the power to procure and appoint such consultants as may be required for due diligence and development of the Option 3 detailed business case including where appropriate the extension or variation of existing contracts within the funding envelope of £375,000 (subject to this amount being approved by Full Council in February 2024).

4. Information and Analysis

- 4.1 Derbyshire County Council, like many other local authorities, is transforming the way in which it works and delivers services. Covid restrictions helped to demonstrate that we can continue to deliver excellent service whilst working in more flexible and agile ways.
- 4.2 DCC are also the lead authority for the One Public Estate programme for Derbyshire and Nottinghamshire and are actively pursuing projects which align with the aspirations of this programme for co-location and for the rationalisation of the wider public estate.
- 4.3 In addition to this, our Property 2025 vision sets out an ambitious programme to ensure that we review every asset that we hold, challenge the reason for holding it and ensure that our estate is as effective and efficient as possible. The need to reduce the size of the corporate estate to an affordable size, whilst still supporting dynamic and effective service delivery, has become increasingly vital as pressure on available budgets grows.
- 4.4 Our corporate headquarters at County Hall in Matlock, consists of a beautiful, listed, former spa building, at one time the largest building in the county, along with a number of subsidiary buildings on the immediate complex and in the wider Matlock area. Inevitably a decision on what we do with this substantial asset holds the key to our future operating model and defines how we approach decisions for the rest of our estate.

- 4.5 The annual budget for the running costs of County Hall currently sits at £1.347m (including the commissionaires service). The year end forecasted spend for 2023-24 is £1.984m. A one-off additional budget for inflation of £0.662m has been contributed in year. The forecast spend of £1.984m in 2023/24 does not include any allowance for planned maintenance works. The business case cost consultants have projected anticipated annual running costs, including an allowance for essential maintenance which is likely to increase due to underinvestment in previous years, will likely rise to £3.300m. This does not include an allowance for the commissionaires service.
- 4.6 The backlog of maintenance liabilities has been established via a room by room condition survey, noting existing areas of concern, along with likely lifecycle costs associated with key elements of the building fabric and is estimated to be £56m and the cost of decarbonisation is estimated to be £59m, based on specialist mechanical and electrical surveyors analysis of the existing systems, the building typology and modelling of the carbon footprint.
- 4.7 Current utilisation rates for County Hall show an average daily check in of 465 members of staff, with 411 workstations being used. This represents an average occupancy level of 27%. Total attendance on some days has reduced from the SOBC stage.
- 4.8 Whilst there are significant challenges associated with the Council continuing to operate from such an asset, it offers enormous potential to contribute more to the economy of Matlock and the surrounding area and to support a number of the Council's wider strategic goals, as well as those of our partners.
- 4.9 In April 2022 consultants, Real Estate Works and HLM Architects, were appointed to consider the potential options for the future of County Hall. The SOBC consultancy team carried out research into the issues and challenges the council would face if continuing to occupy the County Hall complex, with the overarching purpose to.
- Identify a long term financially sustainable future for the Council's headquarters operations. In particular to solve the problems of escalating running costs in real terms rising to more than double the annual budget, and the combined cost of de-carbonisation and backlog maintenance.
 - Capitalise on the hidden value of the County Hall complex by attracting private investment and other funding sources.
 - Provide a more efficient and flexible workspace, which enables dynamic service delivery. The existing space is inflexible, doesn't

support collaborative and effective working, might impact on recruitment and retention, when compared to the opportunity of working in an attractive office environment, and does not reflect the values of the Council.

- Deliver a significant economic impact to Matlock and the surrounding area, enhancing the economic resilience of the town, through the provision of hotel with events and performance space, co-working space, residential and cultural facilities.
- Enable the Council's strategic priorities and objectives to be better supported.

4.10 A long list of potential options for the complex was identified which included the council retaining space in a refurbished south block, or elsewhere on the site, but which also considered what the alternatives would be for the Council, should it no longer operate from County Hall.

4.11 In order to evaluate and compare the benefits of each option, the team consulted the senior leadership and other stakeholders on the Council's priorities and desired outcomes, which included things like such as how they supported the Council's three pillars of Vision Derbyshire, Thriving Communities, Enterprising Council and the ability to deliver the workforce strategy, the local economic impact, financial impact on the council's budgets, sustainability, deliverability risk etc. The overall analysis looked at three key elements:

- A weighted score against specific criterion, based on ability to deliver Council objectives
- An assessment of the delivery risks
- Overall value for money, taking in to account such things as cashable and non-cashable benefits, jobs created, and the wider economic impact as well as the above two points

4.12 All options were then scored against a baseline 'do nothing' option. On the basis of this research and analysis the strategic outline business case made the overarching conclusion and recommendations that:

- Remaining in County Hall is not financially sustainable.
- County Hall should be transformed into a mixed-use destination centred on a hotel.
- Maximum economic impact to the area would be achieved if the Council remained on site.
- Four options from the long list should be taken forward for further analysis, these being:
 - Do minimum – the Council remains in the existing buildings and operates in the same way. This option forms a baseline against which the costs and benefits of other options could be compared.

