

Report to: **Hub Committee**

Date: **5 November 2019**

Title: **Kilworthy Park: Strategic Accomodation Review**

Portfolio Area: **Strategy and Assets**
Leader: Cllr Neil Jory

Wards Affected: **none**

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

Date next steps can be taken: **Following Call In
13 November
2019**

Author: **David Parkes** Role: **Senior Specialist Assets**

Contact: **01803 861153** david.parkes@swdevon.gov.uk

Recommendations: That Hub Committee

- 1) Approve the proposal from the Accommodation Working Group (AWG) for the Council to remain at Kilworthy Park, noting that at the current time the Council's occupation of the property represents good value for money
- 2) Review the options presented to the Accommodation Working Group and as outlined in this report and agree the findings and recommendations set out in section 3.

1 Executive summary

- 1.1 This report updates Members on the findings of the Accomodation Working Group in considering future plans for Kilworthy Park.

2 Background

- 2.1 In March 2019 the Hub Committee resolved

1. To agree a future accommodation strategy which will consider all alternative accommodation options and get best value for the site;

2. To form an Accommodation Working Group (AWG) of six Members, to be selected by the Group Leaders following election, to determine their terms of reference and work through options and to make recommendations to Hub Committee

3. For the Group to give consideration to each of the options presented in the report

2.2 Following the Council's LGA Peer Review recommendations a review took place of options to

- i. combine the facilities of both WDBC and South Hams Councils through collocating to a centralised area such as Ivybridge.
- ii. relocate the Council to an alternative site within West Devon, potentially sharing conference facilities with Town Councils such as Tavistock or Okehampton releasing Kilworthy Park for development.

2.3 The project team concluded:-

- A lack of suitable and available market premises meant building new would be the only real relocation option.
- The resale value of Kilworthy for development is limited due to the shape and access. This would not for example cover repayment of the outstanding loan.
- The costs of a new building and relocating could not be justified against the current running costs.
- The net cost to the Council of running Kilworthy Park is currently c.£100,000 pa. (£12.50 per sq m) including business rates. This is the residual cost after factoring in the rental income and service charges which are received from tenants occupying the building. This represents good value for money relative to the commercial office market.
- The relatively generous/abundant car parking is an important benefit to the Council and its visitors.

2.4 For these reasons a clear recommendation was made to AWG that the Council should remain at Kilworthy who have accepted that there is no business case to relocate at this time.

2.5 It was further agreed that there should be a review of the best/ most efficient use of the building and consideration of how to reduce the long term vacant space.

2.6 For transparency, there are indirect fixed costs associated with accommodation which form part of the Council's budget, these are:

i) A payment from West Devon to South Hams District Council of £90k/yr which reflects the cost of the shared service provision and the far greater footprint used at Follaton House for provision of some frontline services (call centre) and all back office functions.

ii) The cost of the prudential borrowing (loan) used to fund the office work in 2007 of £137,550 per year (This is the interest cost and the cost of repaying the principle of the borrowing). This cost is built into the West Devon Accounts as a base cost and is budgeted for within the Base Budget.

3 Future options

3.1 The building has a net floor area of 2000m² of which WDBC currently occupy 800m² (40%);

Third party tenants occupy a further 750m² (38%) leaving 450m² (22%) available to let.

3.2 Maintaining this void space costs the Council in terms of maintenance, heating and services as well as business rates in the region of £60,000 - £70,000pa. The issue of voids is one that has been unresolved over recent years

3.3 Notwithstanding this being the best office building in Tavistock letting surplus space in the building has in the past proved difficult largely due to

- a. A very weak local office market focussed on small professional businesses
- b. The rental and service costs at Kilworthy being high relative to older stock in the Town Centre

3.4 Whilst steps have been taken to improve the presentation of the existing vacant space the level of enquiries remains very low.

3.5 One option presented to the AWG was for the Council to consider demolishing part of the property to in effect reduce the overall accommodation by the amount that is currently vacant. (For clarity this does **not** relate to the new Reception and Council Chamber building which was previously subject to consideration)

3.6 A high level assessment of viability suggests this could be a valid option that could also provide a physical separation between Council accommodation and tenant accommodation.

