



LEAD MEMBER FOR RESOURCES AND CLIMATE CHANGE

DECISIONS to be made by the Lead Member for Resources and Climate Change,
Councillor Nick Bennett

TUESDAY, 15 OCTOBER 2024 AT 10.00 AM

REMOTE MEETING VIA MICROSOFT TEAMS

AGENDA

1. Decisions made by the Lead Cabinet Member on 3 September 2024 (*Pages 3 - 6*)
2. Disclosure of Interests
Disclosure by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct
3. Urgent items
Notification of any items which the Lead Member considers urgent and proposes to take at the appropriate part of the agenda.
4. County Hall site options - asset review (*Pages 7 - 26*)
Report by the Chief Operating Officer
5. The review of purchasing Renewable Energy Guarantees of Origin (REGOs) (*Pages 27 - 28*)
Report by the Chief Operating Officer
6. Dilapidations settlement - