

Agenda Item	5
Report No	RDB/07/22

HIGHLAND COUNCIL

Committee: Redesign Board

Date: 28 November 2022

Report Title: Asset Management Pillar 3 - Asset Rationalisation

Report By: Executive Chief Officer Housing & Property

1. Purpose/Executive Summary

- 1.1 The purpose of this report is to provide a progress update on the Asset Rationalisation workstream of the Asset Management Project. In the last three months a number of options have progressed through to delivery phase. These have already delivered £160K revenue savings within the 22/23 Financial Year and contribute towards achievement of the £1M savings target.
- 1.2 This report advises of progress on the initial batch of properties approved by the Redesign Board, highlights the actions being taken to reduce the time until final savings are delivered, provides an update of the overall savings position and updates on the required next steps to fully achieve the savings target.

2. Recommendations

- 2.1 Members are asked to:
1. **NOTE** progress on the Asset Rationalisation workstream, including progress made towards the achievement of the £1M revenue savings target, as detailed in section 5 of this report.
 2. **APPROVE** the next steps for full achievement of the target savings as set out in section 9 of this report.

3. Implications

3.1 Resource

The Asset Management and Hybrid Working project team consists of 7FTE for a period of 24 months, up to November 2024. The team includes a mixture of Human Resources, Property and Project expertise.

3.2 **Legal**

There are no legal implications that require consideration within this general report.

3.3 **Community (Equality, Poverty and Rural)**

The Asset Management and Hybrid Working project will safeguard an asset mix that promotes the correct balance of localised service delivery. The focus upon a reduction of office accommodation will substantially reduce the impact at community and local level.

3.4 **Climate Change / Carbon Clever**

The Asset Management and Hybrid Working project has strong alignment with the wider strategic objective for The Highland Council to become a carbon neutral organisation by 2040. The project team is working closely with the climate and energy team to collectively establish a roadmap towards a reduced, sustainable office estate. With reductions to the Education, Housing and HLH estates less feasible, reductions in office accommodation will be a key part of the initial strategy towards carbon reduction.

3.5 **Risk**

Risk Management is a core process central to the management and delivery of the Project. For each individual property, risks specific to that site have been fully considered and mitigated as far as possible in the decision-making process.

3.6 **Gaelic**

There are no Gaelic implications identified.

4. **Background and Strategic Approach**

4.1 The Asset Management and Hybrid Working project is a Redesign Board governed project, which has been set the target of delivering £1M of revenue savings from across all General Fund properties with the exception of the school estate which is currently not in scope. Housing HRA buildings are also not in scope as the HRA is a separate ring fenced (in law) budget, and the focus of the exercise is recurrent General Fund revenue budget savings.

Revenue savings primarily result from withdrawing from buildings that Property Services pay a lease charge for, and the sale, transfer/Community asset transfer, mothballing, closing and demolition as appropriate of buildings. Revenue costs attached to these buildings include utility savings, revenue maintenance savings, and in some cases cleansing, catering and a range of other smaller day to day revenue expenditure liabilities that will all cease if we no longer occupy a given building. No cyclical maintenance saving arises from this exercise as the Council removed this budget as a part of prior year savings exercises.

4.2 From inception it was identified that the majority of savings would be taken from office clerical properties as savings from other property categories would not be achievable within the project timeline.

However, there is a perception that the Council has several hundred offices and/or buildings occupied by staff largely carrying out administrative functions or acting as an office base for staff delivering services in communities, and that there are consequently several hundred that can be in scope for contributing towards achieving the savings target.

Unfortunately, this is not now, and never has been, the case. The majority of these built environment assets fall under the categories of burial sites, memorials, clock towers, playing fields, etc. The reality is that the overall clerical office estate is now below 50 properties and the majority of these are small sites. To further underline the point, the Gross Internal Floor Area (GIFA) of these clerical offices amounts to around 16%. In comparison, the very vast majority of space – and therefore potential revenue savings – is to be found in the school estate, which accounts for around 60% of GIFA.

4.3 Initially the project commenced with a series of batches of properties which were approved by Redesign Board for review. This approach resulted in an inherent 3-monthly cycle for decision making (excluding the usual recesses and pre and post-election periods) and the project was challenged with identifying routes towards accelerating the delivery of Property savings. A subsequent change of approach was reflected in the approval by Council on 10th March 22 of the Redesign Board recommendation to adopt a holistic approach towards meeting the Asset Management revenue savings target, and that shift to the holistic approach required an early decision over the property mix that would generate the overall savings target.

