

## The Property Change Programme

### Report of the Director of Transformation and Business Services

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Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

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#### 1) Recommendation

That the Cabinet be asked to agree:

(a) The Council's Property Strategy as set out in section 2 of this report;

(b) The disposal of the following properties:

- Larkbeare House, Exeter
- Compass House, Exeter
- Ivybank, Exeter
- Former Matford Offices land, Exeter
- St Georges Road Youth Centre, Barnstaple
- Pottington Industrial Unit, Barnstaple

(c) that delegated powers be given to the Director of Transformation and Business Services, in consultation with the Cabinet Member for Policy Corporate and Asset Management, to make minor amendments to the timescales and disposal programme set out in section 3 below.

#### 2) Background / Introduction

The County Council (DCC) is responsible for properties with estimated annual gross running costs of circa £8 million, and a maintenance liability in excess £20 million, excluding Schools.

Since the Council adopted the Strategic Plan 2021 – 2025, global economic and environmental pressures have resulted in new challenges for the authority, with increasingly challenging financial sustainability targets, the lack of affordable housing, acute household financial vulnerability and complex climate change pressures. A key priority of the corporate plan agreed by Cabinet on 12 July 2023 is to make the best use of our building and assets.

The Property Strategy focuses on four key principles; Reduce, Dispose, Retain, and Repurpose aimed to transform our corporate estate and this will form the methodology for reviewing the future use of our assets.

## Reduce

- Make our buildings safe and secure to support modern office working, including re-configuring space to provide flexible working and collaboration spaces.
- Develop measures to support effective homeworking through appropriate provision of support and technology.
- Explore income opportunities by seeking to lease out space in DCC buildings.

## Dispose

- Continue to rationalise the property portfolio by transferring or selling surplus properties and land.
- Contribute to Council budgetary savings through capital receipts gained from selling properties.
- Deliver savings from lower running and maintenance costs.

## Retain

- Make the best and most appropriate use of our buildings.
- Adopt a consistent workspace strategy to facilitate property rationalisation.
- Re-invest capital receipts to develop 'fit for purpose' facilities.
- Create modern, flexible workspaces.

## Repurpose

- De-carbonising the property portfolio through more efficient use of energy and greater use of renewable energy.
- Consider sites to meet specific housing need working with District councils.
- Explore opportunities for greater integration with stakeholders across the 'One Public Estate'.
- Consider change of use opportunities to reduce cost / improve provision, including options for children and adult services.

This report sets a recommendation to approve the Property Strategy to transform our estate, set out above, and make best use of the Council's property assets.

### **3) Proposal**

DCC own, lease, or occupy in excess of 1,000 assets in the county which includes 364 schools, 500 land assets, 64 farms and circa 300 operational buildings (including offices, children centres, libraries, youth centres, industrial estate, recycling centres, day centres, respite centres, contact centres and children's homes).

Whilst the numbers of staff returning to work from an office base have increased since the pandemic, the office estate is still only occupied between 20%-30% on average each day (based on smartcard / access data).

This report sets out phase one of the property strategy approach, including the disposal of four sites in Exeter, and two in Barnstaple.

#### Disposal of Larkbeare House with the relocation of services to County Hall

The aim is to market the site as soon as possible on the open market to generate a capital receipt. It is proposed to relocate current services to County Hall by 1 April 2025 and the site disposed of within the 2025/26 financial year. There is a significant backlog maintenance at the site within the short and medium term and disposal would avoid these costs. Due to the backlog maintenance and potential for high capital receipt for this site, alongside a substantial remodelling cost, after being considered for alternative use, disposal is recommended.

#### Disposal of Compass House

It is proposed to work with the current tenants, Devon Partnership Trust to find alternative accommodation. The aim is to serve notice for the site to be vacated by 30 April 2024 and the site disposed of within the 2024/25 financial year. Due to the backlog maintenance and high value capital receipt for this site, alongside a substantial remodelling cost, after being considered for alternative use, disposal is recommended.

#### Disposal of Ivybank with relocation of services to another Exeter location

Exploration is currently underway to identify alternative accommodation in Exeter. The aim is to vacate the building and relocate the service by 1 April 2024 and the site disposed of within the 2025/26 financial year. Due to the backlog maintenance and high capital receipt for this site, alongside a substantial remodelling cost, after being considered for alternate use, disposal is recommended.

#### Former Matford Offices land, Exeter

Matford Offices have recently been demolished (Aug 2023) delivering savings in running costs and anticipated rates relief. The site has potential to be developed for residential use.

#### St Georges Road Youth Centre, Barnstaple

It is proposed to market this site as soon as possible as part of the wider St Georges Road premises disposal (already approved). It is intended to relocate the current services to Rosebank, Barnstaple by 1 April 2025 and the site disposed of within the 2025/26 financial year.

