

## Cabinet

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<b>Title:</b>	<b>Irvine Locality Property Review</b>
<b>Purpose:</b>	To provide Cabinet with details of the Irvine Locality Property Review and recommended next steps.
<b>Recommendation:</b>	That Cabinet approves the Irvine Locality Property Review recommendations for implementation.

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### 1. Executive Summary

- 1.1 As part of the approach to address the current financial challenges facing local authorities, the Council has adopted an ambitious sustainable change programme aligned to its Medium-Term Financial Plan, Council Plan and other relevant strategies. One of the key workstreams within this programme is focused on land and property. The purpose of the land and property workstream is to rationalise the Council's property estate, in a managed way, aligned to clear strategic objectives.
- 1.2 The Council's most significant concentration of property assets is in Irvine, which has therefore been the focus of the first phase of the property review work, taking a whole locality approach. Officers have been working together to review the Council's property assets in Irvine to understand opportunities for remodelling of the estate to accord with the strategic objectives outlined at paragraph 2.1.
- 1.3 This report sets out a series of recommendations for implementation on a phased basis, which together reflect a structured approach to:
- Vacate and subsequently market property assets including: Quarry Road, Trinity Church, Galt House and Greenwood Conference Centre
  - Consolidate operations from the above buildings primarily within Cunninghame House to optimise utilisation of that building
  - As a future phase, vacate Bridgegate House and consider future uses as part of the Irvine town centre regeneration work and establishment of the Irvine Town Board, aligned to the Long Term Plan for Towns Levelling Up Funding allocation
- 1.4 Key benefits of this property rationalisation proposal include:
- Optimisation of under-utilised property assets
  - Reduction of carbon emissions by an estimated 286tCO<sub>2</sub>e/year
  - Reduction of property running costs and property maintenance costs, with combined estimated potential revenue savings of up to £0.357m per annum
  - Generation of potential capital receipts or revenue income through leasing arrangements following marketing of the surplus buildings

- 1.5 Cabinet approval is sought for implementation of the property rationalisation recommendations, on a phased basis, with proposed next steps and estimated timescales provided for each phase within the body of the report below.

## **2. Background**

- 2.1 As part of the approach to address the financial challenges currently facing local authorities, the Council has adopted an ambitious sustainable change programme aligned to its Medium-Term Financial Plan, Council Plan and other relevant strategies. One of the key workstreams within the programme is focused on land and property. The purpose of the land and property workstream is to rationalise the Council's property estate, in a managed way, in order to:
- Reduce the Council's carbon emissions arising from the property estate and future exposure to investment requirements for public sector buildings to reach ZDE ('zero direct emissions') by 2038
  - Reduce property running costs, i.e. from rates, utilities etc.
  - Reduce property maintenance and future investment costs, to enable limited resources to be focused on property assets that will be retained in the longer-term
  - Address under-utilisation of key office accommodation and provide a proportionate property estate that ensures members of the public can access the services they need
  - Provide potential opportunities for community ownership of surplus property assets
  - Consider wider opportunities linked to existing and forthcoming regeneration proposals, for example the recent £20 million allocation for Irvine town centre as part of the Levelling Up Fund
- 2.2 The Council's most significant concentration of property assets is in Irvine, which has therefore been the focus of the first phase of the property review work, taking a whole locality approach. Officers have been working together to review the Council's property assets in Irvine to understand opportunities for remodelling of the estate to accord with the above objectives.
- 2.3 Extensive feasibility work, alongside a number of service engagement sessions with key stakeholders, has been completed to develop the property rationalisation concept, generate options, and assess costs, benefits and risks. The information gathered from this work has led to identification of a set of recommendations for the Council's property estate within Irvine, for implementation on a phased basis. A summary of each of the proposed phases is set out below.

