

Appendices A & B of this report contain exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

Report to: **Executive**

Date: **19 March 2020**

Title: **FOLLATON HOUSE: STRATEGIC ACCOMMODATION REVIEW**

Portfolio Area: **Place and Enterprise**
Cllr David May/Cllr Nicky Hopwood

Wards Affected: **none**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: following the Council meeting held on 26 March 2020

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RECOMMENDATION

That the Executive RECOMMEND to Council that:

- 1. South Hams District Council remains at Follaton House for the foreseeable future recognising that the net accommodation costs (£150,000 as set out in 4.4.) represent good value for money;**
- 2. The Council considers introducing commercial weddings in the Listed Building with effect from 2021, and that officers procure a detailed cost plan and tender for associated improvement works to the House and Garden. A sum of up to £30,000 is allocated from the Land and Development Earmarked Reserve for this purpose; and**
- 3. A sum of £25,000 is allocated from the Land and Development Earmarked Reserve to undertake infrastructure improvements to Follaton Arboretum to enhance use of the site by staff, tenants and visitors and also to support biodiversity and carbon capture in response to the Council's commitment to tackle climate change. This funding would enable match funding to be sought for improvement works.**

2.0 Executive summary

- 2.1 This report updates Members on the work of the Accommodation Working Group (AWG) in considering future plans for Follaton House.
- 2.2 The AWG have considered the net running costs of Follaton House against the costs of relocating to a new office in the district and concluded that staying at Follaton House represented good value for money at a total net cost of £150k per year as set out in 4.4.
- 2.3 This report goes on to examine how Follaton House and its grounds may be adapted for future use, extending the use of the Listed Building (The House) for weddings and events; and developing the Arboretum as site of educational and recreational interest.

3.0 Background

- 3.1 In March 2019 the Executive agreed

to appoint a members-led working group to review options presented to the Executive for the Council to either remain at Follaton House or relocate offsite to new accommodation

- 3.2 Following the Joint Councils' LGA Peer Assessment last year, a review took place of options to streamline the services and facilities of both Councils including the potential to co-locate to a centralised area such as Ivybridge.
- 3.3 The findings of this relocation study was that despite a number of limitations in the use of a listed building, there is not a financial business case to move the Council to alternative premises at this time. West Devon Borough Council have similarly concluded that it would be in their best interest to stay at Kilworthy Park, Tavistock.
- 3.4 The assessment took into account
 - That there are no suitable options for relocation within the District. Moving would therefore require the development of new premises
 - The current running costs of Follaton House (FH) compared to a hypothetical tenancy and the running costs of a new building
 - The capital value of FH were it be disposed of
 - The cost of building a new HQ building
 - Opportunities to improve revenue at FH

4.0 To Stay or Move

- 4.1 The Accommodation Strategy report to Executive in March 2019 outlined consideration of the various advantages and disadvantages of the Council moving from Follaton House to somewhere on the A38 such as Ivybridge. It recognised that the Council currently occupies only half of the commercial floorspace in the building and that further rationalisation of space was likely in the future.

It acknowledges that Follaton House is, by reference to modern standards, inefficient in terms of layout and energy use. However the affordability of this proposal has to be considered alongside the benefits of relocation.

Current costs of FH

- 4.2 The Council currently occupies about 2,500m² (58%) of the usable space in the buildings. Some 1,600m² (36%) is let to tenants such as Devon County Council (DCC) and Public Health England and a further 220m² (6%) is vacant.
- 4.3 The table at Appendix A illustrates that in 2018/19 Follaton House cost in excess of £500,000 per annum to maintain and run. This cost is offset by rents, hirings and service charge income received from tenants. Taking all this into consideration the annual cost to the Council last year was c.£240,000 pa (£100 psm or £10 psf overall). The total costs (including business rates) of the Council renting similar sized space in the commercial market could be two to three times this level.
- 4.4 The Council's occupation costs of Follaton House are further reduced by a supplemental payment by West Devon Borough Council, currently £90,000 pa. This payment reflects the cost of the shared service provision and the far greater footprint used at Follaton House for the provision of some frontline services (call centre) and all back office functions. This figure is currently being reviewed. The net costs of £150,000 pa (£240,000-£90,000 as above) represents good value for money relative to commercial costs in this area.
- 4.5 There is potential to reduce the Council's direct costs of occupation further as their level of the Council's occupancy reduces and the level of third party lettings increases