- The Council relocates from Matlock to a new base elsewhere and the site is redeveloped.
- The Council remains on site in a new office and the remaining site is redeveloped.
- A hybrid that results in the Council remaining on site in a significantly smaller, sustainable and affordable office with satellite hubs elsewhere, whilst the rest of the site is redeveloped as mixed use.

4.13 The Strategic Outline Business Case was able to demonstrate that other longlisted options were not financially viable, or deliverable and Cabinet approved the recommendation that the three shortlisted options be taken forward to the outline business case stage, along with the 'do nothing' benchmark option, and that the OBC should be informed by a carefully managed programme of engagement with the market.

4.14 Press coverage and social media comments from when the Strategic Outline Business Case was presented to members and more recently when soft market testing for the site was actioned, indicated that local people were generally accepting of the fact that the Council cannot afford to continue to occupy County Hall in the same way and were supportive of the idea that its use might change in the future to something which had a positive impact on the economic wellbeing of the town.

4.15 The Council commissioned HLM Architects, with support from realestateworks Ltd and a wider consultancy team, to prepare an OBC for County Hall in Matlock and the team embarked on the more detailed analysis of the shortlisted options in January 2023. The purpose of the Outline Business Case is to:

- Review and update the relevant strategic context for the project outlined in the Strategic Outline Business Case (SOBC), especially in light of increasing pressures on the Council's budgets.
- Confirm a clear and evidence-based case for change.
- Evaluate in detail the short list of options from the SOBC.
- Draw on the findings and conclusions from specialist consultants including legal considerations, transport and travel, building and operating costs, mechanical and electrical systems, economic impact, property markets, sustainability and design constraints and opportunities.
- Consider affordability, deliverability and the funding options available.
- Assess the economic impact of each option.
- Identify a preferred option, with supporting rationale.

- Set out the commercial and management arrangements to deliver the project.
- Confirm the next steps.

4.16 In order to further assess and test the options taken forward, and to inform the OBC, a number of key activities have been undertaken, such as:

- Stakeholder engagement and data analysis to understand the current and future space requirements.
- Reviewing best practice, considering what other Councils are doing/have done.
- Engaging with the market via a soft market testing exercise.
- Holding preliminary meetings with District Council planners and heritage specialists.
- Working with a team of specialist sub-consultants, including hospitality specialists, cost consultants, investment advisors, equality and economic impact assessors.
- Testing and updating all of the financial and economic impact assessments, based on much more detailed analysis.
- Engaging with partners via the wider One Public Estate review of public sector assets in Matlock.
- Refreshing the masterplan based on the outcome of all of the above activity.

The OBC itself document is over 100 pages long and a redacted Executive Summary is Appended to this report at Appendix 3. It is supported by more detailed specialist reports, in the form of:

- Appendix 4 – Matlock OBC – Sustainability Report
- Appendix 5 – Outline Business Case – Planning Strategy Report
- Appendix 6 – Outline Business Case – Transport Review
- Appendix 7 – Economic Impact Assessment
- Appendix 8 – Initial Market Engagement Report

The OBC is summarised in the following paragraphs of this report, and results in a set of recommendations around the next steps.

4.17 The characteristics of the shortlisted options are as follows:

Option 1 – Do Minimum

- The Council remains in its existing office accommodation
- Investment takes place over 30 years to maintain the building and carry out essential repairs as identified in the CDL condition surveys and by our specialist sub-consultants

- No investment is undertaken to transform the workplace or enhance critical heritage assets such as the Winter Gardens
- Important to stress that much of the recommended expenditure is **unavoidable** even if there is no provision currently in the capital budget e.g. replacement of generators and transformer and similar work recommended by specialist sub-consultants
- Expenditure is incurred to decarbonise the complex over time

Option 2 – Relocate

- The Council relocates from Matlock to another location in the county such as Chesterfield or Amber Valley to accommodate 500 FTEs
- County Hall site and building repurposed in line with the masterplan
- Council vacates North Block in Yr 2 to allow early disposal
- South West corner of the site is disposed of in Yr 2 for likely residential development, subject to resolution of parking requirements for the main site
- Vacation of entire site timed to coincide with time a partner would require access to the South Block – Yr 4
- Alternative accommodation is leased and comprises modern or refurbished space requiring a degree of fit-out to the Council's needs
- Fit-out includes some decarbonisation measures
- Accommodation includes replacement for the Council Chamber, committee rooms etc.
- Excess travel costs associated with relocation have been assumed

