



**POLICY AND RESOURCES SCRUTINY COMMITTEE –  
20TH JANUARY 2015**

**SUBJECT: PONTLLANFRAITH HOUSE**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151 OFFICER**

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**1. PURPOSE OF REPORT**

- 1.1 To provide further information in respect of costs prior to a formal decision to close the council's Corporate office, Pontllanfraith House, as part of the council's Land and Buildings asset rationalisation programme.
- 1.2 This report is a follow up report to Committee meetings on the 17th June 2014 and the 8th December 2014. Reports presented at those meetings established the rationale behind the proposal for closure of Pontllanfraith House and the potential impact on council services, access for the public to those services, financial implications, employment issues and equality implications.
- 1.3 Policy and Resources Committee, whilst continuing to support the closure in principle, considered that further information was required to inform the scrutiny process.
- 1.4 This report details the anticipated costs against income associated with the various moves of staff to other corporate offices.

**2. SUMMARY**

- 2.1 The magnitude of the savings identified in Section 6 are such that there is a high degree of certainty that the council will achieve significant revenue savings as a direct result of the closure of Pontllanfraith House, thus protecting front line services and jobs. There is also an expected Capital receipt that will give a surplus to planned Capital spend.
- 2.2 The council's useable office accommodation per employee is the highest in Wales and its office accommodation costs are the 17th from lowest in Wales. Closure of Pontllanfraith House, together with those closures already achieved at Hawtin Park and Enterprise House will improve these statistics.
- 2.3 There is sufficient space in other corporate offices to relocate staff and services with little or no impact on the public. The alternative offices are generally in much better condition than the Pontllanfraith offices and are asbestos free.
- 2.4 Members are naturally concerned over the impact of closure on the local economy and although this is inevitable in the short term it is anticipated that the site's future development will mitigate those short term losses and have a long term positive impact.



### 3. LINKS TO STRATEGY

- 3.1 The council's Medium Term Financial Plan has identified the closure of Pontllanfraith House as a proposed part year saving for 2015/16.
- 3.2 The proposed closure of Pontllanfraith House under the MTFP and the asset rationalisation programme would also contribute to the Safer, Healthier and Prosperous themes of 'Caerphilly Delivers', the LSB single integrated plan.

### 4. THE REPORT

- 4.1 The Council's MTFP proposals has identified property rationalisation as a key driver towards realising the savings required, £40m over the next three years, as a result of significant reduction in the council's Revenue Support Grant.
- 4.2 The closure of Pontllanfraith House forms part of the rationalisation programme primarily because of its poor condition allied to the fact that there is available space in other corporate offices that are in better condition.
- 4.3 At 16.1 sq meters the total useable office accommodation per employee in Caerphilly is the highest of Local Authorities in Wales. The Wales average is 10.5 sq metres per employee. Had it not been for the closure of Hawtin Park and Enterprise House and the relocation of staff from those offices primarily into Ty Penallta then the figure of 16.1 sq.m would have been much higher.
- 4.4 Office accommodation costs per FTE office based employee in Caerphilly are £1623, ranked 17th from lowest in Wales. The Wales average for Local Authority office accommodation is £1349.

\*Source: Asset Management 2013-14: Local Government Data Unit – 3rd November 2014.

- 4.5 It is estimated that achieving the Wales average figure (10.5 sq m) for useable office accommodation per employee will save the authority around £1m/year and, although probably extreme, a figure closer to the lowest in Wales (Monmouthshire: 5.9 sq m) could save upwards of £3m/year.
- 4.6 The Report to Committee of 17th June 2014 detailed the condition of Pontllanfraith House and identified a required Capital investment of circa £5m, which included the high cost of Asbestos removal and the disruption that inevitably follows. Should council members agree to the closure of Pontllanfraith House services will primarily be relocated into:

**Ty Dyffryn:** The office area of this building is in good condition with only normal building maintenance requirements. The offices are DDA compliant. Car parking facilities will need to be extended but there is available room to do so.  
Transport links are good by road. There is a bus service at the nearby Caerphilly Road.  
There are no asbestos liabilities at Ty Dyffryn

**Tir-y-Berth:** The office area is not in good condition but is serviceable. Relatively minor modifications are required but more extensive office planning will be required over the longer term. DDA compliance is limited although improvements are planned for Bereavement Services to improve public access.  
Transport links are good by road with a bus service nearby.  
There are no restrictions to use of the buildings due to asbestos at Tir-y-Berth. Where present Asbestos is generally limited to Artex and floor tiles and is low risk.