- 3.7 This would be commercially sensitive as there are tenants in occupation with whom the Council would need to discuss these proposals and the potential to relocate them elsewhere in the building.
- 3.8 It is therefore proposed that the Council work up plans for reconfiguring the interior of the building (including a review of the WDBC requirements) and obtain more detailed costings of works with a view to bringing a costed business plan back to AWG by January 2020. The assessment and design work is estimated at £5,000 and it is suggested this is funded from the existing KP budget.
- 3.9 In the meantime the Council will continue to monitor progress of lettings and explore the possibilities of closer working with Tavistock Town Council including potential co-location of joint Council services at Kilworthy Park to support accessibility to improve service standards and reduce costs.
- 3.10 The AW Group have also considered whether additional public car parking could be provided at Kilworthy House to generate additional revenues.
- 3.11 There are 115 car parking spaces at Kilworthy which is generous by commercial office standards. However due to the nature of the Council's business there are peak days when the car parking is full, notably when Council meetings take place.
- 3.12 Should the Council decide to pursue the partial demolition option it would leave a higher ratio of parking to offices and it may in addition be possible to add a further 50 parking spaces.
- 3.13 However the advice from Parking Services is that this site would not be suitable as a Town Centre pay and display and even demand for permit parking is likely to be very low with a value of maybe £100 per space per annum. Parking is currently offered free at weekends but has very low take up.
- 3.14 Based on these revenue rates it is considered highly unlikely that there would be a business case for creating additional parking at Kilworthy.
- 3.15 The site may however have capacity for further development in the future such as a doctors surgery which would be demand led.
- 3.16 Whilst considering development options it is proposed that the Council undertakes a further review of service charges and rating costs along with the potential to consolidate the Councils use of the accommodation to maximise efficiencies and financial cost savings.

4 Outcomes/outputs

- 4.1 The primary intention in this accommodation review is to ensure the Council's assets are fit for purpose for the foreseeable future.
- 4.2 The study has helped the Council recognise they get good value for money from the use of this asset compared to other market options but also that further savings could be engineered.
- 4.3 At the current time, the two outcomes from the AWG are to recommend to remain at KP and to continue to explore an improved letting position. Concurrently to work up a more detailed business case for re-modelling the building for further scrutiny by the AWG.

5 Consideration of risk

- 5.1 In undertaking this first stage option appraisal the AWG were presented with a summary of benefits and risks that identified outcomes from a financial, political and operational perspective.
- 5.2 The study recognises the risk, if the building remains hard to let, that the Council will continue to carry the cost of the vacant accommodation. This has both a financial and also a carbon cost in use of energy in maintaining and servicing this space.
- 5.3 The alternative option of partial demolition is built on the assumption that tenants will be willing to relocate which has yet to be tested.
- 5.4 The costs of works in the partial demolition option including refitting existing offices are estimated to be £450,000-£500,000 and would engender savings of £60,000-£70,000 pa. This cost could be provisionally built into the capital programme 2020/21 to enable the works to proceed, if justified by a business case approved by Members.

6. Proposed Way Forward

- 6.1 Hub Committee is invited to consider this update on work to date and recognise the ongoing responsibility of the AWG to lead this.
- 6.2 The project team will review further design, cost and market assessments that will enable a further recommendation to be presented to AWG by January 2020

6.3 Discussions with Tavistock Town Council and tenants will continue to feed into that process.

7. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Council has the power under the Local Government Act 1972 section 120(1) to manage land and building for the purposes of undertaking its functions or for the benefit the benefit, improvement or development of their area.
Financial implications to include reference to value for money	Y	WDBC recognise the value of Kilworthy in financial and operational terms. The annual net cost to the Council of running Kilworthy is c.£100,000 pa. The aim is to reduce this operational cost as close to zero as possible through additional lettings;reconfiguring the accommodation and/or reviewing the recovery of costs through the service charge
Risk	Y	Section 4 outlines identified risks to be clarified by business case.
Supporting Corporate Strategy		Assets
Climate Change - Carbon / Biodiversity Impact		<ul style="list-style-type: none"> • Efficient use of existing resources • Reducing waste
Comprehensive Impact Assessment Implications		
Equality and Diversity		DDA compliant access arrangements to be considered.
Safeguarding		n/a
Community Safety, Crime and Disorder		

Health, Safety and Wellbeing		
Other implications		

Supporting Information

Background Papers:

Hub Committee March 2019 – Accommodation report

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed/sign off	Yes
SLT Rep briefed/sign off	Yes
Relevant Heads of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	Yes