### Phase 1A: Quarry Road Office & Trinity Church

- 2.4 The first phase proposal is to vacate both the Quarry Road office block and the Trinity Church building. The Council owns the office block located at Quarry Road which is currently leased to KA Leisure, with a sub-lease to the Council's Business Support & Development Service. The office block was completed in 2019 and provides an attractive, modern working environment, and there is expected to be interest if it was marketed for lease or sale.
- 2.5 The first step would be to relocate the Council's Genealogy Team from the

Townhouse to Irvine Library. This provides clear synergies between library services and genealogy but will also free-up accommodation for KA Leisure staff from Quarry Road to relocate to the Townhouse, meaning that they will be co-located with the wider KA Leisure management team based at the Portal.

- 2.6 The Council's Business Support & Development Service currently located within Quarry Road would be relocated to Cunninghame House. This would then allow Quarry Road to be marketed.
- 2.7 Quarry Road is currently leased from the Council by KA Leisure at a rental of £0.100m per annum, with a sub-lease from KA Leisure to the Council for the Business Support & Development Service accommodation at £0.030m per annum. It is anticipated that KA Leisure would enter into a new lease for the required space at Irvine Townhouse.
- 2.8 Works will be needed to separate the Quarry Road offices from the Circuit sports centre and form a new reception space for KA Leisure to continue operating the Circuit facility. These alteration works would not affect any immediate marketing exercise or any new owner or lessee occupying the building before the works were fully completed.
- 2.9 A final consideration is the original capital funding package for the construction of Quarry Road. This included an element of Regeneration Capital Grant Fund monies, which has clawback arrangements if the building is sold. The nature of these arrangements is being considered further with colleagues in Democratic Services. This may restrict any sale of the building in the short to medium term but does not preclude marketing of the building for lease.
- 2.10 In relation to Trinity Church, North Ayrshire Council and Irvine Bay Regeneration Company developed a conservation plan for Bridgegate in 2010 with Trinity Church playing a key role. Funding was secured from Historic Environment Scotland's Conservation Area Regeneration Scheme in 2011 to support comprehensive repair works to the main church and hall, along with conservation work on the tower and spire. The Ayrshire Community Trust (TACT) also secured funding from the Town Centre Communities Capital Fund to transform the Annexe into a community hub. TACT initially occupied the Annexe, however the main building remained empty despite several marketing attempts. In 2017, an award was secured an award from the European Regional Development Fund (ERDF) through Transport Scotland's Low Carbon Travel and Transport Challenge Fund to develop an Active Travel Hub in the former church. The Trinity Active Travel Hub opened during 2019 and continues to operate. The Equal supported employment service later moved into the Annexe and delivers a range of services to support people with disabilities to find long term employment.
- 2.11 The proposal is for the Active Travel and Employability teams to vacate Trinity Church and relocate to Cunninghame House. The building would then be marketed. Earlier funding conditions for the refurbishment of the building, similarly to Quarry Road, mean that the building may need to be leased. It is understood that market interest in the building may be limited at the current time. If no buyer/lessee can be found, the property would be secured and regularly inspected in the meantime, with a view to consideration via the Irvine Town Board through forthcoming Irvine Town Centre regeneration plans aligned to the Long Term Plan for Towns Levelling Up Fund allocation.

- 2.12 The Galt House building was originally proposed to be included in this phase. A partial vacation of Galt House has been completed, with some staff now relocated to Bridgegate House. The next step in this process was to undertake internal alterations within Bridgegate House in order to accommodate the services provided by the Housing Advice Team (HAT). This work is proposed to be paused, resulting in a saving of c.£0.166m. The works and associated investment would then be incorporated into the remodelling of Cunninghame House (see phase two below), allowing the Housing Advice Team to relocate and vacate the building as part of a subsequent phase. Negotiations with two existing private tenants within Galt House will also have to agree exit terms and timelines.
- 2.13 The key steps and estimated timescales associated with Phase 1A proposals are summarised in the following table:

Key Milestones		Forecasted Dates
1	Relocation of Genealogy services from the Townhouse to Irvine Branch Library, including internal alterations to the library	July 2024 – March 2025
2	Relocation of Business Support & Development services from Quarry Road offices to Cunninghame House	September 2024
3	Relocation of Active Travel and Employability services from Trinity Church to Cunninghame House	September 2024
4	Marketing of Trinity Church	September 2024 – March 2025
5	Marketing of Quarry Road offices	September 2024 – March 2025
6	Relocation of KA Leisure from Quarry Road offices to the Townhouse	April 2025
7	Alterations to Quarry Road offices (works would not preclude marketing or occupation of buyer/lessee)	April 2025 – March 2026