**Ty Penallta:** This is a relatively new, modern building, in excellent condition and is fully DDA compliant. Other than normal building maintenance costs there are no outstanding capital works. The offices have excellent transport links (rail/bus & car) and are accessible to the



public.

There are no asbestos liabilities at Ty Penallta.

**Tredomen Business Park:** Modern Buildings in excellent condition and fully DDA compliant. The offices are operated and maintained via the council's Economic Regeneration service, the cost of which is recovered under rental agreements. It is proposed that Housing Services could, subject to confirmation of availability of sufficient office space, be relocated here. The HRA would provide the authority with a regular income stream.

The offices have excellent transport links (rail/bus & car) and are accessible to the public. There are no asbestos liabilities at Tredomen Business Park.

Although Highways House has been identified as a possible area for relocation of Engineering Services it is considered, at this early stage of planning, to be unlikely that its use will be necessary given what is available elsewhere. Consequently costs associated with this office have largely been included as Optional within Appendix 1 and are unlikely to be expended.

To facilitate the relocation of staff into Ty Penallta there will need to be a transfer of Social Services' staff (Adult Services) to Pontywindy House, Caerphilly. This transfer is in line with recent service re-structuring and will maximise the occupancy of this leased in Property. The current lease is a long term one until 2021.

- 4.7 Some members have questioned the impact of the closure of the offices on local businesses and, in particular, the town of Blackwood. This is difficult to measure but the realisation must be that there will be some in the short term. The site will be sold for residential development and such a development will be a positive impact on the local economy. A report by Regeneris Consulting and Oxford Economics (2010) titled "The Role of Housing in the Economy" indicates that for every £1 of spending on housing construction it is estimated that £2.60 gross output will be generated across the economy as a whole. Adopting these figures for a development on the Pontllanfraith House site of, say, 30 houses with construction costs of £75k each house this would generate a total gross output of £5.85m. This is the equivalent of every officer at Pontllanfraith House spending circa £2000/yr locally every year for the next ten years and therefore it is suggested that a residential development in place of offices will more than mitigate any short term loss of trading locally.

## 5. EQUALITIES IMPLICATIONS

- 5.1 A full EIA will be undertaken if members agree to pursue the recommendations within this and previous reports and during the various consultations leading up to closure. However due to the age of the building and despite some adaptations, Pontllanfraith House is less DDA compliant than the Council's newer building stock, in particular Ty Penallta, Tredomen Business Park and Ty Dyffryn.
- 5.2 The impact on members of the public who need to use these offices, and the impact on employees who would be relocated as a result of the building's closure, will form a core part of consultation and final EIA to ensure that everyone affected is fully aware of the details and any alternative options or choices open to them.

## 6 FINANCIAL IMPLICATIONS

- 6.1 Appendix 1 details the estimated costs of moving out of Pontllanfraith House and relocating into other corporate offices. The costs have been split into "Required" and "Optional" and then further split into Capital or Revenue funding.
- 6.2 On a least cost basis the council will need to identify a Capital budget of £750k and a Revenue budget of £119.6k. This means to "break even" the site will need to be sold for a minimum of £750k and savings in future running costs be greater than £119.6k.



