

Report to:	Cabinet
Date:	3 February 2022
Title:	Asset Management
Report of:	Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning
Cabinet member:	Councillor Zoe Nicholson, Leader of the Council, Chair of Cabinet and Cabinet Member for Finance and Assets
Ward(s):	All
Purpose of report:	To consider future office space rationalisation resulting in more economic and sustainable use of assets and improved customer contact facilities.
Decision type:	Key
Officer recommendation(s):	<p>(1) That Cabinet approves the proposals set out in paragraph 2.6.1 to 2.8.1 of this report regarding the Council’s wider office estate.</p> <p>(2) That the Director of Regeneration and Planning, in consultation with the Leader, be given delegated authority to:</p> <ul style="list-style-type: none"> - conclude negotiations for the grant of a lease of Southover House to Charleston; and - enter into a lease of Southover House on the terms agreed, including all ancillary documents. <p>(3) That the Director of Regeneration and Planning, in consultation with the Leader, be given delegated authority to:</p> <ul style="list-style-type: none"> - conclude negotiations for the taking of a lease by the Council of premises at County Hall for temporary office and reception space; and - enter into a lease of premises at County Hall on the terms agreed, including all ancillary documents. <p>(4) That in respect of the proposed grant of a lease to Charleston, Cabinet waives compliance with the Council’s Contract Procedure Rules in the event that the agreed rent exceeds £25,000 per annum, for the reasons set out in paragraph 2.4.2 to 2.4.9 of this report.</p>
Reasons for recommendations:	The pandemic has resulted in a fundamental shift in the location of where staff work and how customers access the Council and resolve queries. Southover House is no longer

the nearest office space for most staff and customer visits have reduced by 50% as residents are resolving more queries via online services. As a result, Southover House is under-utilised.

It is prudent for the Council to consider options for its future office space and customer reception functions to make best use of the Council's assets, meet the needs of customers, reduce costs, increase flexibility for the organisation, and support the Council's net zero carbon 2030 commitment.

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1 Introduction

- 1.1 Prior to the pandemic, the Council had flexible working arrangements for staff taking into account service delivery needs; generally, this meant that for most staff their working week was spent mainly in the office with some work from home. The pandemic encouraged the Council, in common with many other employers across the country, to consider its future preferred work style for staff, recognising that services continued to be delivered to a high standard even when staff worked from home for longer periods. This has resulted in a contractual change for staff to a hybrid work environment where, subject to service need, staff can largely choose whether they work in an office or from home. It has also resulted in significant reductions in absence rates as it has allowed people to work more flexibly.
- 1.2 In addition, with improvements to the way customers access the Council's services online and changes in behaviour such as a move away from customers wanting as much face-to-face interaction, visits to the Council's reception have reduced by 50% compared to pre-pandemic levels. The main customer activity is for document drop off, with customers using online services or the telephone for most other enquiries.
- 1.3 Alongside these changing practises, the Council has implemented a significant savings plan because of the financial impact of the pandemic in order to continue to protect frontline services and its most vulnerable residents, including ensuring income streams are maximised from assets and costs reduced wherever possible.
- 1.4 Southover House is now under-utilised as an office and customer point and as a result of the ongoing costs of the property, the need for increased flexibility for the organisation, and the Council's net zero carbon 2030 commitment it is

prudent for the Council to now consider alternative arrangements for both its office space and customer contact point.