Phase 1A costs and savings overview:

Details		Value (£)
<b>Capital</b>		
	Alterations to Irvine Branch Library	(50k)
	Alterations to Quarry Road office/ Circuit	(206k)
	Potential Capital Receipt for Quarry Road office*	478k
	Potential Capital Receipt for Trinity Church*	195k
	<b>TOTAL ESTIMATED CAPITAL RECEIPT</b>	<b>417k</b>
<b>Revenue</b>		
	Loss of rental income from Quarry Road (NALL lease)	(100k)
	Savings from BS&D office sub-lease	30k
	Potential rental income for the Townhouse	50k
	Savings from Quarry Road property running costs	N/A
	Savings from Trinity Church property running costs	37k
	Savings from property maintenance	£8.8k
	<b>TOTAL ESTIMATED REVENUE SAVINGS</b>	<b>25.8k</b>

\*Subject to review of grant funding arrangements- if the buildings cannot be disposed for sale, they would be marketed for lease to provide a revenue income instead with a view to disposal at a later date.

### Phase 1B: Relocate staff from Bridgegate House to Cunninghame House

- 2.14 The majority of staff based at Cunninghame House and Bridgegate House are operating on an agile working pattern. This provides an opportunity to optimise utilisation of available office accommodation in line with the objectives at paragraph 2.1. The office accommodation across Cunninghame House and Bridgegate House has been mapped against future working requirements to understand the scale of potential, while ensuring that sufficient office accommodation, civic space, meeting space, storage facilities etc. are provided both for now and the future.
- 2.15 This assessment has identified the opportunity for a phased closure of Bridgegate House, starting with relocation of most staff on the upper floors of Bridgegate House to Cunninghame House. In the meantime, essential staff would remain at Bridgegate House in order to service the Customer Service Centre (CSC) requirements on the ground floor of the building. The continued operation of the CSC and retail units on the ground floor of Bridgegate House will ensure the continuation of an active office and retail frontage in the town centre for the timebeing.
- 2.16 The future of the Bridgegate House building will be further considered, with the Irvine Town Board, as part of the Irvine town centre regeneration proposals aligned to the £20m Long Term Plan for Towns Levelling Up Fund allocation (see phase two below).
- 2.17 This phase will involve establishing a cross-service working group of staff to prepare a detailed accommodation plan for Cunninghame House, which takes cognisance of service needs and the works proposed under phase two below. There will be some costs for relocation of staff and materials under this phase, anticipated to be c.£0.050m.
- 2.18 The key steps and predicted timescales associated with Phase 1B proposals are summarised in the following table:

Key Milestones		Forecasted Dates
1	Form cross-service staff steering group and undertake a series of engagement workshops	April 2024 – July 2024
2	Prepare detailed staff accommodation plan for Cunninghame House (taking into account works proposed under phase two below)	August 2024 – October 2024
3	Complete the relocation of office staff from Bridgegate and within Cunninghame House	November- December 2024
4	Isolate redundant services and unoccupied floors in Bridgegate House	January 2025

### Phase 1C: Greenwood Conference Centre

- 2.19 The Council's Greenwood Conference Facility was closed during the pandemic and leased to the NHS. The NHS has since renounced the lease and vacated the site in February 2024. It is proposed that the site remains closed and is marketed for sale.
- 2.20 In order to ensure that the Council has suitable training and development facilities, it is proposed that, as part of this phase, design work is commenced for re-configuration of the 4<sup>th</sup> Floor East within Cunninghame House to provide a new

training suite. Location of the facility on this floor would align with the existing cafe provision.