- 6.3 As described in the report to Scrutiny (8<sup>th</sup> December 2014) it is estimated that the site has a maximum value of £2.0m - £2.5m as a cleared site and this could be reduced by £0.5m if the site is sold with the office building still standing, as proposed. Therefore taking a cautious view, and subject to improving market conditions the estimated value of the site is a minimum of £1.5m which is well in excess of the £750k for required spend. The Council can take a view on whether any, or all, of the subsequent surplus should be invested in the optional capital costs at a later date.
- 6.4 Again as described in the report to Scrutiny (8<sup>th</sup> December 2014) it is estimated that potential revenue budget savings total £736k. The Revenue costs identified in Appendix 1 total £119.6k and therefore there is a gross revenue saving of £616.4k.
- 6.5 It is proposed that the one off Capital costs totalling £750k in paragraph 6.2 above are funded from General Fund balances. This will leave recurring revenue saving of £616.4k and a potential capital receipt of £1.5m.
- 6.6 The costs quoted in Appendix 1 are best estimates based upon current relocation plans. Any subsequent changes to those plans are likely to have an impact on estimated cost. Nevertheless the magnitude of the savings identified are such that there is a high degree of certainty that the council will achieve significant savings thus protecting front line services and jobs.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 There will be a need to redeploy employees in the following areas:

Facilities Management  
 Cleaning  
 Catering  
 Reception

This is due to the fact that the locations to which employees are relocating may already have sufficient coverage of these employee groups, but this will be the subject of further review. The Council's arrangements for redeployment and workforce flexibilities will apply to any displaced employees.

- 7.2 For employees required to relocate their base of employment, the authority's excess travel scheme will apply if appropriate. Provisional relocation costs have been included in Appendix 1.
- 7.3 Full consultation with employees and Trades Unions will take place once a decision is confirmed.

## **8. CONSULTATIONS**

- 8.1 The results of consultations have been incorporated into this report

## **9. RECOMMENDATIONS**

- 9.1 Scrutiny are asked to consider the further information in this report and confirm their continued support for the proposal to close Pontllanfraith House

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 To further discuss this proposal in accordance with the DRAFT Medium Term Financial Plan 2016/17.

## **11. STATUTORY POWER**

### **11.1 Local Government Act 2000**

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**Consultees:** Corporate Management Team  
S. Harris: Acting Head of Corporate Finance  
G. Williams: Acting Head of Legal Services  
G. Hardacre: Head of Human Resources and Organisational Development  
Cllr D. Hardacre: Cabinet Member for Performance, Property and Asset Management

**Appendices:**  
Appendix 1 Estimated Costs – Pontllanfraith House

**Background Papers:**  
Report to Policy & Resources Scrutiny 17th June 2014 & 8th December 2014

Author: Colin Jones, Head of Performance & Property Services  
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Appendix: Appendix 1  
Estimated Costs – Pontillatrain House

Background Paper:  
Report to Policy & Resources Committee 17th June 2014 & 8th December 2014

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**EXPENDITURE**

(Appendix 1)

OFFICE	SERVICE	ACTIVITY	COSTS (£000)				COMMENTS
			Required		Optional		
			Cap	Rev	Cap	Rev	
Tredomen Business Park 90-100 workstations	Housing	<ol style="list-style-type: none"> <li>Office re-configuration</li> <li>Office Lease</li> <li>New Furniture</li> <li>Removal Costs</li> <li>Additional running costs: heating/lighting etc.</li> <li>Staff relocation costs</li> </ol>	20	( )			<p>Minor works and Electrical reconfiguration (estimated cost)</p> <p>Revenue income provided to service as lease charged to HRA</p> <p>Covered under lease costs</p> <p>Chargeable to HRA (?) Based on 20% of staff being eligible over an 18mth period.</p> <p>Public facing facility, access to be improved.</p> <p>Welfare facilities inadequate</p> <p>Budget adjustment necessary, costs thought to be low.</p> <p>Based on 20% of staff being eligible over an 18mth period.</p>
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Tir-y-berth 47 workstations	Community & Leisure	<ol style="list-style-type: none"> <li>Bereavement Services Offices</li> <li>Improving Welfare Facilities</li> <li>Additional Running costs heating/lighting etc.,</li> <li>Removal Costs</li> <li>Staff Relocation Costs</li> </ol>	250	20			<p>Public facing facility, access to be improved.</p> <p>Welfare facilities inadequate</p> <p>Budget adjustment necessary, costs thought to be low.</p> <p>Based on 20% of staff being eligible over an 18mth period.</p>

