

# Investing in our asset portfolio – Provincial House

<b>Report number:</b>	<b>CAB/WS/23/062</b>	
<b>Report to and date:</b>	<b>Cabinet</b>	5 December 2023
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**Decisions Plan:** The decision made as a result of this report will usually be published within 48 hours and cannot be actioned until five clear working days of the publication of the decision have elapsed. This item is included on the Decisions Plan

**Wards impacted:** All Haverhill wards.

**Recommendation:** It is recommended that Cabinet:

- 1. Endorses the project objectives as set in the strategic case for Provincial House, Haverhill.**
- 2. Approves up to £2 million of capital budget, funded by the Investing in Growth Fund, in line with this business case to progress the remodelling and refurbishment of Provincial**

**House to enable both public sector and commercial lettings.**

- 3. Notes the revenue risks, including any project expenditure that is unable to be capitalised, will be covered by the Capital Financing Reserve.**
- 4. Acknowledges that in line with recommendations (2), (3) and (4) above, officers will proceed in line with the Council's agreed Scheme of Delegation.**
- 5. Agree for the Council's Section 151 Officer to make the necessary changes to the Council's prudential indicators as a result of recommendation (3).**

## 1. Context of this report

- 1.1 West Suffolk acquired Provincial House in Haverhill High Street in 2019 using £3.7 million of the Investing in Growth Agenda Fund. This fund was established to enable the council to use our influence, investments, and assets to maximise the positive impact we have on communities and businesses within the district. For example, by generating economic, social, and financial returns and re-investing where it will achieve the best outcomes for all.
- 1.2 The 2019 Business Case set out several strategic aspirations in support of the acquisition. These were to re-purpose vacant space creatively, create jobs, deliver wider public benefits, and drive footfall into the town centre.
- 1.3 Prior to the council's acquisition, AXA Insurance was the sole tenant to a private landlord of all three upper floors of Provincial House, as well as managing a busy ground-floor reception on the High Street.
- 1.4 Changing business practices and advances in technology meant AXA was renting more space than it required. At the end of their previous lease term, AXA declared two of the floors, previously held as disaster recovery space as surplus to requirements. The loss of income associated with this move prompted the landlord to dispose of the asset, the council stepped in, acquiring the property to enable the renegotiation of a single floor lease to AXA retaining them in the town. The income generated from this new lease and the established High Street commercial units supported the original acquisition.
- 1.5 In February 2023, AXA formally relinquished their old lease for the upper floors (which included paying the council a lease premium) and consolidated into the first floor, which they refurbished as part of a new lease with the council.
- 1.6 The council has since completed two phases of landlord improvements works, to ensure the safety and compliance of the building with duties such as around accessibility. The second phase is currently underway and is due to be completed in Spring 2024. The total amount of these works is around £1.9 million, which has been partly funded by the council re-investing the surrender premium back into the building and remaining balance from the council's asset management plan reserve.
- 1.7 The council has obtained market advice from suitably experienced and qualified property agents regarding the vacant space that now exists on floors two and three. Advice was consistent and concluded that the size, condition, and high business rateable values (RV) could

present barriers for most businesses wanting to be in the town centre.

- 1.8 Agents recommended seeking other public/civic uses due to low levels of private market interest. So, earlier this year, the council commissioned Pick Everard to complete a One Public Estate Hub Sites Options Appraisal in the town. This was built on a previous (2017/2018) Public Asset Study and considered three council-owned sites within the town centre.
- 1.9 The Pick Everard study considered a range of potential uses including health, local government, and education but concluded that the design and configuration of Provincial House presented several issues when considering the high levels of public access required by health and local government use.