Option 3 – Remain

- County Hall site and building repurposed in line with the masterplan
- Council vacates North Block in Yr 2 to allow early disposal
- South-West corner of the site disposed of in Yr 2 for residential subject to resolution of parking requirements for main site
- Vacation of South Block timed to coincide with completed construction of new offices on site – Yr 4
- New, low carbon offices to accommodate 500 FTEs with meeting spaces
- Limited investment in existing building pending their vacation

Option 4 – 50/50

- A blend of Options 2 and 3 involving limited investment in existing accommodation
- Half the FTE requirement is met on site in a new office and half in rented accommodation at another location in the county such as Chesterfield or Amber Valley
- Repurposed Council Chamber, committee rooms, and Winter Gardens hired when needed from hotel operator
- Excess travel costs associated with the relocation of 50% of the posts

- Allowance for non-productive time travelling between split HQ locations

4.18 Criteria for option evaluation – the ‘Critical Success Factors’ and weightings:

CSF	Weighting	Ability to...
Alignment to corporate objectives	10	Support the Council Plan, Cultural Framework, Carbon Reduction Strategy and other corporate documents
Financial sustainability	20	Deliver reduced and more predictable operating and life cycle costs, generate capital receipts and new income streams
Council workplace	10	Provide suitable space to meet current and future needs, improve wellbeing, and support recruitment and retention
Work	5	Deliver new job opportunities including nurturing of creative sector and SMEs
Live	5	Provide new homes for the local community
Play	5	Support local community with space for events, open space, and leisure facilities
Economy	15	Generate meaningful and sustained economic impact and build economic resilience
Sustainable development	15	Create social value, reduce carbon emissions, enhance biodiversity, reuse existing assets, promote active travel, engage with community etc
Deliverability	15	Meet market demand, secure planning consents, manage change, secure political and community support etc

4.19 Specialist input to the analysis of the options has been provided by Montagu Evans (planning), BNP Paribas (property market), RLB (construction and FM costs) Mott MacDonald (transport), Baker Hicks (mechanical and electrical systems), and Ekos (economic impact)

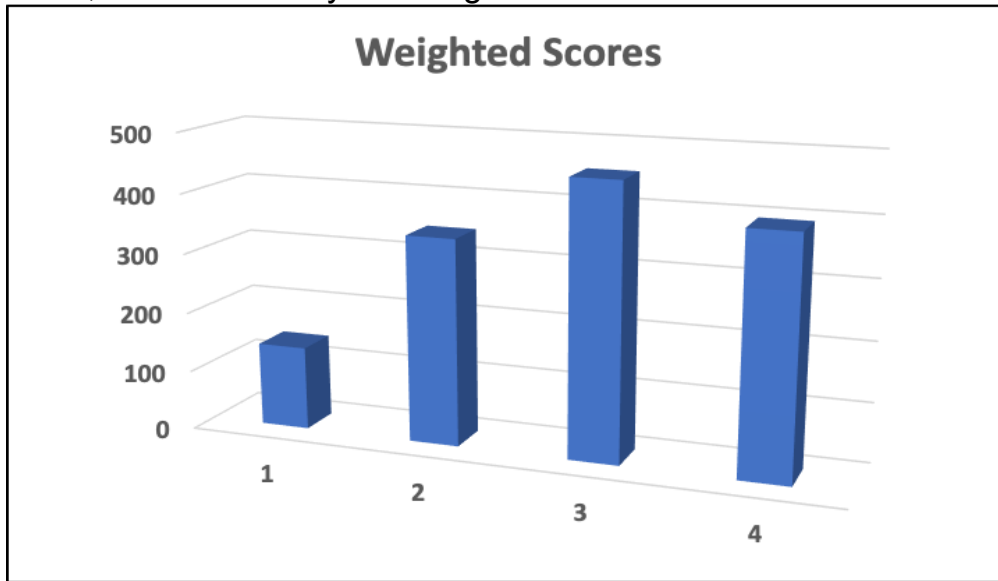
4.20 A soft market testing exercise, conducted during the summer of 2023, resulted in the scale of the hotel opportunity being refined. It involved a targeted engagement via a prospectus and questionnaire and resulted in some parties visiting the site.

4.21 Formal interest has been expressed by several substantial and experienced organisations, some with global portfolios. Through

ongoing dialogue with the market, interest continues to be generated. Some of the interested parties have invested resources in drawing up dummy accounts to test the viability of a hotel offering, the likely number of keys for a successful hotel and the assumptions made. This information is included in the business case, but is redacted for the purposes of this report, due to the commercial sensitivity.