- 2.21 Currently, there is a 29.9kW Solar PV array at GCC generating a Feed-In Tariff income of c.£2,500 per annum. Discussions would take place with Ofgem and the Council's energy supplier to relocate the panels and continue receiving income.
- 2.22 This phase would also include design work for other reconfiguration works required as part of phase two below.
- 2.23 The key steps and estimated timescales associated with Phase 1C proposals are summarised in the following table:

Key Milestones		Forecasted Dates
1	Marketing of Greenwood Conference Centre for disposal	April 2024 – December 2024
2	Develop scheme designs for Cunninghame House Training Suite, ICT alterations and CSC alterations (see phase two below)	April 2024 – July 2024

Phase 1C costs and savings overview:

Details		Value (£)
<b>Capital</b>		
	Potential Capital Receipt for Greenwood Conference Centre	700k
	<b>TOTAL ESTIMATED CAPITAL INCOME</b>	<b>700k</b>
<b>Revenue</b>		
	Savings from Greenwood Conference Centre property running costs	101k
	Savings from property maintenance costs	23.3k
	<b>TOTAL ESTIMATED REVENUE SAVINGS</b>	<b>124.3k</b>

Phase 2: Closure of Bridgegate House and Re-configuration of Cunninghame House

2.24 This would be the final phase of the Irvine Locality Property Review, and would incorporate reconfiguration of Cunninghame House and associated works as follows:

- Creation of new Customer Service Centre, mirroring similar provision as currently provided (and planned) at Bridgegate, including required interview rooms
- Creation of new Training Suite on the 4<sup>th</sup> Floor East
- Provision of new ICT work room and storage area
- Addressing any immediate, existing property maintenance requirements in the building, e.g. heating and ventilation that are required regardless of the Irvine Locality Property Review work. Only the heating and ventilation costs are included in the costs below.

2.25 In light of forthcoming requirements for all public sector buildings to have ZDE (zero direct emissions) by 2038, it is proposed that a detailed study is commissioned to understand the measures and investment requirements for Cunninghame House to

reach this standard. This work can then be considered, if viable, as part of the specification of the phase two works above.

2.26 Following completion of the above works, all remaining staff in Bridgegate House (i.e. those not relocated as part of phase 1B) and Galt House will be relocated.

2.27 The ICT Disaster Recovery servers will relocate to an alternative Council building. Retail units at Bridgegate House would also be vacated.

2.28 The future use of Bridgegate House will be considered as part of the Irvine town centre regeneration work noted above. Market research shows a low likelihood of achieving any interest or capital receipt for Bridgegate House, therefore an allowance for demolition has been made at this stage.

2.29 The key steps and estimated timescales associated with Phase 2 proposals are summarised in the following table:

Key Milestones		Forecasted Dates
1	Alterations to form new Disaster Recovery facility (out-with Bridgegate House) and relocate ICT equipment, test & commission	August 2024 – October 2024
2	Repairs and remedial works to existing high-priority property maintenance issues at Cunninghame House	September 2024 – December 2024
3	Alterations to 4 <sup>th</sup> Floor West to form new Training Suite	January 2025 – September 2025
4	Alterations to Ground West to form ICT secure storage and build area, and enhance staff welfare facilities	September 2025 – February 2026
5	Alterations to Ground East to form new Customer Service Centre and alter reception space	February 2026 – December 2026
6	Marketing of Galt House for disposal	September 2026
7	Review of Bridgegate House options as part of Irvine town centre regeneration masterplan	Ongoing
8	Relocate remaining staff from Bridgegate House and Galt House	January 2027

Phase 2 costs and savings overview: -

Details		Value (£)
<b>Capital</b>		
	Alterations to Cunninghame House Ground East (Customer Service Centre)	(311k)
	Alterations to Cunninghame House Ground West (ICT)	(121k)
	Heating repairs to Cunninghame House (Ground West & 4 West)	(313k)
	Year 1 high-priority backlog maintenance	(198k)
	Alterations to Fourth Floor East (Training Suite)	(436k)
	Relocation of workforce costs	(30k)
	Relocation of Disaster Recovery facility	(187k)
	Potential Capital Receipt for Galt House	280k
	Potential Capital Receipt for Bridgegate House	TBC
	Estimated demolition costs	(800k)
	<b>TOTAL ESTIMATED CAPITAL INVESTMENT REQUIREMENT</b>	<b>(2.116M)</b>