## **2. Proposals within this report**

- 2.1 West Suffolk acquired Provincial House with the aspiration to re-purpose vacant space creatively, create jobs, deliver wider public benefits, and drive footfall into the town centre.
- 2.3 Finding a way forward, through the OPE Programme, the council is partnering with West Suffolk College to explore the potential re-location of the Adult Learning Centre (currently being rebranded as Personal and Professional Learning Centre) back into the heart of the town and centre of the community.
- 2.4 The College's current accommodation at the former Parkway Middle School is poorly accessible compared to a town centre location and is effectively obsolete given its very poor condition and performance. The site is owned by Unity School Partnership which is participating in a pilot scheme to bring the site forward for housing. This will support housing delivery in an area of high housing demand and will generate a valuable capital receipt re-investment by the trust in the local education estate.
- 2.5 With redevelopment in the pipeline, the College's lease has been left to expire and has not been renewed. The lack of security of tenure represents a key risk to the college and therefore future delivery of their services in the town.
- 2.6 The confidential business case attached at Appendix A sets out the proposal for Cabinet to agree to invest up to a further £2 million into Provincial House, from the Investing in our Growth Agenda fund (supported by external borrowing). This is to facilitate the investment in the remaining vacant floors including the works required to relocate the college offer into the town centre. The income generated

by the project currently is estimated to create a net surplus after borrowing in line with the Investing in our Growth Agenda fund that will go towards the delivery of Council services.

- 2.7 Therefore, the project will ensure adult learning provision remains in Haverhill and in the easily accessible town centre. It will also provide further commercial space at Provincial House more suited to the local market and therefore attract more people into the town centre to use these and surrounding facilities and businesses. At the same time the project will bring a return to the council which can be put back into funding services vital for West Suffolk communities.

### **3. Alternative options that have been considered**

- 3.1 **Option 1: Do nothing:** This option provides a baseline scenario where no refurbishment takes place. This option will result in; the loss of a potential anchor tenant in West Suffolk College, failure to deliver strategic outcomes identified in the acquisition business case, and results in the council continuing to incur significant indefinite holding costs (c.£200-250K p.a.) associated with the vacant space. Whilst this is a low financial risk option but would fail to deliver on the wider social and environmental improvements anticipated in the acquisition business case and which may have a reputational impact for the council. This option may also risk the retention of the adult learning centre for Haverhill.
- 3.2 **Option 2: Basic refurbishment:** This option considers the 'Do the Minimum' scenario and involves basic repairs and maintenance with minimal changes to the office layout or facilities. This option would be unlikely to be sufficient to change the status quo and would counter market advice which has highlighted the size and condition of the accommodation and the lack of flexibility as significant barriers to successfully letting the space. This option would deliver limited social, environmental, and growth outcomes.
- 3.3 Please refer to the economic case section of the business case for further information.

### **4. Consultation and engagement undertaken**

- 4.1 An assessment of the impact of the recommendation on different groups of people, including any potential discrimination or inequality issues have been made and no equality impact assessment has been deemed necessary.
- 4.2 Local members will be kept updated on progress of the works.

## **5. Risks associated with the proposals**

- 5.1 The risks associated with this decision are set out in the Exempt Appendix B business case and included the risk associated with construction works, costs associated with holding vacant space and the statutory approvals that the council will be required to go through, planning change of use and building control. These risks will be managed by the project and reported through the project board.

## **6. Implications arising from the proposals**

- 6.1 Financial - The financial implications associated with this decision are set out in the body of this covering report and in detail within the Exempt Appendix A business case.
- 6.2 Legal – The council will enter legal commitments as defined in relevant lease agreements and/or contracts. Council to be advised by Suffolk Shared (Legal) Services and/or their representatives.
- 6.3 Personal data processing – None
- 6.4 Equalities – None
- 6.5 Safeguarding – None
- 6.6 Environment or sustainability – None
- 6.7 HR or staffing – On-site Facilities Management (FM) will be provided in accordance with the council FM arrangements.
- 6.8 Changes to existing policies - None
- 6.9 External organisations (such as businesses, and community groups) – None

## **7. Appendices referenced in this report**

- 7.1 Exempt Appendix A: Provincial House – Phase III Final Business Case  
Exempt Appendix B: Provincial House – Risk Log  
Exempt Appendix C: Provincial House – Indicative Programme

## **8. Background documents associated with this report**

- 8.1 [CAB/WS/19/030](#) 'Investing in our Commercial Asset Portfolio'