- 4.22 The conclusion of the consultants and agents is that there is genuine and realistic interest from potential development partners, keen to work with the Council to bring forward a deliverable mixed use development, however the Council would need to retain the confidence of the market, as a credible partner, by maintaining momentum and demonstrating commitment.
- 4.23 Engagement has been undertaken with Derbyshire Dales District Council's planning team to understand any potential concerns and any likely issues with a planning application. Conservation and heritage officers had already contributed to the production of an agreed approach to creating a conservation strategy for the complex, identifying different levels of protection for different parts of the site, depending on the heritage value. This approach has generated greater certainty over cost and programme. Other planning considerations have focused on the scale and massing of any development on the site, parking and access etc. This has been considered in the refinement of the masterplan.
- 4.24 All financial assumptions applied in the SOBC stage have been updated and the economic impact of each option has been reassessed to reflect the updated costs and other factors driving economic impact. Condition data has been gathered on condition for the building fabric and key services, the refined master plan has been able to reflect planning input and also greater certainty around the Council's needs with regard to any new building on the site, and has therefore led to greater certainty of costs and the market testing has informed the likely investment models.

4.25 The detailed analysis of each option is set out in the Outline Business Case, but in summary the weighted scores are:



4.26 Option three, in which the Council remains on site in a smaller purpose made building and the rest of the site is brought forward as a mixed use development, scores measurably highest against the pre-agreed weighted criteria.

4.27 In addition to the ability to deliver the strategic objectives, the deliverability of each option is key. The combined scores and delivery risks for each option are set out in the business case, but the graph below shows that option three also scores best on delivery risks:

Risk factor	Option			
	1	2	3	4
Flexible workplace	Red	Yellow	Green	Yellow
Disturbance	Green	Red	Orange	Yellow
Sharing	Green	Yellow	Green	Green
Business continuity	Orange	Orange	Orange	Yellow
ROI	Red	Yellow	Green	Yellow
Running costs	Red	Orange	Green	Yellow
CO ₂	Red	Yellow	Green	Green

Market	Green	Green	Green	Green
Economy	Red	Yellow	Green	Green
Reputation	Red	Red	Green	Orange
OVERALL	Red	Yellow	Green	Yellow

- 4.28 The context in which the business case is being assessed has changed since the Strategic Outline Business Case stage. When the project was initiated, although the future cost of occupying County Hall was a key driver for the project, there was also a strong emphasis on the Council's desire to optimise its work base aligned to new models of working, emerging from the Modern Ways of Working project. The vision was for a mixed use development with the Council and other public sector partners at the centre, sharing the cost of our Headquarters, but also creating a great new work-base for all of our staff based in Matlock.
- 4.29 The Council finds itself in a very different financial landscape, of cost control and essential spend only, in which this project sits as both a benefit and a challenge. It has been established that the Council cannot afford to continue to occupy County Hall in the same way as it currently does, the running costs are escalating well beyond the available budget, only essential health and safety maintenance is being carried out, with more than £50m of necessary maintenance in backlog. The outcome of this is becoming increasingly noticeable, for example the lifts fail almost weekly.
- 4.30 The most highly scoring option in terms of annual cash cost is for the Council to decant completely and move headquarters elsewhere, in theory disposing of the County Hall complex. The cost assumptions in this option are based on the Council renting or leasing office space suited to its needs in an existing office space elsewhere in the County. Despite this offering what on the face of it offers the lowest cost option, this is not the recommended option for a number of reasons, as follows:
- The assumption in this option is that a suitable rentable building will be available for the Council to move in to. The agents carried out a search of suitable options as part of their due diligence and no such asset was available. The Council has in fact recently leased part of the only large scale office space in Chesterfield, at Boythorpe Road, all other parts of the building are already under offer. The Council has been exploring the option of rationalising its assets in Chesterfield for some time and no other suitably sized assets have become available. This is also the case in

Amber Valley and elsewhere in the County. So the assumed cost and ability to rent space is nominal. High quality newbuild office space on the Riverside Development in Chesterfield, for example, is at a cost considerably above that assumed in the modelling.

- If the Council were to instead build a new asset say in Chesterfield, it would face similar costs to developing on the County Hall site, but in addition would need to purchase the land, so this would be unlikely to save any money.
- Even if a suitably sized and located asset were to come on to the market at the appropriate time, renting an asset would mean that the Council would be subject to cost uncertainty in the form of rent reviews, service charges etc. The location of the democratic function would also be a factor, as this is a specialist space, and the council could end up paying considerable annual sums to rent conference space.
- The market testing demonstrated that there is limited appetite for the wholesale purchase of the complex, without the Council remaining on site as a strategic partner. There is a significant risk therefore that the site would be unviable without the Council's investment and ability to attract funding, such as Heritage Lottery Funding. If that were the case, the Council would end up retaining the complex, or parts of the complex as a significant liability, whilst renting elsewhere.
- If the Council were to move and sell the site, without retaining any interest, there is significant risk that any purchaser would landbank the site and not develop it, leaving the building empty and deteriorating. This would have a significant impact on the town.
- The return on investment figures show that over the 30 year term the council would be better off financially remaining on site as part of a development, benefiting from the income and also having its own valuable asset at the end of it.

