

North Somerset Council

Report to the Council

Date of Meeting: 10th May 2022

Subject of Report: Accommodation Strategy Update

Town or Parish: All

Officer/Member Presenting: Cllr Steve Bridger

Key Decision: No

Reason: This is a Council not Executive decision

Recommendations

That Council agrees to:

- The transitioning out of Castlewood to remove it from the council's office requirement, and release of it for development;
- Develop a preferred way forward through progressing a package of technical, planning and development workstreams, alongside soft market testing and pre-planning engagement; and
- Delegate to the Section 151 officer, Director of Place and Head of Strategic Procurement, the commissioning, procurement and appointment of technical, planning and development workstreams, alongside soft market testing and pre-planning engagement.

1. Summary of Report

- 1.1 In February 2022, Council agreed that a report be brought back to a future meeting, to consider an options analysis of the future of the Castlewood site in Clevedon, to help inform a decision on whether to retain it as a part of the core office estate or to release it for disposal or development.
- 1.2 This report presents the Strategic Outline Case for the council to consolidate its primary office activities in Weston Town Hall and therefore progress towards the disposal or redevelopment of the Castlewood site. It recommends that the site is taken forward for a residential-led redevelopment and proposes a route to progress the project in a way to manage planning and development risks.
- 1.3 It is proposed that the council no longer needs two large buildings to accommodate its workforce through flexible and agile working and consolidation will support

revenue savings and reduce the council's carbon emissions. Section 11 of the report sets out why it is proposed that Weston Town Hall is retained, and Castlewood be released from the core office accommodation, referring to issues of affordability, carbon emissions and accessibility.

- 1.4 The Council's Asset, Accommodation and Development Strategies set out a framework for evaluating the need to retain, invest in, dispose or develop property assets. Release of assets from the estate can generate financial savings and generate capital, while they can also present opportunities to support local regeneration.

2. Policy

- 2.1 The project supports the Corporate Plan ambitions to enable "thriving and sustainable places" through reducing the council's carbon emissions, to support its ambition to be a net zero carbon *council and area by 2030*. An "open and enabling organisation" is supported through managing resources and investing wisely; embracing new and emerging technology; making the best use of data and information; providing professional, efficient and effective services; and collaboration with partners to deliver the best outcomes.
- 2.2 The Council's Asset, Accommodation and Development Strategies were adopted on 23rd February 2021 ([Agenda item - Asset, Accommodation and Development Strategies \(AADS\) - Adoption \(includes exempt appendix\) \(Agenda Item 22\) | North Somerset Council \(moderngov.co.uk\)](#)). Part of this work, the Strategic Asset Management Plan (SAMP), sets out a methodology for the council to consider whether assets within its estate are required for service delivery and whether they should be retained. The intention to progress the phased withdrawal from Castlewood was outlined in this document and agreed by Council.
- 2.3 The Development Strategy element of the work identifies opportunities for the council to promote its own land for residential, commercial and mixed-use development. As well as generating income to support the council's capital programme for infrastructure, the council's participation in projects can help address market failure, deliver good design, optimise affordable housing outcomes and reduce the carbon emissions of development. The first two sites within this are underway at Uplands in Nailsea and Parklands in Weston-super-Mare.
- 2.4 The future of the Castlewood site has recently been subject to initial local engagement through the Clevedon Placemaking Strategy exercise, and there will be further opportunities as the redevelopment project progresses through planning and delivery.

3. Details

Accommodation Strategy

- 3.1 Since acquisition in 2010, Castlewood has been the primary office location for a number of council services and the base for partner organisations that rent space in the building. It has provided some flexible space for officers who work between Clevedon and Weston and provides some public-facing services for customers in the north of the district. The site is also home to some operations and houses fleet vehicles and fuel storage.