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Cost of moving

- 4.6 Assumptions outlined in the Accommodation Strategy Executive report March 2019 were
- i. Relocation would require the development of a new building
 - ii. The Council might reduce its office space requirement by a third through efficiency measures if it moved to modern premises
 - iii. Continuing to hold Follaton House as a commercial investment would be high risk and this therefore should be sold to offset development costs. The potential sale value however is unlikely to exceed £2m
- 4.7 Based on building new offices of 1500m² with a further 500m² for Council Chamber and Members' rooms; the overall building and moving costs are estimated to be in excess of £7m.
- 4.8 The costs might be reduced if the Council Chamber and member services could be provided off-site as a shared facility in an existing building such as the Watermark Centre at Ivybridge. In this case the estimated cost of the office building of 1500m² would be £5.5m
- 4.9 The offset value of Follaton House could potentially reduce these costs by £2m. The sale value of Follaton would ultimately depend on the viability of an alternative use and predictions cannot be made accurately but this figure has been supported by some market testing and advice from JLL consultant valuers (summary attached at Appendix B).
- 4.10 The conclusion is the Council would need up to £5m of additional capital funding to fund a move to new premises.
- 4.11 The Council would not be expected to make savings on the annual running costs, as cost reductions in adopting a smaller and more efficient floorplate would be offset by higher business rates charges.
- 4.12 The cost of borrowing the capital to fund a development of this size would be expected to add £175,000-£250,000 to the operational property costs.
- 4.13 It is not envisaged that the Council would have either the capital reserves or the additional revenue budget to fund this commitment.

5.0 Future options for use of Follaton House

- 5.1 The Listed Building (The House) is currently used during the week both as members' areas and also for functions and meetings. Rooms are hired out on an informal basis to tenants and third parties and are to Devon County Registrars on Fridays and Saturdays for wedding services. The first floor is occupied by the AONB team and Electoral services and is part vacant.
- 5.2 DCC Registrar is an office tenant and Follaton House is licenced as a Registry Office for wedding services. Around 142 such services were held last year at the property for which the Council received a room hire fee based on the hourly charges the Council makes for other tenants. The annual revenue from Weddings totalled under £5,000 last year and from room hirings to other parties around £8,000 pa.
- 5.3 The scope for increasing room hire charge rates for Registrar wedding services appears limited. The current charges are in line with the hire charges the DCC Registrar pays elsewhere and they stress their aim is to provide an affordable option. Members should note that there are existing bookings for registry office weddings at Follaton until end 2020.
- 5.4 The Council could however terminate the current arrangements with DCC Registrar and extend the facilities of the house and grounds to provide a commercial wedding venue able to facilitate reception and dining events more in line with those offered in the area at Dartington or Sharpham Estates or Kingston House.
- 5.5 The building adapts well for this use without the need for significant alterations, however improvements would need to be carried out to the House and Grounds which are likely to include:-
- i. Upgrading the front entrance and car park
 - ii. Refurbishment and refitting of toilet facilities (including providing full access facilities)
 - iii. Installing a new commercial kitchen and potentially resiting Follies to provide catering for staff and tenants within the main building.
 - iv. Relocating the existing members' rooms and Leaders office to the first floor.
 - v. Refitting the member's area to provide a new guest lounge leading to a new terrace and into the Formal Gardens.
 - vi. Improvements to the Gardens including all ability access and providing service connections for a Marquee.
 - vii. Adapting space for a Bridal suite on the first floor
 - viii. "De-Councillng" the building and redecoration (inside and out). Upgrading lighting

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ix. Providing new furnishing and fittings