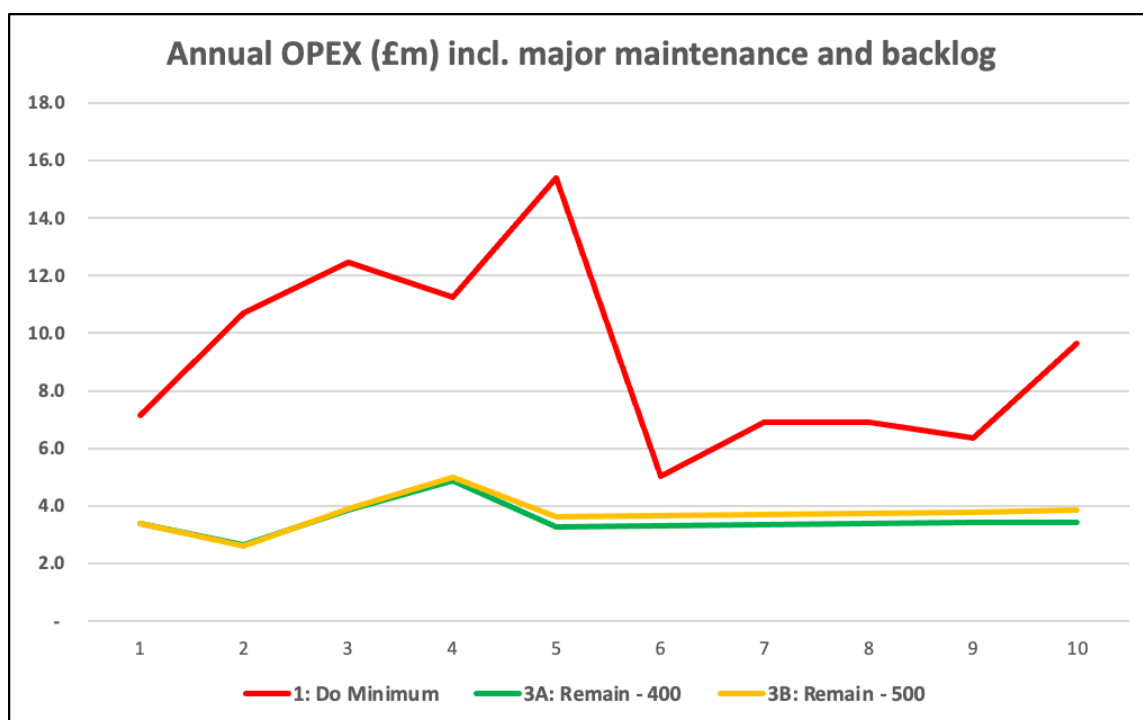
4.31 The other key reason that option three is recommended is that the other options fail to deliver the wider strategic objectives of the Council, as set out in the SOBC.

4.32 In order to deliver the project, the Council needs to commit the funding for the next stage - £375,000 and agree in principle to the delivery of the preferred option, which is the only one that delivers both the financial and the wider strategic objectives. The key activities in the next steps would include:

- Preparing a full business case to enable the Council to make a final decision regarding the future model for its new offices and the Matlock Campus.
- Refining and testing the financial model, to reduce areas of risk and create greater certainty of cost, with the intention of reducing the currently modelled optimism bias.
- Appoint design and workplace teams. Refining the designs to reflect the Council requirements.
- Appointing property agents and legal and financial advisors.
- Developing a comprehensive communication strategy and beginning its implementation, including stakeholder engagement.
- Reviewing the need for traffic surveys, parking demand, pedestrian movements and developing an access and parking strategy, including consulting with the local fire service.
- Maintaining momentum created by proceeding with a pre-application engagement with DDDC planners, confirming to the market the commitment in principle of the Council to take the project forward.
- Explore gap funding opportunities and determine the best funding route.
- Preparing a phased reduction in the Council's footprint, to free up areas of the complex for disposal
- Working with specialist advisors and finance to appraise the development model options.

In order to move to the detailed business case stage, the Council needs to commit this funding in a changed financial context. It cannot afford not to progress, but progressing means an immediate cost pressure.