- 3.2 Since the Covid-19 pandemic, Castlewood was closed to customer access except for visitors with pre-booked appointments for the Registration Service and customers needing to access Job Centre Plus. The site has also been used as a Covid test centre.
- 3.3 The council embarked on an office amalgamation programme in 2012 that substantially reduced the number of buildings the council operates out of. Alongside this, ongoing efficiency exercises has reduced the head count of the workforce c1800 to c1400 (including services provided by the support services contract).
- 3.4 The COVID-19 pandemic has now transformed the way the council delivers its services. Out of necessity, many officers have been required to habitually work from home and stay away from the office and the workforce has adapted to a more flexible and agile working pattern.
- 3.5 The Accommodation Strategy consists of interrelated workstreams including ways of working flexibly, the requirement for buildings and investment needs of buildings. The work is also connected to the Council's future depot requirements that supports the delivery of waste and recycling, highways, and library services.
- 3.6 In relation to ways of working and the requirement for buildings, the Council has undertaken a series of 'pulse surveys' of the workforce and the ability to effectively deliver their services from within or away from the office. The consistent evidence from the surveys is that the Council does not need to accommodate all its workforce within its own buildings all the time, and therefore requires a significantly smaller primary office footprint.
- 3.7 The data derived from these surveys has informed an exercise to understand if the Council's workforce can be accommodated within Weston Town Hall when a range of agile working patterns, in relation to council needs, are assumed and accounts for those officers that largely work 'in the field'. This exercise has demonstrated that Weston Town Hall can accommodate the workforce based on the needs of the Council to deliver its services. Capital funding has been agreed to deliver Workstream 1 of the Accommodation Strategy to reconfigure the layout of furniture and procure the necessary fixtures, fittings and equipment to enable flexible working in Weston Town Hall.

Castlewood Site Issues

- 3.8 There is a backlog maintenance requirement for Castlewood that has built up in recent years related to lifts, air quality, heating, power, water, and decorations. Retaining the building as part of the primary office footprint will therefore require capital investment to meet these needs.
- 3.9 From a revenue perspective, there has been a reduction in occupancy levels and associated annual income, and projections show that further reductions are expected. The site represents a net financial cost to the council's budget of approximately £1m per annum, which would grow if income levels continued their decline.
- 3.10 The Castlewood site accounts for 19.4% of the council's energy and approximately 40% of the net annual costs of the building are related to energy usage at the site, and these are expected to face significant price inflation in coming years. The energy performance of the Castlewood building is poor - significantly below the average performance and comfortably within the worst category of public buildings in

the country. The building currently generates 1045 tonnes of carbon per year, approximately 11% of the council's directly generated carbon emissions.

- 3.11 Significant investment would be required to improve the energy performance of the building, on top of the already amassed maintenance backlog and there may be inherent limits to the improvements that can be made due to the design and construction of the building.
- 3.12 A project is underway to understand how energy usage in unused parts of the building can be managed to reduce the on-going carbon emissions of the building until it is redeveloped.
- 3.13 This information will be considered through the agreed methodology contained within the Strategic Asset Management Plan adopted by council in February 2021. The diagram below summarises this methodology.