Revenue		
	Loss of rental income from Bridgegate House (retail and masts)	(140k)
	Loss of rental income from Galt House (retail)	(15k)
	Savings from Bridgegate House property running costs	265k
	Savings from Galt House property running costs*	35k
	Savings from property maintenance	61.7k
	<b>TOTAL ESTIMATED REVENUE SAVINGS</b>	<b>206.7k</b>

\*These costs have already been removed from the budget through a previously agreed saving.

2.30 A summary of all capital costs, capital receipts, revenue savings and carbon emissions savings are provided in the table below. It should be noted that these figures are all high-level estimates at this stage and will be subject to change following detailed design and implementation work.

Rationalisation Work Stream	Revenue		Capital			Annual Carbon Emissions (tCO2e/year)
	Net Property Running Cost Savings (£)	Property Maintenance Costs Savings (£)	Investment Requirements (£)	Potential Capital Receipts (£)	10yr PLI Savings (£)	
Phase 1A	17k	8.8k	0.256m	673k	400k*	12
Phase 1B	-	-	-	-	-	-
Phase 1C	101k	23.3k	-	700k	212k	37
Phase 2	145k	61.7k	2.396m	280k	1.347m	237
<b>TOTAL</b>		<b>0.357m</b>	<b>2.652m</b>	<b>1.653m</b>	<b>1.959m</b>	<b>286</b>

\* PLI information not held for Trinity Church and the Townhouse therefore assumed lifecycle investment data used.

2.31 The table above shows that the Irvine Locality Property Review potential property cost savings may be in the order of £0.357m per annum, with total capital receipts estimated at £1.653m, and avoided capital expenditure of £1.959m. This is set against capital investment costs estimated at £2.652m to deliver the proposals.

### Governance

2.32 Subject to Cabinet approval, the development and implementation of the Irvine Locality Property Review recommendations set out within this report would be led by a cross-service working group, remitted to oversee:

- Stakeholder communication & engagement
- Preparation and implementation of detailed project plans
- Budget management
- Programme management
- Risk management
- Development of reviews for other North Ayrshire localities

## **3. Proposals**

3.1 That Cabinet approves the Irvine Locality Property Review recommendations for implementation.



## **4. Implications/Socio-economic Duty**

### **Financial**

- 4.1 An allocation of £2.500m was made within the Council's Capital Investment Programme aligned to the forthcoming locality based review, as part of the annual budget setting process on 28<sup>th</sup> February 2024. A range of estimates have been provided in relation to capital costs, capital receipts, and revenue savings within this report. These will be further refined as detailed work develops.

### **Human Resources**

- 4.2 The resources for programme management of the proposed recommendations will require additional resources, which will be met from the Council's Change and Service Redesign Fund, and/or from capitalisation of employee costs from the £2.500m allocation noted at paragraph 4.1 above.

### **Legal**

- 4.3 There are a number of legal implications arising from the report, including in relation to lease arrangements for the retail units and telecommunications masts at Bridgegate House, and also for lease arrangements with KA Leisure at Quarry Road and Irvine Townhouse.

### **Equality/Socio-economic**

- 4.4 There are no equality/socio-economic implications arising from the report.

### **Climate Change and Carbon**

- 4.5 The proposals set out within this report are designed to have a direct impact on reduction of carbon emissions from the Council's property estate and support the Council's ambitions to be net zero by 2030.

### **Key Priorities**

- 4.6 The proposals would support delivery of the Council Plan priority in relation to tackling climate change and becoming a sustainable Council.

### **Community Wealth Building**

- 4.7 Any tender documents for physical works would include provision for Community Wealth Building benefits.

## 5. Consultation

5.1 A range of services were consulted in the preparation of this report.

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For further information please contact **David W. Hammond, Head of Sustainability, Corporate Property & Transport**, on (01294) 324514.

**Background Papers - None**