Penallta House 90 workstations	Planning & Countryside OR Public Protection OR Engineering & Transportation	<ol style="list-style-type: none"> <li>1. Additional Running Costs: Heating, lighting etc.</li> <li>2. Removal costs</li> <li>3. New HoS Office</li> <li>4. Staff Relocation Costs</li> </ol>	Nil  9 2.5 23.3		No additional energy demand  Based on 20% of staff being eligible over an 18mth period  Essential to segregate staff and visitors from Waste transfer site operations
Ty Dyffryn Circa 175 workstations	Planning & Countryside AND/OR Public Protection AND/OR Engineering & Transportation	<ol style="list-style-type: none"> <li>1. Additional car parking</li> <li>2. Improved reception area</li> <li>3. Ground floor modifications</li> <li>4. Welfare Facilities</li> <li>5. Additional Running Costs: Heating, Lighting etc</li> <li>6. Additional workstations</li> <li>7. Removal Costs</li> <li>8. Staff Relocation Costs</li> <li>9. Create additional storage</li> </ol>	250  50  Nil Nil  17.5 45.4 25	150  Nil Nil  Nil	Existing reception adequate but well below the quality at Pontllanfraith. Planning currently has a bespoke reception desk.  Provide secure meeting rooms (2) Existing facilities adequate  Although existing facilities have not been fully utilised it is likely that the existing energy budget will be sufficient to absorb relatively small increases in demand  Smaller workstations required to maximise floor space



Highway House  
72 workstations

Engineering &  
Transportation

1. Additional Car Parking

230

Existing car park facilities limited

2. Ground Floor Modifications

300

Install windows and extend heating

3. Improve Welfare Facilities

25

Basic facilities currently provided

4. Additional Running Costs:  
Heating, Lighting etc

Nil

Ground floor currently heated as used as storage area. A small increase in lighting costs are possible but existing energy budget will be sufficient to absorb relatively small increases in demand

5. Removal costs

7.2

Based on 20% of staff being eligible over an 18mth period.

6. Staff relocation costs

18.7

Smaller workstations required to maximise floor space

7. Additional workstations

15

1. Office re-configuration

Nil

Conversion costs (35k) covered by one off Corporate building budget to maximise use of available office space.

2. Additional running costs:  
Heating, lighting etc

Nil

Reconfiguration does not add to ex running costs

3. Removal costs

9.8

Any additional costs covered by social services budget

4. Staff relocation costs

Nil

Pontygwindy House  
90 – 98 workstations

Social Services –  
Adult Services

Highway House 72 workstations	Engineering & Transportation	1. Additional Car Parking 2. Ground Floor Modifications 3. Improve Welfare Facilities 4. Additional Running Costs: Heating, Lighting etc 5. Removal costs 6. Staff relocation costs 7. Additional workstations	230 300 25 Nil 7.2 18.7 15	Existing car park facilities limited Install windows and extend heating Basic facilities currently provided Ground floor currently heated as used as storage area. A small increase in lighting costs are possible but existing energy budget will be sufficient to absorb relatively small increases in demand Based on 20% of staff being eligible over an 18mth period. Smaller workstations required to maximise floor space
Pontygwindy House 90 – 98 workstations	Social Services – Adult Services	1. Office re-configuration 2. Additional running costs: Heating, lighting etc 3. Removal costs 4. Staff relocation costs	Nil Nil 9.8 Nil	Conversion costs (35k) covered by one off Corporate building budget to maximise use of available office space. Reconfiguration does not add to ex running costs Any additional costs covered by social services budget