#### Disposal of Pottington Industrial Unit

The site is 0.27Ha and contains a leased industrial unit of 982 square meters. The current tenant also leases an adjacent unit from a private company who are committed to long-term leasehold investments.

By disposing of this site to the adjacent landlord, DCC are releasing capital for investment and removing DCC's ongoing costs and maintenance liabilities for this site whilst enabling on-going support for the existing tenant's local employment and training initiatives.

In addition to the disposals set out above, the Director of Transformation and Business Services has, under delegated powers, approved the following:

- (a) To lease out office space at County Hall, namely floors at Lucombe House as well as other office space at County Hall.
- (b) To review opportunities to reduce revenue spend where the opportunity to end or break a lease arises and serve notice/enact the break provision as appropriate.

#### **4) Options / Alternatives**

DCC has considered three options for Phase 1 of the Property Change Programme:

- (a) Dispose - this is the option recommended by this report, to support the property strategy to transform the estate and dispose of the 5 listed properties. These assets will generate significant capital receipts, ongoing revenue savings, and avoids the requirement for revenue and capital investment in the sites for critical backlog maintenance.
- (b) Retain - do nothing and retain our portfolio as status quo. This option is not recommended as it has been identified that these buildings are not cost-effective, and there are other assets in Exeter where services could relocate. This is also not recommended as it will significantly hinder the Council's financial sustainability targets.
- (c) Repurpose - opportunities have also been explored to repurpose these assets to meet other corporate priorities, including key worker housing, SEND provision and Children in Care placements and these will be considered based on priority and demand moving forward.

#### **5) Consultations / Representations / Technical Data**

Consultations are not proposed as staff relocations are planned within the immediate locations of Exeter and Barnstaple.

#### **6) Strategic Plan**

The Property Change Programme contributes to four of the six priorities in the Council's Strategic Plan 2021 – 2025.

By delivering capital receipts from rationalising the corporate estate and associated savings from reduced infrastructure services, energy costs, carbon emissions and investing in modern, fit for purpose, energy efficient workplaces the Property Change Programme will:

- Respond to the climate emergency.
- Support sustainable economic recovery.
- Improve health and wellbeing.
- Help communities be safe, connected and resilient.

## **7) Financial Considerations**

It is estimated that this will generate capital receipts of circa £6-10 million (depending on planning approval) and reduce revenue costs by circa £300,000 per annum. In addition, it avoids backlog maintenance investment requirements of circa £3-5 million.

The programme is estimated to cost in the region of £160,000 to deliver, spread over two years, 2024-2026.

This includes relocation costs of £60,000 for all proposed sites which will be absorbed within current estates revenue budget and additional resources to support the delivery of this programme have been approved.

Staff office relocation travel costs (Appendix E) costs will not apply as all the services affected will be relocated to other sites within Exeter and Barnstaple.

## **8) Legal Considerations**

The lawful implications of the proposal have been considered in the preparation of this report.

When disposing or repurposing our property assets, the County Council's responsibility is to ensure that all relevant legislation is complied with; this includes Section 123 of the Local Government Act 1972 (Disposal of land by principal councils), which requires the Authority to obtain 'best consideration' for any property that is disposed of.

## **9) Environmental Impact Considerations (Including Climate Change, Sustainability and Socio-economic)**

Please see appendix 1.

## **10) Equality Considerations**

The proposals help advance equality of opportunity for people who share a protected characteristic and those who don't in numerous ways, for example, they will:

- Provide workplaces that meet service needs and are accessible for all people with equal opportunities to training and employment opportunities.
- Enable people to become better connected with services and engage in greater organisational understanding.
- Promote a working environment conducive to the physical and mental health and wellbeing among all staff.

## **11) Risk Management Considerations**

This proposal has been assessed and all necessary safeguards or action have been taken to safeguard the Council's position.

The corporate and community risk registers will be reviewed to ensure all relevant risks in the Property Strategy are captured and managed.

## **12) Summary / Conclusions / Reasons for Recommendations**

In summary, occupancy statistics demonstrate that we can reduce our portfolio without detriment to services and this property change programme will reduce our carbon footprint, provide value for money, generate capital receipts, and reduce revenue expenditure contributing towards the financial sustainability of the authority.

The property portfolio will be reviewed as part of an ongoing rolling programme to ensure the estate is aligned to the corporate priorities, including making best use of assets and buildings.

### **Matthew Jones**

Director of Transformation and Business Services

**Electoral Divisions:** All

Cabinet Member for Policy, Corporate and Asset Management: Councillor John Hart

### **Local Government Act 1972: List of background papers**

None

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