- 5.6 Clarification of the extent and costs of these works is required in order to prepare a business case which would be brought back to the Executive for approval.
- 5.7 It is therefore proposed that a limited sum is made available from the Land and Development Earmarked Reserve to undertake a more detailed design and specification work and review requirements for statutory consents.
- 5.8 In planning terms this would constitute a change of use and therefore both Planning and Listed Building Consents will be required as well as Building Regulations and Events Licence.
- 5.9 On the face of it this presents an opportunity for generating future revenues that could offset the ongoing maintenance costs of the building.
- 5.10 AWG have indicated that an incremental approach to introducing weddings would be favoured. Whilst a number of comparable venues do offer overnight accommodation for wedding guests it is not proposed this would be offered at Follaton House in the first instance but rooms could be adapted from the upper floor accommodation at a later date subject to a business case.
- 5.11 It is not envisaged that the Council would take responsibility for event management but would work in partnership with a specialist Wedding Planner who would provide a range of services to the bridal party. Three such organisations have been consulted.
- 5.12 During the working week it is envisaged the House would continue to function as a facilities block for use by the Council, its tenants and outside organisations with the four main rooms (plus a new guest lounge) available to book for meetings and conferences.
- 5.13 Subject to the business case being approved, it is suggested that the Council also considers resiting the on-site staff canteen from Follies utilising the new commercial kitchen to provide lunches for staff, tenants and guests with the capacity to cater for weddings and functions as required. The costs would be offset by refurbishing and reletting the existing Follies premises as offices.
- 5.14 Project timescales
- | | |
|----------------|---|
| March 2020 | Report to Executive with recommendation for the Council to remain at Follaton House |
| April-May 2020 | Refine budget estimates and business plan for introducing weddings |

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May 2020	Report to Exec seeking approval of business plan Planning & Listed Building application Building regs Contract Procurement Marketing Plan
Sept to Mar 2021	Building works
October 2020	West Country Wedding Fair
Spring 2021	SW Wedding Fair Exeter
Summer 2021	Weddings commence

6.0 The Follaton Arboretum

- 6.1 The Arboretum was first laid down in 1992 since when there has been relatively little capital investment and much of the infrastructure (paths, seats and signage) is now in need of repair or replacement.
- 6.2 Whilst volunteers and community organisations have contributed to its routine maintenance there is a general lack of coordination or strategic focus in these initiatives.
- 6.3 The redesignation of the Arboretum as public open space is seen as an opportunity to redefine the nature and use of this space and set out a strategic vision for its future use and management.
- 6.4 For the present the Arboretum will continue to be owned and managed by the Council, however the Council is open to the possibility that this asset could be transferred to a suitable community-led organisation in the future providing the long term management for the benefit of the community would not be compromised.
- 6.5 A stakeholder meeting was held in July 2019 to bring together District and Totnes Town Councillors along with officers and organisations that had previously been involved in activities at the Arboretum. This included the Incredible Edible and Forest Farming Groups supported by Transition Towns Totnes.
- 6.6 Initiatives discussed and considered at this meeting included
- i. The need for a strategic management plan that reflected wider community; education and biodiversity themes as well as developing a long term plan for the Arboretum.
 - ii. Better control of activities such as tree planting to ensure this fitted the broader objectives.
 - iii. Review of hard landscaping including boundary fences; paths; new seating and bins etc.

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iv. New signage, information boards and labelling of significant trees and memorial trees

- 6.7 Landscape consultant Keith Rennells was appointed to support the development and implementation of an improvement plan and this is attached at Appendix C.
- 6.8 The costs of undertaking these improvement works are estimated at £50,000 over three years. It is recommended that the Council make available £25,000 from the Land and Development Earmarked Reserve as a catalyst to seek match funding for the balance to be funded from external funds such as the National Lottery.
- 6.9 Plans for the Arboretum will continue to develop in consultation with the Accommodation Working Group; the Council's landscape and maintenance teams and the wider community

7.0 Outcomes/outputs

- 7.1 The primary intention in this accommodation review is to ensure the Council's assets are fit for purpose for the foreseeable future. The decision to stay at Follaton House enables the Council to more clearly plan for its future.
- 7.2 It is recognised that the state of repair and decoration of the Old House has been in decline and modernisation and improvement work is much needed.
- 7.3 The improvement plan is intended not only to ease the revenue burden on the Council through generating income from third party activities, but also to improve the facilities for staff and tenants
- 7.4 Opening the House to Weddings and/or conferences as well as expanding the use of the offices and facilities and profiling the use of the House, Gardens and Arboretum would increase access to these facilities by local businesses and the wider community.

8.0 Options available and consideration of risk

- 8.1 Generating revenues from weddings and functions will help to defray future maintenance costs of the listed building and reduce the financial burden on service charges.
- 8.2 Much of the expenditure proposed will be reflected in improvements to the existing building and contribute to its ongoing upkeep and maintenance.