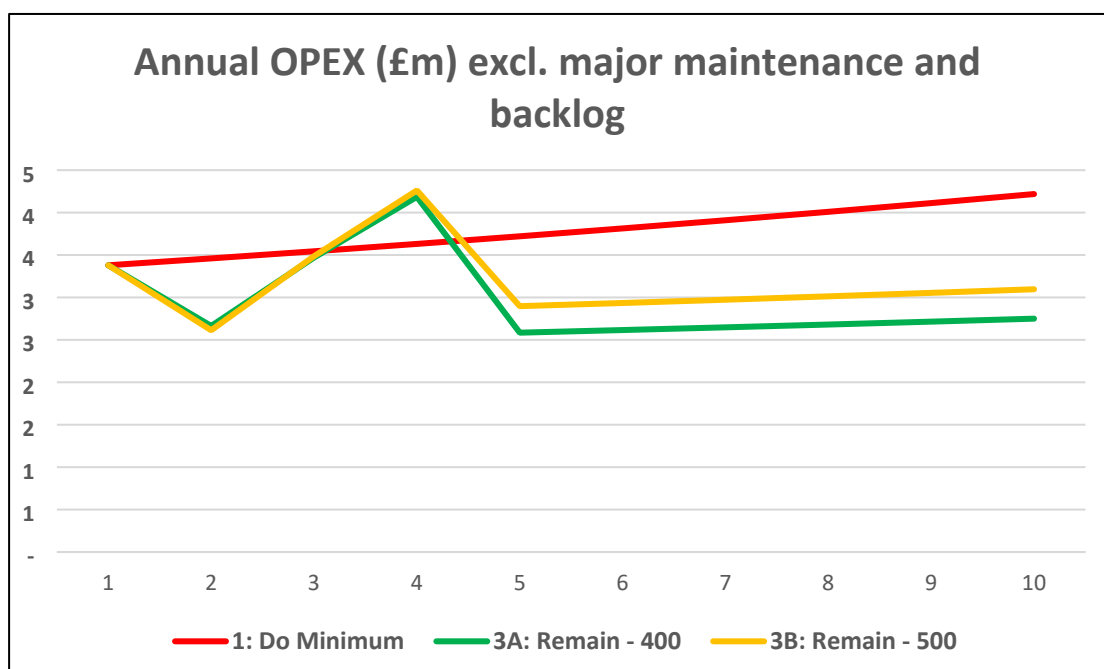
- 4.33 In order to understand the impact of this, the cost consultants have modelled an annual cash flow comparing the 'do nothing' option, with the recommended option (size of new office for either 400 or 500 FTE), so that the cost implications can be clearly measured in the immediate to medium term. The modelled costs include the cost of borrowing, as well as all running costs. The headlines as follows:



4.34

4.35 Do minimum/nothing (the red line) shows the rising cost associated with staying in County Hall, including major maintenance and catching up on the backlog. This is the true cost to the Council over time. Once the backlog is complete the costs initially begin to fall, but then sharply rise again as further building fabric elements begin to fail. The nature of looking after a heritage building such as County Hall is that work to it is almost always specialist and expensive.

4.36 The yellow and green lines, show the cashflow projections for option to remain on site in a new asset for 400 (green) or 500 (yellow) FTE staff. The rise in cost from year two to four, recognises that the Council would need to borrow capital to complete the new build, whilst still paying the running costs of County Hall. This would then reduce as County Hall is decanted and the Council is only paying the running costs for one asset.



It is recognised that the Council could simply choose not to carry out maintenance, or to address the backlog, so this is a non cashable benefit. The same graph above excludes the cost of maintenance. It can be noted that the annual cost of the recommended option exceeds for a period the cost of doing nothing, as the borrowing costs for the development begin, whilst the Council is still occupying County Hall.

- 4.37 The graphs above and in the appendix are based on the current rate of PWLB borrowing and they allow for a 20% optimism bias, to reflect uncertainty at OBC stage. This is 20% over and above the 15% contingency the cost consultants have already included in the detailed financial model assumptions. In reality, PWLB, which was fairly steady at around 3% for many years, has been at an historic high. Rates are falling and the financial specialists are predicting that they will continue to fall steadily before settling again. In addition, as the due diligence is completed during the next stage, the certainty around the financial modelling and the cost of development will increase and the scale of the optimism bias can reduce. 15% contingency built in already is standard and a further 5%, once the business case has been further tested, would be reasonable. Therefore the graphs are the likely worst case scenario and we would expect the green and yellow peaks to reduce.
- 4.38 The conclusion is that progressing with the project could result in a small peak in Year 4 (depending on PWLB rates and level of contingency), as the spend on the new headquarters progresses,

whilst the Council is also still paying for County Hall, after which there is a point shortly afterwards when the Council will be saving over £1m per annum, operating from a smaller, carbon neutral, fit for purpose base and with the mixed development progressing in the main buildings, delivering multiple benefits to the town of Matlock and contributing to the delivery of the Council's strategic objectives.

- 4.39 The alternative 'do nothing' shows a continual rise in the costs associated with remaining in County Hall to a completely unaffordable level.
- 4.40 In summary, Option 3 delivers the strategic objectives, is the least risky option in terms of deliverability and, following a peak in the cash flow modelling in year 4, will then start to deliver significant financial savings.