Figure 1: SAMP methodology

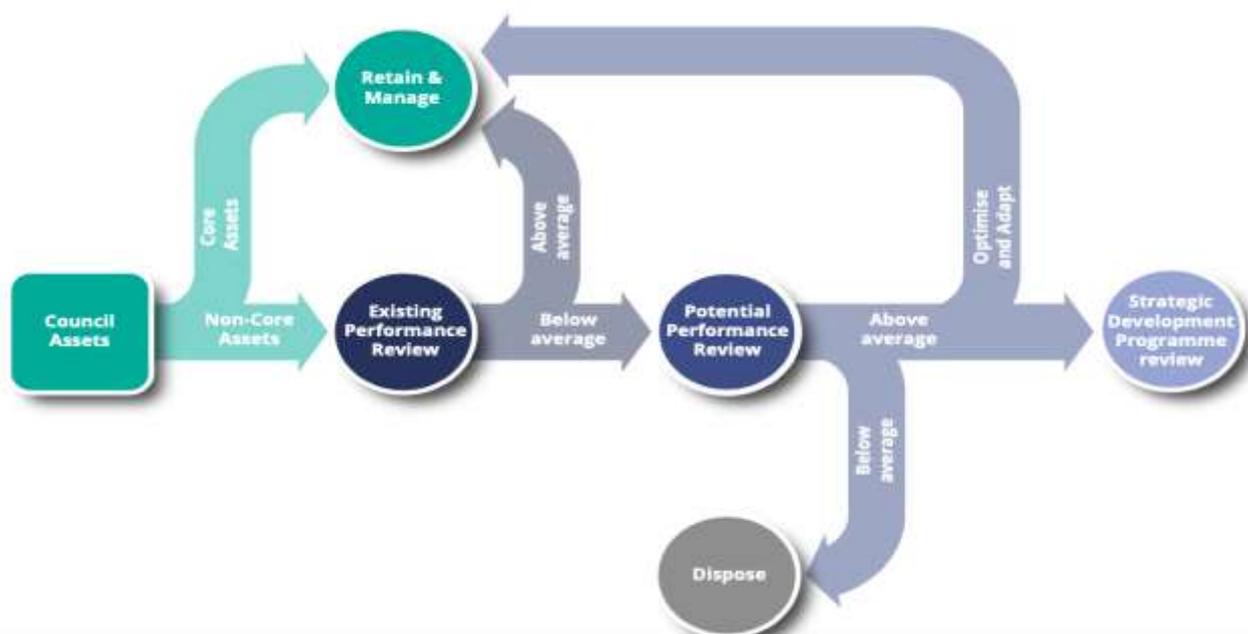


Figure 1: SAMP methodology

Castlewood Future – Site Options Analysis

- 3.14 Since February 2022, officers have been working to prepare analysis of options for the future use of the site, including through its redevelopment. An examination of the optimum means of delivering the project has also been prepared. Much of this information is commercially sensitive and therefore contained within an Exempt Appendix to this report.
- 3.15 An important driver of the future uses of the site and how it is delivered is the ability of the project to fund the capital costs associated with decommissioning the council's use of the site to secure the significant ongoing revenue savings to support the Medium-Term Financial Plan. Such costs include the relocation of equipment and infrastructure and addressing third party property interests. If the project can fund these costs entirely, then it will mean that capital funding will not be needed from some other source.

- 3.16 The options analysis has explored the potential for the site to be either let or sold so that it can continue to be used as an office. Advice from specialist commercial property agents is that this is unlikely to represent an attractive option to the council or the market because:
- While demand for high quality office space in central Bristol is high, the accommodation and the location of the site does not fit this profile;
 - Occupiers or purchasers would expect the backlog maintenance requirement to be cleared, and for the building to be substantially decorated which would be at significant expense to the council or be reflected in any price paid; and
 - The very poor energy performance and associated running costs of the building would likely deter occupiers or purchasers without there being significant investment in the building to improve this.
- 3.17 As the costs of making these improvements to the building are expected to be several million pounds, this option is not recommended as it will incur significant capital expenditure and not relieve ongoing revenue pressure.
- 3.18 The Strategic Outline Case therefore recommends that the Council should progress on the basis of the site being redeveloped, which can bring forward the greatest contribution to the regeneration of Clevedon and meeting local housing needs.
- 3.19 Specialist commercial property agents have assessed several different uses for the building and site, including industrial and hotel operators and have come to the following conclusions:
- i. Castlewood is in a predominantly residential area with covenants on the land that restrict noise. Any industrial operations will need to work within these restrictions, which could constrain market interest.
 - ii. The immediate road network will need to be reviewed to consider the potentially large and articulated vehicles these activities/uses attract, with changes coming at a cost to a development.
 - iii. The site will perform poorly when compared to other industrial areas in North Somerset and the industrial use will impact on industrial rental values.
 - iv. It is a large site and will need to be mixed with other uses.
 - v. Most hotel operators may prefer a site closer to the motorway or the town centre. Hotel brands such as Travelodge and Premier Inn, typically work on an 80-120 bed hotel model which would only require a small portion of the existing site or part of the existing building.
- 3.20 A residential-led development will derive the highest residual land value so that the council can fund the decommissioning of the site from being part of its core office estate. How this value is crystallised will depend on:
- a. The type, tenure and quantum of residential development;
 - b. The type and quantum of any other uses on the site; and
 - c. The extent of the involvement of the council to manage planning and development risks so that it is both attractive to potential development partners while extracting strategic benefits from the project.
- 3.21 The table below sets out the proposed development options for a residential-led redevelopment of the site. Apart from 'do nothing' (which is not considered to be a viable option), options 2a to 3b vary on the extent to which commercial space is included and/or the existing building is retained and reconfigured to minimise the

carbon emissions of the construction project. All options assume delivering a policy compliant level of affordable housing.