2 Proposal

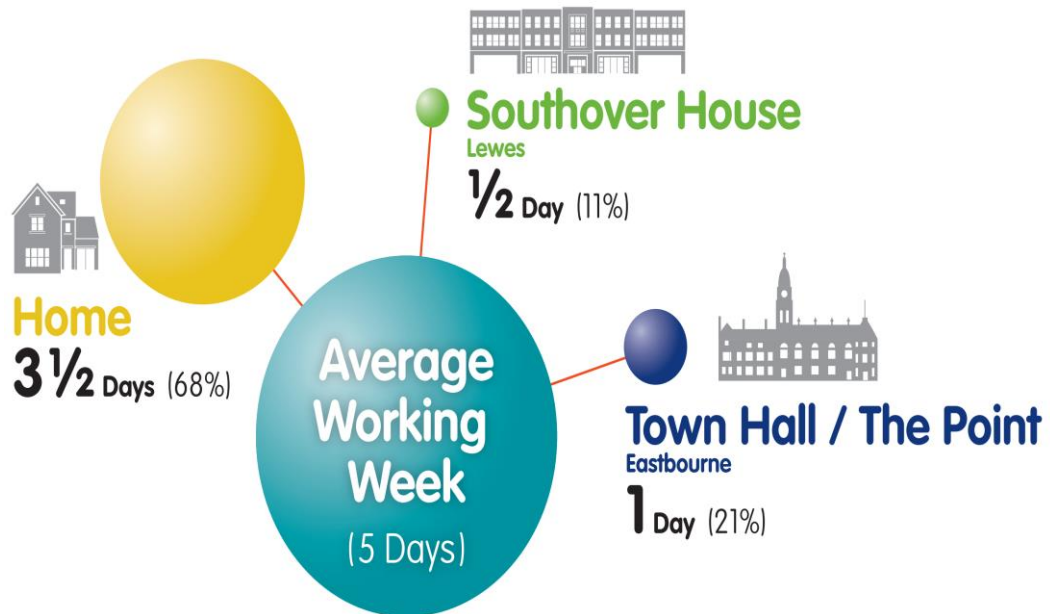
- 2.1
- (a) The Council has had an approach from Charleston who are interested in taking a lease of Southover House. It is proposed that Southover House be leased to Charleston for a period of up to five years for use by the arts charity and its local partners as a new creative centre for the Lewes community featuring exhibitions, learning and education spaces, office space for the creative industry and much needed artist workspace.
 - (b) Charleston is interested in exploring the potential for purchasing the freehold of Southover House at market value during this period. A report will be brought to a future meeting of Cabinet if Charleston puts forward a definite proposal to purchase the freehold.
 - (c) It is proposed that the Council would explore temporarily leasing a space at County Hall to provide short term office and reception space pending a more town centre customer facing solution.
 - (d) It is proposed that future permanent office space would also be provided at the former University Technical College (UTC), Newhaven, assuming that negotiations for the acquisition of this site are successful.

Analysis has been undertaken on future office space and customer need and is presented below along with the proposed future use of the Council's existing office space assets as outlined in paragraph 2.8.1.

2.2 Office Space Need

- 2.2.1 A utilisation survey was undertaken on desk usage in November 2019, and this demonstrated that even before the pandemic 41% of desk spaces within Southover House were empty.
- 2.2.2 To ensure staff safety and social distancing during the height of the pandemic, when restrictions allowed staff were able to work in a Covid secure office environment with a reduced capacity of 25 bookable desk space, and fixed desks available for those staff that had a demonstrable need (welfare/medical, operational, or technological). This arrangement has continued and on average only five desks have been booked a day (20% of available desks) rendering the building 80% under-utilised most of the time.
- 2.2.3 A recent postcode analysis showed that only a quarter of staff lived closer to Southover House than another Council office and over 50% of those staff lived in the coastal towns. This analysis highlights that Southover House is no longer the nearest office to most employee's homes and, for those choosing to work out of the building, a commute across the district is therefore required.
- 2.2.4 A staff survey was also undertaken in September 2021 asking staff to confirm their future preferred work location. On average, staff wanted to work from home for 3½ days, Southover House/an office in Lewes town for ½ day and an office in Eastbourne for 1 day. The survey results provide a clear sense of the level of demand for desks and collaboration spaces in the office estate in the future,

which could be addressed through the acquisition of the former UTC. Providing workspace in Newhaven for the majority of staff who live in coastal towns, is in line with the Council's community wealth building strategy and net zero carbon commitment. Moving the Council's office base to Newhaven will make it possible to recruit more people from the areas where unemployment is higher with an easier commute to the office base in Newhaven, which is a key part of the community wealth building strategy.