4.4 On 7 September 2022, the Redesign Board agreed with the project recommendation to delegate decision making authority in line with the current Scheme of Delegation. This would mean that decisions would be taken via the following forums, dependent upon the value of the overall saving:

- Strategic Property Board is able to takes decisions on properties up to a value of £250K or £50K per annum (community transfer options are also represented on the Board)
- Properties of higher value are approved via the Housing and Property Committee
- All properties with Common Good interest are by Redesign Board and Council

5. **Batch 1 progress (full breakdown can be found in Appendix. 1)**

5.1 Work has progressed on the Batch 1 properties with significant decisions taken by the Strategic Property Board since approval was provided by the Redesign Board on 7 September. Of note the following decisions have been taken:

- **Inverness Town House** – Board has approved savings options which are summarised in a standalone report to Redesign Board (the recommended option will generate a minimum THC revenue saving of £233,500K from 1st April 2023 onwards).
- **Dingwall HLH Office** – Board approved the decision to vacate and mothball the site.
- **Culcabock Child Guidance Centre** – Board approved the decision to vacate the site and move staff into the Merkinch Family Centre. The vacated site is currently under consideration for Housing Development.

- **Nairn Finance Office** – Board approved the decision to vacate the site and move staff into the Nairn Court House. The vacated site will take a dual track approach, identifying interested local communities within a time bound window while progressing to sale via open market if no interested parties are identified
- **HLH Ardross Headquarters** – HLH have advised that plans are in progress to vacate the site by 31 March 2023. Modification work will be required at the Inverness Archive Centre to receive incoming staff.
- **MacLeod House** – Board approved the decision to maintain the current site as there are no suitable alternative accommodation options currently available. A saving of approx. £50K will be achieved by moving the property from the Investment Fund into the General Fund and removing the current internal recharge which sees Property Services charged by Estates for providing a building for other services to occupy.
- **Aviemore Dalfaber storage** – Board approved the decision to maintain the current site for now as it is considered that on balance, there are no realistic local alternatives at the present time. Additionally, income from Bear Scotland means that costs associated with the site are close to neutral, although this will require ongoing monitoring to understand the effects of rising utility costs

5.2 The updates for the remainder of the Batch 1 properties are as follows:

- **Dochfour Hutted accommodation** – options have been identified for the staff groups currently working at the site. All staff will be vacated from the site by 31 March 2023 and a Strategic Property Board decision will be made over the optimal disposal route.
- **Dingwall Portacabin accommodation** - options have been identified for the staff currently working at the site. All staff will be vacated from the site by 1 March 2023 and a Strategic Property Board decision will be made over the optimal disposal route
- **Thurso Burgh Chambers** – Work is required at receiving sites. This is expected to be complete by June 2023 and once complete a decision will be made over the optimal future use for the site
- **Tain County Buildings and Tain Social Work Office** – a review is ongoing into both of these sites. Engagement with local members and staff is ongoing to inform suitable options for all of these sites
- **Trading Standards Office Inverness** – the project team is exploring options to accommodate staff within the Inverness HQ building. This will require significant modifications to the ground floor of Block B to accommodate the workshop function and equipment. Modification works once approved is anticipated to be complete by June 2023. Due to the potential high value of the capital receipt for this site, the intention will be to sell via the open market as soon as it is vacated

- **Culduthel Criminal Justice Office** – a review has been carried out at the site and no suitable alternatives have been currently identified. Consideration should be given to including a suitable unit at the potential super-depot site
- **Dingwall Offenders Office** – the project team is currently exploring local alternative options. All options are expected to require modification works. Options will be raised with the Strategic Property Board for a decision
- **Criminal Justice Unit Alness** - a review has been carried out at the site and no suitable alternatives have been currently identified. The current recommendation is to retain the site

5.3 The project team has identified a full list of property options and is progressing towards the delivery of the maximum overall saving. Effectively all sites are in scope and the intention is to reduce down to a minimal office estate comprising of 5 key hubs. Engagement with local members and staff will inform the development of suitable options. These sites will contribute towards delivery of the full £1M revenue savings target.

