

**PWYLLGOR ADNODDAU CYNALIADWY
SUSTAINABLE RESOURCES COMMITTEE**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	27 August 2024
TEITL YR ADRODDIAD: TITLE OF REPORT:	Welsh Government Building, Picton Terrace Development
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Lee Davies, Director of Strategy & Planning
SWYDDOG ADRODD: REPORTING OFFICER:	Eldeg Rosser, Head of Capital Planning Paul Williams, Head of Property Performance Sharon Hughes, Principal Programme Manager

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Penderfyniad/For Decision

**ADRODDIAD SCAA
SBAR REPORT**

Sefyllfa / Situation

This report is being presented with updated information, following previous endorsement at the Executive Team meeting on 25 October 2023, the In-Committee Board on 30 November 2023 and approval from the Public Board on 25 January 2024. This update has also been supported by the Executive Team in August 2024.

The Picton Terrace 'Corporate Hub' scheme forms part of the overall aim to align our strategy 'A Healthier Mid and West Wales: Our future generations living well' ambitions, with wider Welsh Government (WG) strategic intent around 'Town Centre First' and estate rationalisation, whilst simultaneously improving our accommodation to provide modern, high-performing assets that meet the needs of different aspects of the workforce/service delivery, reduce backlog maintenance and support the Health Board's route to net zero by 2030 through disposing of low-performing, high-carbon buildings and which underpin our agile working aspirations.

The acquisition of Picton Terrace is on a leasehold arrangement with the premium payment at £1.15m (provided by WG) with a rent-free option for the 125-year term. The 'leasehold' arrangement is similar to private residential purchase where for example a 99-year leasehold term is purchased, which is treated by lenders similarly to that of a freehold arrangement. In effect the Health Board can sell on the leasehold interest at any time within the 125 years at market value to another public body or private property investor and WG cannot unreasonably object. Therefore, it is on this basis that break options are not required.

Prior to seeking final approval and to sign the lease under seal via the Public Board, the Executive Team has been requested to approve the new updated information being presented to the Sustainable Resources Committee before proceeding with the acquisition.

Sefyllfa / Situation

Hywel Dda University Health Board's (H DUHB) Property Asset Strategic Plan sets out the health board's plans to rationalise its estate and dispose of a number of satellite 'leased'

accommodation to create several 'hub' type working environments, in partnership with other public sector and like-minded organisations that support, enable, and enhance the delivery of our health services. A major step to creating this change in our accommodation portfolio is to acquire a suitable building that will enable the creation of a corporate hub (a large open plan office), incorporating the transfer of approx. 450 staff across Carmarthen to one unique working environment designed to encourage a collaborative, social and learning focussed workspace which embeds sustainability and agile/flexible working as core principles.

This 'Corporate Hub' approach will strengthen regional capacity and further enhance the delivery of high-quality services in high performing infrastructure with improved capabilities allowing more and larger collaborative opportunities to be captured. In parallel, the Corporate Hub will enable the reconfiguration of our existing real estate and underpin broader 'hub' ambitions so to facilitate further rationalisation of our estate and increased multi-sector partnership working and project delivery attracted by the regional strengths in academic, clinical, and corporate collaboration. Additional positive impacts of the project delivery include wider workforce productivity and wellbeing benefits.

Asesiad / Assessment

On the 1 August 2024 HDdUHB received a letter from WG supporting the proposed acquisition however highlighting that HDdUHB needs to make a 'material contribution to the fit out works identified'. WG have agreed to support the 'purchase' costs of the building (£1.15m) via entering into a 125-year lease (internal repair only), whilst the fit-out costs of £2.685m are split 50-50 between the Health Board and the WG. The Health Board components being brokered over a period of time with elements reflecting the disposal of a number of buildings as well as a contribution from the DCP over a set number of years.