2.2.5 It is anticipated that in the Lewes district this would translate into a space requirement of 30 bookable desks and 5 fixed desks in the future. It is recognised that future space need should also include touch down space (non-bookable, short-term space, standing or otherwise), bookable work hubs (rooms set up with workstations that are bookable for project working) and larger collaboration space.

2.3 Customer Support Needs

2.3.1 Prior to the pandemic, Southover House served as the main customer contact point in Lewes with many enquiries relating to housing, council tax, taxi licensing and benefits. On average there were 20-30 customer per day. Following government advice and conscious of the need to protect staff and residents, customer reception points were temporarily closed during the pandemic and, with improvements to digital technology, services moved to telephone and online.

2.3.2 The customer reception in Southover House re-opened in May and footfall has dropped by 50% compared to pre-covid levels. The main reasons for visit are the same as pre-covid with document drop-off being the predominant customer requirement. A large proportion of enquiries are directed to the telephone for resolution.

- 2.3.3 There is a clear commitment to maintain a customer access point in Lewes to support maximum accessibility including for those in rural areas where transport to Newhaven is more difficult, and for services that are still best carried out face to face or where the customer is unable to access online channels. There is also a need to ensure a clear identity for the Council in the County Town. It is anticipated that the Council's future customer access point will therefore continue to serve as a document drop off point, with a small number of self-service terminals and telephones for customers to use supported by staff during their visit. This is likely to be restricted to housing enquiries and others by appointment only. The longer-term plan is to secure such a touch point in the town centre in a smaller unit than the current Southover House.
- 2.3.4 The Council is committed to also ensuring customers from coastal towns can access a future accessible customer touch point, so that the highest proportion of customers who need to access face to face support can do so; this could be provided at the former UTC. Those who have greatest need of our services live in the Coastal Towns and therefore will find accessing Council services easier than travelling to Lewes town.
- 2.3.5 Lewes Citizens Advice Bureau (CAB) had a specific area within Southover House reception, and there were logical synergies with being based together in the same building. The CAB has been operating out of its Newhaven office during the pandemic which has served them well to date, however, they are keen to join the Council again, if possible, in whatever its future customer access point looks like.

2.4 Southover House

- 2.4.1 Serving as the Council's main office space, running costs are around £270,000 per annum. The property has capacity for at least 240 desk spaces. For completeness, a valuation has been undertaken of the property.
- 2.4.2 The analysis undertaken has indicated that the Council no longer has need for a stand-alone office as large as Southover House, however, it is recognised that demand may change in the future. As a result, the Council requires flexible future accommodation for office and customer access that can respond quickly to the changing needs of the organisation and its residents. Southover House is an expensive overhead for the Council and is not being used to its full potential or for the benefit of residents that it could provide.
- 2.4.3 Charleston has approached the Council as they are interested in leasing the property in order to provide a host of benefits to the Lewes district. The Charleston charity was set up in 1980 to restore and maintain Charleston Farmhouse, Firle. Charleston is an independent cultural charity that produces annual programme of exhibitions, events and festivals bringing international artists and writers to the Lewes district. On Charleston's site at Firle, the charity conserves and opens to the public the modernist home and studio of painters Vanessa Bell and Duncan Grant.
- 2.4.4 Charleston proposes coordinating a group of cultural, creative, and educational partners from the region and local area to use Southover House as a pop-up

cultural centre which could support and grow the visitor economy in Lewes town centre, bringing new audiences to the town and signposting them to the independent businesses and existing cultural infrastructure of the town and the wider area.