5.4 The Project Team is aiming to minimise the time between vacating a site and full realisation of the revenue savings. The following criteria are being followed and determine the identified timeline dates:

- In line with Trade Union advice and existing employment laws staff require a minimum of 90 days formal notification of employment terms and conditions. This is applicable whenever a move is to a site with hybrid working arrangements and/or whenever there is a change of location (unless contracts already include location clauses)
- The team is working towards the avoidance of any new and additional costs resulting from a site being kept in a mothballed state for significant lengths of time
- The team is also looking to avoid the imposition of new costs that would be incurred by relocating staff before a site can be fully vacated. As an example, it would be possible to vacate sites sooner with staff temporarily travelling to the closing site to access equipment. Ultimately the saving is not achieved until the site is fully vacated and disruption to services and imposed travelling costs are being avoided as far as practical
- Movements are being scheduled to coincide with the completion of works at receiving sites to minimise the impact upon staff
- Transferring assets to interested community groups is often an area that has the potential to a delay in the delivery of savings. The Board has identified a dual track approach that will set time bound limits to identify interested parties (i.e. 3 months). If no interested parties are identified the pre-work to sell via open market will have concluded within the same timescale. This approach will deliver the revenue saving and capital receipt as quickly as possible

6 Savings

- 6.1 The current savings target for Asset Rationalisation is £0.5M in FY 22/23 and £0.5M in FY 23/24. The overall revenue savings target is £1M. £160K has already been achieved within the Financial Year and all of the options that are currently in the advanced staged of progression will result in a minimum cumulative saving of £933.9K early within the 23/24FY.
- 6.2 The following table highlights current progress in relation to the £1M revenue savings target:

	FY22/23	FY23/24
Savings achieved from a series of smaller office rationalisations that have already concluded	£160K	-
Savings from Batch 1 properties which are currently in delivery phases (note some will deliver a small pro-rata saving within the 22/23FY)	-	£487.6K
Other properties that are currently in a delivery phase	-	£133K
Projected maintenance and repairs savings	£14.4K	£12.8K
Other additional savings (i.e., Friday closures of offices, utility reductions, etc.	-	£43.5K
Ardross Street HQ Housing Development	-	£82.6K
Total	£174.4K	£759.5K
Cumulative Total	-	£933.9K

7 Next Steps

- 7.1 The project team will continue to maximise the resulting savings from all options that are currently being progressed. The savings table in section 6.2 shows that significant progress has been achieved towards the achievement of the full £1M revenue savings target. This is significant progress considering that many of these sites have been long term targets, over several years, for divestment.
- 7.2 The project team has identified options that will permit the project to deliver savings in excess of the current target. Engagement is ongoing with local members and staff to develop these options further and a number will progress to delivery phase. The project will report into future Redesign Boards of the options that are being progressed and update on the maximum potential saving that can be achieved.
- 7.3 A preference has emerged to focus the administration base for the Council into 5 key buildings as soon as is practicably deliverable. These buildings are proposed to be:
- Council HQ, with the exception of the old Council HQ on Ardross street, which will be vacated and redeveloped for housing (noting that initial options appraisal and feasibility/design works are currently being undertaken).
 - Dingwall County Buildings
 - Caithness House
 - Charles Kennedy House
 - Tigh na Sgire

- 7.4 In order to facilitate the move towards delivery on the above ambition, it is essential that this is progressed from the perspective that the presumption will be that all other buildings carrying out these functions are to close in the shortest reasonably practicable timescale possible. There will be the potential for exceptions to be considered by Redesign Board on the recommendation of the Strategic Property Board, but this would require a detailed business case to be set out by the occupying service as to why a given property should not be vacated and why, exceptionally, the functions carried out from that location cannot reasonably be carried out from an alternative location.
- 7.5 Facilitating 9.4 will require the remodelling of Blocks A and B at Inverness HQ in order to facilitate storage of certain items required to be kept for legal purposes and also to accommodate service storage requirements for services that still require to have access to paper records. This remodelling will also create new workspace environments for staff and create space that will be available to staff displaced from other relatively nearby locations. Additional remodelling of HQ, largely to accommodate making the existing campus fit for purpose and with a view to becoming open plan as far as is technically feasible is also required and is also currently the subject of feasibility and design work. This section highlights to Members that in order to deliver on the ambitions set out in terms of the current Asset Rationalisation project and the ambitions set out in this section 9, that a significant capital investment requirement will be required.
- 7.6 Finally, in context and as mentioned above, the current project is on track in the course of the next 12 months to deliver the full £1m saving target. However, this has to be seen in the context of the overall GF revenue budget of the Council for what it is – a very modest contribution but an essential one but based on a relatively small (less than 20%) footprint of the space occupied by people across the Council.