5. Consultation

- 5.1 A programme of engagement has been undertaken by the consultancy team to understand the strategic direction and priorities of the council. All Executive Directors were consulted together with representatives from various functional areas such as IT, asset management, HR and finance. A Stakeholder Engagement Panel was established, with Executive Directors nominating a member of their team to represent their directorate.
- 5.2 The consultancy team were separately and independently appointed to lead on the One Public Estate review of all public assets in Matlock, which engaged with other key public sector partners in the town and resulted in a report and recommendations. They were therefore able to ensure that the two pieces of work were considered in parallel and the context of wider public partner requirements and plans were considered in the recommendations.
- 5.3 There is no requirement for a statutory consultation at this stage but appropriate engagement will be taken including with unions.

6. Alternative Options Considered

6.1

Option	Risks	Advantages
Do nothing	<ul style="list-style-type: none"> • Council continues to face high running costs, currently £3.3m p.a • Council will face substantial CAPEX liabilities to upgrade and replace systems and building elements over time as they begin to fail. Backlog of maintenance currently £56m. • County Hall remains the largest contributor to CO₂ emissions in the council portfolio, Cost of decarbonisation estimated to be £59m. The Council will not be able to meet its net zero pledges. • Ongoing challenges to recruiting and retaining staff from a relatively small talent pool within travel distance. • Reputational/political risk of having raised expectations that the council is evaluating options for County Hall. • Reputational/political risk around the council continuing to operate from such a large and expensive building. • Constraints on ability to properly support hybrid and collaborative working in cellular historic building • Missed opportunity to support economic growth and tourism, and generate capital from disposal of development opportunities 	<ul style="list-style-type: none"> • Relative stability, at least in the short-term pending any essential works that could disrupt business activity • Avoidance of short-term consultancy spend
Retain existing consultancy team and move to next stage Full Business Case	<ul style="list-style-type: none"> • The cost of this option is estimated at £375k in the year 24-25, to cover the final stage of due diligence on the business case. The benefits have to be weighed against the Council's financial position. • Existing team will need to be augmented with other advisors with whom it may not have worked before – but demonstration of collaborative experience with extended team can be a condition of re-appointment • Key personnel may not be available – but council can make the availability of key personnel a condition of ongoing involvement 	<ul style="list-style-type: none"> • Retention of knowledge and 'DNA' of the project • Maintain momentum and 'hit the ground running' with the next stage • Avoid abortive costs, as new consultants likely to want to repeat some elements of initial work and do their own due diligence • Existing team has appropriate experience developing business cases for headquarters buildings elsewhere • Existing team has recently been appointed to support the Matlock One Public

Option	Risks	Advantages
		<p>Estate review project and it is vital that the County Hall options review and the review of the wider public estate in Matlock progress in a synchronised manner</p> <ul style="list-style-type: none"> Existing team helped the council prepare a Conservation Strategy, an important enabler and context for the County Hall project Maximises ability to keep to project timeline by avoiding a potentially lengthy procurement process
Appoint new team	<ul style="list-style-type: none"> The cost of this option is likely to be significantly higher, as the Council will pay for new team members to 'get up to speed' and familiarise themselves with the strategic context, case for change, options and their evaluation New team will need to build up its knowledge base and relationships with stakeholders within councils and outside e.g. DDDC New team may be tempted to impose their own stamp by changing course and proposing alternative solutions, effectively starting again with the Council covering the cost of abortive work Inevitable delay to project timeline New team may be somewhat detached from the thinking and emerging proposals from the Matlock OPE project 	<ul style="list-style-type: none"> Potential for new ideas and solutions to emerge – but existing team should remain open to these (within reason) as it progresses through the OBC
Delay or pause the project until the Council's finances are stabilised.	<ul style="list-style-type: none"> Many of the risks of 'Do Nothing', with the current running costs and liabilities remaining. Council's credibility as a development partner undermined. The market will move on and the opportunities may not exist in future The business case would need to be re done, significant cost of abortive work. Inability to meet key milestones in current project timeline Lack of interest and engagement from key stakeholders 	<ul style="list-style-type: none"> Opportunity to re-scope the requirement and desired outputs in future.

7. Implications

7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

8. Background Papers

8.1 Full Outline Business Case (Redacted)

9. Appendices

9.1 Appendix 1 – Implications

9.2 Appendix 2 – Document List Matlock OBC

9.3 Appendix 3 – County Hall Outline Business Case - Redacted

9.4 Appendix 4 – Matlock OBC – Sustainability Report

9.5 Appendix 5 – Outline Business Case – Planning Strategy Report

9.6 Appendix 6 – Outline Business Case – Transport Review

9.7 Appendix 7 – Economic Impact Assessment

9.8 Appendix 8 – Initial Market Engagement Report

10. Recommendation(s)

That Cabinet:

- a) Receive and note the findings of the Outline Business Case for the future of County Hall.
- b) Approve the recommended option, in which the Council moves to a smaller new headquarters on the Matlock Campus site and that the main County Hall campus is redeveloped to deliver a mixed use.
- c) Approves taking the recommended Option 3 forward to the more detailed business case stage and due diligence.
- d) Supports the inclusion of £0.375m in the Capital Programme for 2024/25 to fund the development of the full detailed business case and request approval for the funding of this next stage of work in the sum of £0.375m, subject to approval of the 2024/25 Capital Programme by Full Council in February 2024.
- e) Approves the delegation to the Director of Property in consultation with the Director of Legal and Democratic Services the power to procure and appoint such consultants as may be required for due diligence and development of Option 3 detailed business case including where appropriate the extension or variation of existing contracts within the funding envelope of £0.375m (Subject to this amount being approved

by Full Council in February 2024 as part of the 2024/25 Capital programme).