2.4.5 Charleston is one of the most significant cultural organisations in the region with an internationally significant brand. The organisation currently welcomes over 60,000 visits annually with 97% of visitors travelling by car. The intention is to link the Lewes site with the existing property in Firlie to promote visits by train and bus. Southover House could be used as a green transport hub with an electric shuttle bus linking Bloomsbury home and studio and Lewes town centre. Charleston would look to promote cycle/electric bike links using the new A27 cycle route to Lewes town centre and into the South Downs National Park.

2.4.6 In addition to the creative and educational programme, Charleston intend that Southover House would provide workspace for creatives, a retail marketplace, a catering provision and networking and partnership opportunities for artists, makers, and creative businesses in the local area. Charleston is also working to build the wine tourism industry in the area working closely with Sussex Modern, South Downs National Park and Plumpton College. The additional site and partnership working would provide jobs, training opportunities and educational benefits for Lewes residents and young people.

2.4.7 It is proposed that initial occupation would be via a short lease agreement with Charleston and the Council would retain the freehold of the property. Use of the building could be evaluated with a view to building a longer-term sustainable model for a permanent cultural centre in Lewes managed by Charleston. This longer-term model could involve Charleston purchasing the freehold of the property from the Council. This report does not seek authority to sell the freehold to Charleston. A report will be brought to a future meeting of Cabinet if Charleston puts forward a definite proposal to purchase the freehold.

2.4.8 This proposal would reduce net CO₂ by reducing Charleston's existing significant car dependence as well as the opportunity to realise a future capital receipt. Although terms have yet to be finalised, the Council would probably retain some responsibility for the fabric of the building but day to day running costs would be met by Charleston and a rent would be payable as the Charleston offer builds up. This would result in a significant net annual saving for the Council.

2.4.9 The Council is committed to setting up partnerships with the community and voluntary sector and education sector to ensure creative use of space and a community wealth development approach. The partnership with Charleston would support this commitment.

2.5 County Hall

2.5.1 In conjunction with the lease of Southover House and recognising the need for flexible accommodation, officers have been in discussion with East Sussex County Council (ESCC) regarding taking temporary office space within County Hall and creating a new and short-term customer access one-stop-shop for LDC co-located with ESCC. Heads of Terms have been discussed for a lease for

office accommodation with further discussions being undertaken regarding a customer point that meets the needs of the Council and residents.

2.5.2 Any occupation would be via a short, flexible lease that could easily be ended but would provide the Council with some temporary swing space and allow better use of Southover House. This is the short-term plan; there is a commitment to providing a longer-term town centre based solution that provides a strong Council identity, as well as developing plans at the former UTC in Newhaven.

2.6 Lewes House

2.6.1 Centrally located, the property is popular with local businesses and has been used for pop-up meanwhile uses, such as Artwave and Lewes Artists, as well as civic events. The property is not able to meet current accessibility requirements. The property is a central part of the Council's corporate identity in the town centre, alongside the Tourist Information Centre.

2.6.2 It is proposed that the property be retained for continuing the existing mixed-use arrangements including commercial/meanwhile and that a member's area be created within the property. Lewes House, whilst not suitable as a customer touch point, will be the civic and town centre base preserving the Council's identity in the short term whilst we work on a town centre base for customers.

2.7 Former UTC Newhaven

2.7.1 Situated in a strategic location within Newhaven, £1.3m of Getting Building Fund monies have been secured to create a marine/commercial/public hub within the property and the project is now being supported with £1m match-funding from LDC. Land interests concerning the property are complex and discussions are advanced in the Council acquiring the balance of a 999-year headlease for the building.

2.7.2 This is a key property for the regeneration of Newhaven and offers significant community wealth, training, and commercial opportunities alongside a public hub, including a longer-term Council office space for LDC with committee space.