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- 8.3 The investment in the refurbishment and reuse of the House could be phased to include the provision for a new canteen at a later date and also conversion of the first floor residential suites when demand is established.
- 8.4 Relocating the Members area to the first floor would leave the ground floor of the House as a dedicated facilities suite with new catering facilities. Members would have access to lifts and meeting rooms and would be located closer to officers on the second floor.
- 8.5 Capital improvement works to the Arboretum would have no direct revenue benefit but would demonstrate a commitment to the Council’s policies of community engagement; health and welfare and response to supporting the environment and climate change. It is an amenity that adds value to working at or visiting the site.

9.0 Proposed Way Forward

- 9.1 The Executive is invited to consider the implications of this report and endorse the recommendations for the Council to
 - a. remain at Follaton House for the foreseeable future
 - b. agree to investigate introducing commercial weddings in the Old House and Gardens at weekends with effect from 2021.
 - c. proceed with plans for expanding use of the Arboretum and to enable applications to be made for joint funding.

10.0 Implications

Implications	Relevant Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>Duty of care and insurance provisions will need to be reviewed. Events licence would be required along with consents for works to a listed building.</p> <p>Partnership agreement with third party wedding planner would be subject to further negotiation. This would be a hiring agreement. No property rights or obligations would be created.</p> <p>Appendices A & B of this report contain potentially exempt information as defined in Paragraph 3 (information relating the financial or business affairs of the Council or a third party) Part 1 of Schedule 12A to the Local Government Act 1972. The there are grounds for the publication of these</p>

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		<p>Appendices to be restricted because they contain commercially sensitive valuation figures it is recommended that these are considered in exempt session. The public interest test has been assessed and it is considered that the public Interest will be better served by not disclosing the information in the Appendices.</p>
<p>Financial implications to include reference to value for money</p>	<p>Y</p>	<p>Relocation option Capital cost of relocation estimated at £5.5-£7m. Expected value from resale of Follaton House £2m. No anticipated revenue cost savings. Loan repayments would double the level of existing outgoings. Not considered value for money</p> <p>Recommendation for SHDC to remain at Follaton House for the foreseeable future recognising that the net accommodation costs (£150,000 as set out in 4.4.) represent good value for money.</p> <p>Wedding Venue Costs to be clarified in the business plan. It is recommended that a sum of up to £30,000 is allocated from the Land and Development Earmarked Reserve for this purpose.</p> <p>Arboretum SHDC contribution to expanding the use of the Arboretum £25,000 It is recommended that a sum of up to £25,000 is allocated from the Land and Development Earmarked Reserve for this purpose.</p>
		<p>Relocation Risks are greater in moving than staying at Follaton House. These would include</p> <ul style="list-style-type: none"> • Cost risk • Funding risk if finance is not available (i.e. borrowing for a relocation project) • Follaton House may not achieve expected value • Operational disruption and costs of move • Political risk of future changes to the Council's structure <p>Weddings</p>

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		<ul style="list-style-type: none"> • Risk would be minimised by working in partnership with wedding planner and clarifying costs and statutory consents prior to final approval • Risk that Business Rates may be reassessed due to change in use. <p>Arboretum</p> <ul style="list-style-type: none"> • H&S risks with decaying infrastructure
Supporting Corporate Strategy		Assets/ Enterprise Best use of assets
Climate Change - Carbon / Biodiversity Impact		<ul style="list-style-type: none"> • Corporate carbon footprint review and sustainability plan in progress. • Arboretum. Tree planting and management. Local harvesting. Education programme for biodiversity and habitats .
Comprehensive Impact Assessment Implications		
Equality and Diversity		Issues to be addressed in business plan include mobility access to toilets and garden.
Safeguarding		None
Community Safety, Crime and Disorder		Weddings carry risk of disturbance. Events licence would need to be obtained.
Health, Safety and Wellbeing		Arboretum currently has H&S risks associated with outdated infrastructure.
Other implications		

Supporting Information

Appendix A: Rent and Service Charges schedule (Exempt)

Appendix B: JLL valuation summary (Exempt)

Appendix C: Arboretum consultant report and summary costings

Background Papers:

None