The contribution from DCP will be made up as follows:

- Proceeds from the disposal of Pond Steet Clinic currently estimated at £0.250m
- Proceeds from the disposal of Penlan currently estimated at £0.550m
- Balance of £0.543m to be funded from the UHB DCP over a 5-year period (to be agreed with WG) at £0.110m per annum to commence in 2025/26

The above represents what both HDdUHB and WG felt to be a fair and proportionate level of contribution/support, whilst ensuring that public sector principles around estate rationalisation and the sharing of space/agile working are encouraged.

The below table sets out the revenue implications of proceeding with Picton Terrace as well as identifying how it is linked to the broader capital development schemes and the revenue savings linked to the Carmarthen Hwb scheme.

Building	Notes	Rent	Rates	Service Charge	Utilities	Other Property Costs	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Indicative Picton Terrace Building Costs	Proposed charge (includes cleaning, rates and utilities. No further detail provided by WG at this stage)	0	0	320	0	0	320
Less: existing costs							

Building 14 St David's Park		(66)	(18)	(18)	(14)	(18)	(136)
Building 8 St Davids Park		(36)	(9)	(8)	(5)	(7)	(65)
Glien House (admin area)		(59)	(27)	(12)	(6)	(0)	(104)
Hire of Boardroom for Board meetings		0	0	0	0	(15)	(15)
*Ystwyth	Costs based on EFPMS benchmarking data for corporate buildings. Includes rates, cleaning, maintenance and utilities					(67)	(67)
*Tudor House	Costs based on EFPMS benchmarking data for corporate buildings. Includes rates, cleaning, maintenance and utilities					(67)	(67)
*Block 4, Hafan Derwen	Costs based on EFPMS benchmarking data for corporate buildings. Includes rates, cleaning, maintenance and utilities					(11)	(11)
*St Brides	Costs based on EFPMS benchmarking data for corporate buildings. Includes rates, cleaning, maintenance and utilities					(33)	(33)
*GGH Seren Suite	Costs based on EFPMS benchmarking data for corporate buildings. Includes rates, cleaning, maintenance and utilities					(9)	(9)
Renal unit / Ty Cadell (relocation within Glangwili site)	Costs based on EFPMS benchmarking data for corporate buildings. Includes rates, cleaning, maintenance and utilities					(35)	(35)
Net Indicative Impact		(161)	(54)	282	(25)	(262)	(220)

The above represents the end-state once all leases have been terminated. There will be non-recurrent double-running costs in addition to the above. Note that any car parking liabilities are subject to further scrutiny/costing and decisions on the Car Parking Principles paper.

Argymhelliad / Recommendation

The Sustainable Resources Committee is asked to:

- **APPROVE** the Health Board formally responding to Welsh Government's letter accepting the proposal and setting out our agreed repayment terms for the 50% fit out costs to be repaid over 5 years commencing 2025/26.
- **AGREE** to the lease being presented to Public Board for approval and signing under seal by Chair and Chief Executive.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	2.3 To scrutinise and provide oversight of financial and revenue consequences of capital investment planning and significant business cases (both short term and in relation to longer term sustainability).
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not Applicable
Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com)	7. All apply
Galluogwyr Ansawdd: Enablers of Quality: Quality and Engagement Act (sharepoint.com)	5. Whole systems perspective
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Cynllunio Planning Objectives	8 Estates plans
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022	9. All HDdUHB Well-being Objectives apply

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Property Asset Strategic Plan. Estate Rationalisation letter from WG
Rhestr Termiau:	Not Applicable

Glossary of Terms:	
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Adnoddau Cynaliadwy: Parties / Committees consulted prior to Sustainable Resources Committee:	Executive Team Sustainable Resources Committee Public Board

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Not Applicable
Ansawdd / Gofal Claf: Quality / Patient Care:	Not Applicable
Gweithlu: Workforce:	Not Applicable
Risg: Risk:	Not Applicable
Cyfreithiol: Legal:	Not Applicable
Enw Da: Reputational:	Not Applicable
Gyfrinachedd: Privacy:	Not Applicable

**Cydraddoldeb:
Equality:**

A full Equality Impact Assessment has been undertaken.