2.8 Other assets

2.8.1 Officers have considered other assets as potential office/customer contact space as part of this proposal – these are:

- Caburn House: situated on the South Downs Business Park, the property comprises two-storeys of roughly 730m² with 69 parking spaces. The ground floor is already being brought back into use to provide a base for Energy Technology and Control Ltd (ETC) who need to move from 25 North Street as part of the North Street Quarter development. Once complete, works will commence on the upper floor. There is already funding in the capital programme to support these works.

Due to the demand for commercial space in a good location in the town, it is proposed that the top floor be let commercially to generate additional income for the council.

- 2 Fisher Street: largely vacant for some time, the property requires refurbishment to be brought back into use. The shop front has seen regular meanwhile uses and is currently let to the Lewes Climate Hub (shared with Lewes Community Volunteers).

The property has small office spaces and is linked with the adjacent Tourist Information Centre which uses part of the ground floor. It would not be accessible space and there would be a high cost to adapt the property for safe customer use, however, it could be used to help support a future customer point at the TIC if the need exists in the future.

4 Fisher Street has recently been let as a creative hub space to The Werks group and there could be sufficient demand in the area to utilise space at 2 Fisher Street should this be available and feasible to separate out from the TIC accommodation, subject to Southover House being fully let and any potential impact on Lewes House understood.

It is proposed that any urgent works be undertaken on the property and it made water-tight prior to further decisions regarding use of the building either to support a customer contact point in the future or to lease out. Should it be decided to let as a creative space an Expression of Interest process would be followed to attract a suitable provider.

3 Outcome expected and performance management

- 3.1 The review of office space has been undertaken to assess the opportunity to meet the following outcomes:
- Ensure a customer presence is retained in Lewes Town post-Covid that meets the needs of residents;
 - Creation of work opportunities for those in coastal towns or people wanting to work more locally;
 - Direct assets towards community benefit and act as a catalyst for community wealth and economic development, predominantly in Lewes Town and Newhaven;
 - Reduce the Council's carbon footprint;
 - Support the Council's hybrid working arrangements for staff and ensure safe working conditions are maintained;
 - Reduce overall costs.

4 Consultation

- 4.1 The recommendations within this paper were considered at Strategic Property Board on 14 October 2021.

5 Corporate plan and council policies

5.1 The proposed grant of a lease of Southover House and taking a lease at County Hall fit strongly with the Council's corporate plan Re-imagining Lewes District in the following ways:

- Meeting "Our Promise To You" by solving customer issues and questions by being knowledgeable and accessible by phone and online.
- Using our influence to lead our district to net carbon zero by 2030;
- Meeting our own 2030 targets and reducing our emissions - as we take on the UTC lease our emissions will increase, this plan ensures our own emissions remain broadly on target;
- Increasing opportunities for public transport and electric vehicle use;
- Help to build community wealth through use of Council land to create new investment in our local economy and creating new employment for residents;
- Community wealth building by providing creative work and learning opportunities via the Charleston partnership in Lewes and surrounding areas, and by supporting those who live in the coastal strip of the district for an easier work journey;
- Providing council offices closer to those communities who experience greater unemployment in our coastal towns supports our community wealth building strategies as well as reducing carbon footprint by providing office space closer to home;
- Providing a new use for Southover House that supports creative, education and employment opportunities in partnership with colleges and other partners is in line with our sustainability strategy;
- Providing a long-term customer touch point in the centre of town, and utilising short-term solutions with other public sector partners supports our corporate plan priorities.

6 Business case and alternative option(s) considered

6.1 Southover House was largely under-utilised prior to the pandemic. The shift in work practices for staff to a hybrid-working environment, coupled with the organisation's staff locations means that demand for office space by staff has significantly reduced and the Council no longer needs an office building of the size of Southover. County Hall would provide the Council with flexible swing space whilst the former UTC in Newhaven is developed.

6.2 Since reception has re-opened, customer visits have reduced by 50% as residents find more efficient ways to interact with the Council via online services.