Options	Description
Option 1: Current State "Do nothing"	On-going management of Castlewood with occupational agreements in place with Partners while Council manages the building and maintenance.
Option 2a: Residential conversion of existing building alongside new build homes	Reconfigure and convert the main office building to become new apartments alongside a mix of new-build houses and apartments.
Option 2b: Residential conversion of existing building alongside new build homes and commercial space	Reconfigure and convert the main office building to become new apartments alongside a mix of new-build houses, apartments and commercial space.
Option 3a: Demolition of existing building and residential redevelopment	Comprehensive redevelopment of the site for new houses and apartments.
Option 3b: Demolition of existing building and residential redevelopment plus commercial space	Comprehensive redevelopment of the site for new houses, apartments and commercial space.

Table 1: Development Options

- 3.22 This report does not recommend that members should agree to pursuing one development option over another, but instead presents the options analysis.
- 3.23 The current understanding of the risks and opportunities associated with the options suggests that the council should not consider selling the land to a property developer immediately, and instead will need to continue to take an active role in de-risking the site through technical due diligence, the preparation of a planning application and procurement of a development partner.
- 3.24 A preferred way forward has been identified that will support the council to pursue the redevelopment of the site that can be presented as a planning application having fully appreciated the financial implications, carbon emissions and planning risks.
- 3.25 The preferred way forward therefore is to progress:
- i. Negotiations with current third-party property interests supported by specialist legal advice;
 - ii. Site surveys and ground investigations that can be relied upon by potential development partners;
 - iii. Further carbon modelling, including whole-life carbon costs of new development
 - iv. Structured soft-market testing with potential development partners about the form of development on the site and means of delivery; and

- v. Engagement with the Local Planning Authority through a formal, detailed and documented pre-application exercise, supported by a planning consultant.
- 3.26 Undertaking this work will enable a future decision to consider a recommended development option and progression to Outline Business Case, which may include the preparation of an outline planning application.

Customer Access

- 3.27 Since 2018, the council has taken a 'digital-first' approach to customer contact to encourage the use of the website over face-to-face meetings and telephony. There are occasions where some customers need in-person support, and the council's policy is that meetings with officers is on an appointment only basis
- 3.28 Pre-pandemic data suggests that just 1.5% of all physical customer visits occurred at Castlewood. Public customer facing facilities available at Castlewood previously included customer telephone, computers to access the council's website, basic enquiries, receipt of visitors to the Registration Service and kiosks for meetings by appointment. Most of these services have been closed since the outbreak of the pandemic in Spring 2020.
- 3.29 At the time of writing this report, the council's proposed new Customer Service Strategy is due to be considered at Executive on 27th April 2022. It will set out how the council will provide services to its customers, including physical access across the council area for those that cannot use other channels such as online or telephony.

4. Consultation

- 4.1 The preparation of this paper follows the adoption of Asset, Accommodation and Development Strategies that were adopted by Council in February 2021, which included a recommendation to prepare to withdraw from Castlewood. This work was prepared through engagement with members through Scrutiny sessions.
- 4.2 An all-member Scrutiny meeting was hosted on the 17th of January 2022 in advance of the February 2022 Council meeting. Members received material in advance and had an opportunity to provide feedback following the session. A further briefing is also planned on the rise of Executive 27th April 2022.
- 4.3 The council's workforce has been engaged repeatedly over the last two years about flexible ways of working through online surveys. Officers have also had the opportunity to hear about the plans through online webinars, where the option to close Castlewood has been shared openly. This engagement will continue as work proceeds to design and deliver the reconfiguration to Weston Town Hall. A presentation was delivered to the Union Liaison Meeting in April 2022.