Similar activities require to be taken across the school estate and depot estate to deliver significantly larger ongoing recurrent revenue budget savings, but that does come with an element of complexity and investment costs, particularly as regards depots where the current underinvestment identified that has contributed to their poor state is in the region of £12m. This current project is the first relatively small step in what needs to be a much wider programme across all built environment assets if the Council is to deliver on its stated ambition to reduce assets, to reduce revenue budget and future capital investment requirements, as well as delivering on net zero and low carbon ambitions.

Designation: Executive Chief Officer: Property & Housing

Date: 18 November 2022

Authors:

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Appendix. 1 – Batch 1 Properties

Property	Current Projected Target Date	Projected Recurring Revenue Saving (£K)	Current RAG Status	Main issues preventing disposal within 12 months	Notes
HLH Dingwall	Oct-22	2.3	Green	N/A	N/A
Dingwall Portacabin	Mar-23	3.8	Green	N/A	Service is required to pay for associated works at decant site
Nairn Finance Office	Mar-23	7.1	Green	N/A	N/A
Dochfour Hutted Accommodation	Nov-22 (L&D) Nov -22 (OHSW) Nov – 22 (Elections Store) Mar-23 (HSC)	53.1	Green	N/A	N/A
HLH Headquarters, 12/13 Ardross St	Mar-23	14.8	Green	N/A	Modification work will be carried out at the Inverness Archive Centre. HLH are working towards vacating the site by 31 st March 2023
Thurso Burgh Chambers	Jun-23	11.0	Amber	N/A	Significant modifications are required at receiving sites
Culcabock Child Guidance Centre, Inverness	Apr-23	9.9	Green	N/A	Modifications are required at the receiving site. The move is expected to be complete by 1 st April 2023
Criminal Justice Services Dingwall	Feb-23	33.5	Amber	Lease termination required Jan - 23	Identified alternative options have proven as non-viable. Other alternatives are currently being investigated.
Tain County Buildings	May-23	9.0	Amber	Tain sites need to be reviewed as a collective	Ongoing review concluded and local member/ward engagement to determine future use.
Tain Social Work Office	May-23	15.7	Amber	Tain sites need to be reviewed as a collective	Ongoing review concluded and local member/ward engagement to determine future use.
Trading Standards Office	June-23	59.5	Amber	Modifications required at alternative sites	Significant works need to be approved and completed at Inverness HQ. Due to the costs incurred and impact upon service delivery it is not advised to move staff until these works are completed. Alternatively, the super-depot project presents the opportunity to develop an alternative which could meet service requirements.

CJS Culduthel, Inverness	Retain		0.0 Amber	Suitability of alternative sites	CPAM review has highlighted that this site should not currently be in scope. Alternatively, the super-depot project presents an opportunity to develop an alternative which could meet service requirements.
Inverness Town House and Service Point	Apr-23		233.5 Amber	Member / Officer decision	Separate paper has been prepared and will be presented separately to Redesign/Council. Recommended option delivers a minimum saving of £233.5 K from 1 st April 23 onwards
Macleod House, Dingwall	Retain		48.0 Amber	Suitability of alternative sites / IIP needs Council approval	No current realistic alternatives. CPAM review has highlighted that this site should not be in scope. Saving can be achieved by transferring the site to the general fund and removing the internal recharge.
CJS Unit 8K2 (Alness)	Retain		0.0 Amber	Suitability of alternative sites / IIP needs Council approval	No current realistic alternatives are available. CPAM review has highlighted that this site should not currently be in scope.
Offices Storage 4c Dalfaber Drive, Aviemore	Retain		0.0 Amber	Suitability of alternative sites	Strategic asset with no realistic alternatives. Review has highlighted that this site should not be in scope. Income generated at the site means that the costs associated with this site are minimal.