6.3 Other potential office space has been considered as set out in paragraph 2, but it is felt that leasing Southover House and taking a lease at County Hall for flexible swing space would be the most beneficial option for the Council and local residents.

7 Financial appraisal

- 7.1 The pandemic has resulted in a contractual change for staff to a hybrid work environment, and it is prudent for the Council to consider alternative arrangements that meet the needs of customers, reduce costs, and increase flexibility for the organisation.
- 7.2 Recognising the need for flexible office accommodation due to vacating/leasing of Southover House, officers have been in discussion with the East Sussex County Council (ESCC) regarding taking temporary office space within County Hall. The cost of Southover House to the Council annually is around £270,000. Leasing the property and taking a temporary lease at County Hall will help reduce the burden on the Council's finances.

8 Legal implications

- 8.1 The Council's Contract Procedure Rules (CPRs) say that no lease of land where the estimated rent exceeds £25,000 per annum shall be made except after auction or the invitation of tenders or expressions of interest following appropriate public advertisement, unless authorised by Cabinet. At present the amount of rent for the proposed lease to Charleston is unknown. This report seeks a waiver from CPRs in the event that the agreed rent exceeds £25,000 per annum. The justification for the waiver is set out in the body of the report.
- 8.2 The Council cannot dispose of land held in the general fund for a consideration less than the best that can be reasonably obtained in the market, except with the consent of the Secretary of State. Disposal includes granting a lease. The rule only applies to leases where the term exceeds seven years. In this instance the intention is to grant a lease for a term not exceeding five years.

4 November 2021 Ref: 010533-LDC-MR

9 Risk management implications

- 9.1 The proposed lease of Southover House by LDC will be a new venture and as such the terms of the lease will be flexible enough to allow the lease to be ended should it be required. Likewise, the taking of a new lease at County Hall by LDC will also be on flexible, temporary terms which could be ended quickly if the need arises.
- 9.2 A risk register will be produced for the former UTC prior to works commencing.

10 Equality analysis

- 10.1 An Equality & Fairness Analysis has been undertaken on these proposals. This has concluded that although generally there are likely to be neutral or positive impacts from the proposed relocation of office space and reception from Southover House to County Hall, it should be noted that there could be negative impacts for some protected groups – both staff and customers - because of County Hall being further away from Lewes train station and accessed by a

steep hill from the station. This is particularly in relation to the elderly, disabled, carers and those either pregnant or with very young children.

- 10.2 In view of the fact that reception visits have reduced by 50% compared to re-pandemic times, a small minority of people are likely to be impacted. The move of the reception facilities may well encourage some of these people to access services online or via the telephone. There is no data available on how people travel to Lewes town to access reception services.

11 Environmental sustainability implications

- 11.1 The proposed development accords with the Council's Sustainability Policy and the three pillars of sustainability (the economy, the environment and social community). The scheme will encourage sustainable economic growth, seeking to re-purpose an existing under-utilised building and bring it into use as for the benefit of the local community. The proposal will also deliver new flexible premises for public services at County Hall prior to the development of the former UTC at Newhaven, helping to ensure our communities are able to thrive. Should the Council not lease Southover House prior to acquiring the former UTC, the Council's net carbon emissions will double and therefore holding both properties would not be a tenable position.

12 Contribution to Community Wealth Building

- 12.1 Use of Southover House as a cultural centre with educational and creative workspace, a retail marketplace and networking opportunities for artists, makers, and creative businesses, alongside the development of the former UTC, will help support Community Wealth Building through the creation of new jobs for local people, supporting regeneration of the local area and growth of the local economy and harnessing anchor institutions.
- 12.2 Providing workspace in Newhaven for staff who live in coastal towns, is in line with the Council's community wealth building strategy and net zero carbon commitment. It will make it possible to recruit more people from the areas where unemployment is higher with an easier commute to the office base in Newhaven, which is a key part of the strategy.

13 Appendices

None

14 Background papers

None