5. Financial Implications

- 5.1. The net cost of operating Castlewood is approximately £1.1m per annum and should the site be released then these costs would feed into the next stage of the business case from which future budget savings will be identified.

Castlewood - Income & Expenditure 2016-2022

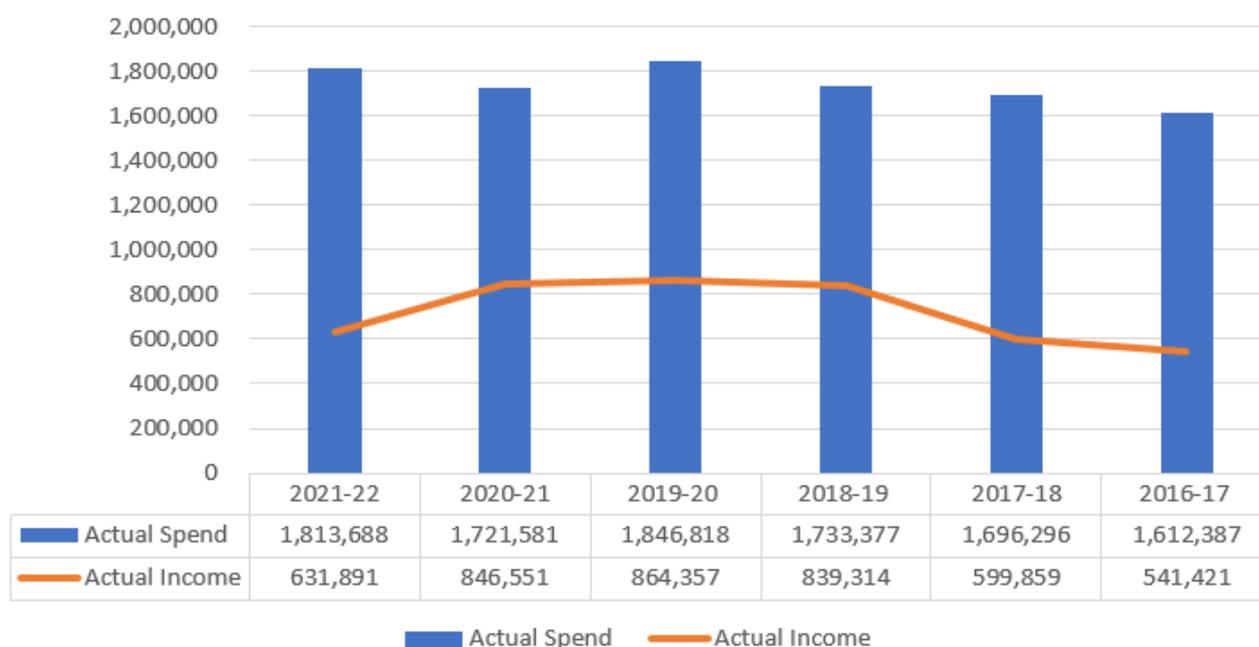


Figure 2: Income and expenditure 2016 - 2022

- 5.2. The council's budget also includes provision of £1.1m to repay the long-term debt charges associated with the initial purchase and acquisition costs, although it is anticipated that this debt would be retained by the council and not repaid at the point of disposal as the early redemption costs would be significant and not represent value for money. Savings in respect of these debt costs will be realised from 2035 onwards and fed into the budget at that point.

Costs

- 5.3. Appendix 1 includes a Financial Case that considers the capital and revenue implications of development and delivery options including total scheme costs and residual land values.
- 5.4. The modelling of the implications of the preferred development and delivery route, whether they be one-off in nature or recurring, will follow the council's strategic financial processes and so will be reflected within the Capital Strategy and the Medium-Term Financial Plan.
- 5.5. The costs associated with progressing the preferred way forward are estimated to be in the region of £150,000 and would need to be funded from reserves or the one-off capital feasibility fund established at 2022-23 budget setting.

Funding

- 5.6. Commissioning and Procurement Plans to progress work to Outline and then Full Business Case will need to identify project budgets. The council should expect to recover the costs of undertaking this work through capital receipts and reducing ongoing revenue costs of holding the building.