11. Reasons for Recommendation(s)

11.1 a) To ensure that members and senior leadership are informed of the work to date and the basis for other recommendations

b) To ensure that members and senior leadership understand and are in agreement with the recommended best option for County Hall, the focus of the next stage of work and the implications of this work

c) To ensure that members and senior leadership are informed of the likely cost of the next stage of the more detailed business case

d) To ensure that delegation is given to relevant officers to appoint consultants to progress the next stage of work

12. Is it necessary to waive the call in period?

12.1 No

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Implications

Financial

- 1.1 This report analyses and compares four options for the County Hall site, that were identified and approved for further work at the Strategic Outline Business Case stage. These options are set out in section 4.
- 1.2 Comprehensive financial modelling of the four options has been completed by Rider Levett Bucknall. The cashable and non cashable benefits of the preferred options have improved since the Strategic Outline Business Case stage. The modelling includes a contingency of 15% and also an additional optimism bias allowance of 20%, which will be tested during the detailed stage
- 1.3 It is recommended that one option is taken forward as the approved option for the future of County Hall and that the Outline Business Case is subjected to further testing and due diligence, as part of a more detailed business case stage, along with supporting activities in parallel, including the submission of an outline planning application. This next stage is due diligence is expected to cost £0.375m, and is the subject of a bid to form part of the approved capital programme for 24-25.
- 1.4 Expenditure incurred to date of £0.526m on the development of the Outline Business Case has been accounted for as revenue expenditure and is funded from revenue budgets, including £0.330m of one-off funding. If approval is obtained to fund the development of the Full Business Case from £0.375m of Capital Resources, this expenditure can only be capitalised if the projects proceeds and results in the development of a new asset. If the project does not proceed beyond the full business case, all costs incurred will need to be funded from revenue resources.
- 1.5 Whilst this report is recommending the development of a full business case for the preferred option, there is no further financial commitment as a result of this report. The £0.375m funding required to develop the full detailed business case is the subject of a bid for inclusion in the Capital Programme for 2024/25 and will be subject to Full Council approval in February 2024. Future approval to proceed with delivery of the project will only be considered on presentation of the final detailed business case. However the likely future cost of delivering the preferred option have been set out in the Outline Business Case for awareness. The cost of delivery of the recommended option, including any debt

repayment is modelled and compared to the cost of the other options, including the cost of doing nothing.

Legal

- 2.1 As part of the Outline Business Case, work was undertaken to establish any historic issues with regard to land registry and property titles on the complex.
- 2.2 The terms of the existing consultancy agreements and any necessary approvals will be reviewed to consider whether there is scope to extend or vary existing appointments or whether new procurement processes must be undertaken.

Human Resources

- 3.1 At this stage there are no workforce implications, although ongoing input from HR colleagues is essential to ensure that potential impact on our teams and on emerging workforce related strategies is taken into consideration. The working arrangements policy and recently introduced employee profiles and clarification of expectations with regard to time spent in the workplace, has all been developed in parallel and has informed the findings of the report.

Information Technology

- 4.1 Derbyshire County Council's, main Data Centre is currently located on the 2nd floor of south block together with the network infrastructure that supports all services. The expectation is that the Council will move the majority of its IT storage to the Cloud as part of the developing ICT Strategy, however the cost of the relocation of the ICT infrastructure located at County Hall will need to be taken into consideration.

Equalities Impact

- 5.1 N/A at this stage

Corporate objectives and priorities for change

- 6.1 Each option within the Strategic Outline Business Case has been scored against the Council's priorities and the three pillars in the Council Plan, as part of the Strategic Outline Business Case.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

- 7.1 The ability of each option to deliver the Council's carbon reduction agenda was part of the scoring matrix at the Strategic Outline Business Case stage and this has been looked at in greater detail, with recommendations made regarding the potential for each option to deliver real benefits to this priority. County Hall remains the Council's largest emitter of carbon, across its estate and the cost of decarbonising the asset has been estimated at £59m. The Council is almost certain not to achieve its climate change pledges if it continues to occupy County Hall in its current form.
- 7.2 The proposal supports the Council's property asset management strategy and is aligned to the Property 2025 vision to review our corporate asset and challenge the reason for holding it. County Hall is our largest property asset by far and the Council's future use of this will impact on decisions across the full estate.