6. Legal Powers and Implications

- 6.1 Under the Local Government Act 1972, a Council has the powers to manage, develop and dispose of its assets as it sees fit, subject to acquiring best value in the

case of any disposal and in accordance with any relevant statutory process triggered by such decisions.

- 6.2 Decisions related to the future repurposing of the Castlewood site will need to progress in line with local government legislation, financial regulations and Contract Standing Orders, in line with the Council’s Constitution.
- 6.3 Planning permission will be required for a change of use or redevelopment of the site.

7. Climate Change and Environmental Implications

- 7.1 The recommendations of this paper are derived from the preparation on the Strategic Asset Management Plan (SAMP) which benefited from significant input from the council’s Climate Emergency project manager and to ensure alignment with the council’s Climate Emergency Action plan. As evident in the strategies, the council’s commitment to achieving carbon neutrality is core to all respective tool kits and future operating models identified within the documents.
- 7.2 Castlewood is a very poorly performing building from the perspective of energy efficiency and carbon emissions. According to its Display Energy Certificate (DEC) it achieves a score of 236 which is well below the average of 100 for public buildings in the country. Not having Castlewood within its estate would reduce the council’s Scope 1 and Scope 2 emissions by 11%

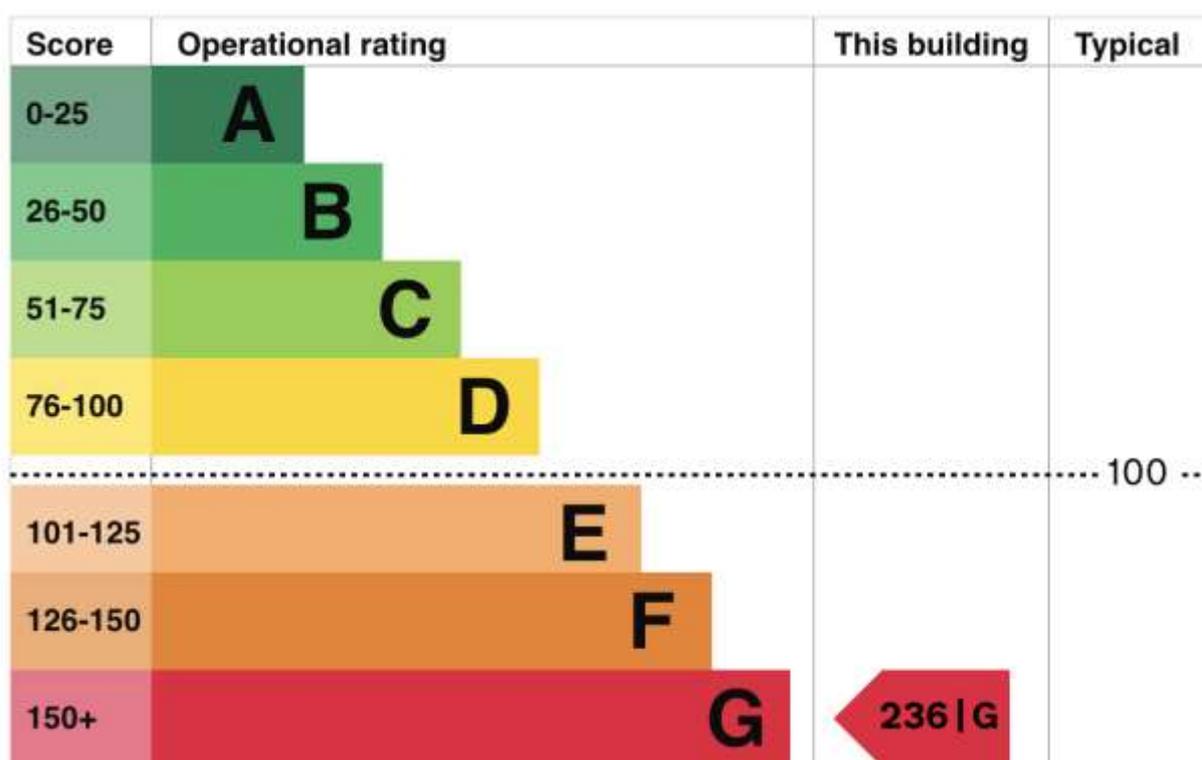


Figure 3: Display Energy Certificate for Castlewood

- 7.3 The council’s carbon emissions for scope 1, 2 and 3 have reduced by an estimated 24% since the outbreak of the Covid-19 pandemic, largely supported by a significant reduction in the use of its buildings and commuting of the workforce. Having a single office in a location well served by public transport for a workforce that will likely

commute more occasionally can help to further reduce the council's carbon emissions.

- 7.5 The preparation of detailed options analysis and a delivery strategy for a new future for the Castlewood site will need to fully appreciate the extent to which they can contribute to the council's ambition for a net zero carbon organisation and area by 2030. This will need to consider the current performance of the building, the extent to which it can be improved, the embodied carbon that would be generated from demolition and rebuild and the carbon emissions generated from any new buildings on the site.
- 7.6 The building management system separates the building into three zones, although these do not correspond to floors. A technical team will assess options for making further energy efficiencies through consolidating residual activity in the building into one zone so that energy consumed in underused areas can be conserved.

8. Risk Management

- 8.1 A project of this scale will be supported by significant project resource and governance arrangements to manage risk. At this stage, an initial risk assessment has identified the following:

Risk	Mitigation
<i>Climate Emergency</i> Redevelopment of the Castlewood site might generate more carbon than the current building and car park use	Undertake comparative assessment of retention and reuse of building versus redevelopment including embodied carbon.
<i>Development</i> Macro-economic factors related to costs and values could result in higher costs or lower development or land values than anticipated	Ensuring sufficient financial contingency is assumed within development appraisals and for these to be robustly assessed and managed through the project.
<i>Development</i> Risks associated with title constraints	Understanding title constraints and preparation of plan. Seeking insurance to mitigate the risk of any claims.
<i>Development</i> The large Castlewood site would represent a significant development project for the council with inherent risks	Consider development strategies that manage the risk exposure to the council while securing the financial requirements.
<i>Planning</i> Redevelopment of the site will require planning permission	A planning risk assessment will be prepared through detailed options analysis.
<i>Tenancies</i> Partner tenancies and licenses will need to expire or be terminated to be able to deliver vacant possession for a reuse or redevelopment.	Discussions planned with outstanding partners to understand future requirements and timeframes for expiry or termination.
<i>Project delivery</i> A complex project will require sufficient officer and technical resource and robust governance arrangements to deliver outcomes within an agreed timeframe	A project plan will be prepared for preferred option through detailed options appraisal to support resource planning and decision making.

<p><i>Financial impacts</i> A complex project with a number of dependencies may not realise the financial benefits set out in the business case or may require management to be realised over a long-term period.</p>	<p>The further development of the business case will test the financial implications of options. Robust governance and financial management will be required to deliver and manage financial implications over time.</p>
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Table 2: High level risk appraisal

9. Equality Implications

- 9.1 An Equalities Impact Assessment in relation to the use of Weston Town Hall as the primary office location for the council has been prepared. It considers analysis of the implications for staff and their travel to work, access into and around the building and parking for disabled colleagues. Engagement with Trades Unions is underway and the Equalities Impact Assessment will be shared with officers and future meetings of the Union Liaison Meeting.
- 9.2 A detailed Equalities Impact Assessment will also be prepared in support of a project to redevelop the Castlewood site. This will be presented in support of a future formal decision to progress to Outline Business Case.

10. Corporate Implications

- 10.1 Pre-pandemic, the vast majority of face-to-face contact with the council took place at Weston Town Hall, with just 1.5% of contacts at Castlewood in a typical month. The council has prepared a new Customer Service Strategy to consider how customers can access its services and the council continues to encourage customers to use digital means as much as possible. At the time of writing this report, the Customer Services Strategy is due to be considered by Executive on 27th April 2022.
- 10.2 Not all users of the council's services are able to make use of digital channels and the Customer Service Strategy sets out how physical access can be provided for those that need it.
- 10.3 The Accommodation Strategy proposes that many of the council's employees will be able to deliver services without having to be in the office all of the time. Since March 2020, the majority of staff have worked from home the majority of the time, but in the future, the council anticipates that a more blended approach will be taken, based on service needs.
- 10.4 Council services have been engaged to understand how frequently they will need to make use of the office and for what purposes. All office-based staff have repeatedly been engaged through regular pulse surveys alongside annual Staff Surveys. This has informed the design of 'workstyles' which help to understand how much physical space is required to support office working.
- 10.5 As well as workspace for staff and partners, Castlewood also is the base for some ancillary uses related to council services, including fuel storage, fleet parking and electric vehicle charging. Options for the accommodation of these uses have been considered and will need to be delivered as part of the project of withdrawing from the building.

11. Options Considered

Retain Castlewood and Weston Town Hall

- 11.1 As set out in in the main body of this report, the council no longer requires two large offices from which to deliver its services. The council has transformed its ways of working such that its workforce can comfortably be accommodated in one office location.
- 11.2 There are ongoing financial implications associated with retaining both buildings that will create ongoing strain on the council's revenue budget and ability to invest capital elsewhere in its estate.
- 11.3 The retention of both buildings is unnecessary from an operational perspective and would entail having to absorb financial pressures that could be much better deployed elsewhere at a time that the council continues to require significant ongoing efficiency measures.
- 11.4 Retention of both buildings would also represent an opportunity cost to make significant gains in the ambition for the council to achieve its ambitions to become a net carbon zero organisation.

Retain Castlewood and withdraw from Weston Town Hall

- 11.5 Weston-super-Mare is the administrative centre of the district and the council as the unitary authority. Including employees of Agilisys and Liberata (which provides a substantial package of support services for the council), it is where the majority of the workforce live.
- 11.6 About 87% of the council's workforce live in the built-up areas of Weston, Clevedon, Portishead, Nailsea and Yatton. Of these, 69% live in the greater Weston area, while 11.2% live in Clevedon. About 4% of Clevedon-resident officers previously worked from Castlewood and these roles are now expected to be able to be delivered largely through flexible working, while some roles are delivered by mobile working in the field.
- 11.7 Leading up to the acquisition of the building, the council acknowledged that locating a significant number of officers in Castlewood would require some people to travel further to the office since they previously worked in Weston-super-Mare, and that travel plans to support public transport and cycling would be investigated. Weston-super-Mare has a more developed public transport system with greater local, regional and national connections.
- 11.8 Weston-super-Mare is home to 45% of the North Somerset population (within approximately 5km of the Town Hall) while Clevedon is home to about 11% of the population, although approximately 32% live within 5km of the Castlewood site.
- 11.9 While the withdrawal from the local economy of approximately 700 workers from the Castlewood site is not insignificant, the site is approximately 1km from Clevedon town centre, and most day-to-day footfall of employees is to the local service station shop. If the council retained Castlewood with current flexible working practices, it would be significantly underutilised. In any event, many employers across the region are themselves encouraging flexible and distributed working models meaning that the level of employment within North Somerset towns and villages has increased with people working at home, including Clevedon.

11.10 North Somerset Council is by far the largest employer within Weston town centre. Due to the proximity of Weston Town Hall to local business, and that parts of the town centre are characterised as having some of the highest levels of deprivation in England, it is believed that the comparative impact of withdrawing from Weston would have a significantly greater local economic impact than withdrawing from Clevedon.

11.11 Weston Town Hall does not have as significant repairs and maintenance backlog as Castlewood. While improvements can be made to the energy efficiency of the building, it generates approximately 62% fewer tonnes of carbon per annum than Castlewood.

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Appendices:

Accommodation Strategy Exempt Appendix

Background Papers:

Report to Council February 2021 (Agenda Item 22 including exempt appendix) – Asset, Accommodation and Development Strategies (AADS) - Adoption

[Committee Report NSC \(moderngov.co.uk\)](https://www.moderngov.co.uk/committees/nsc)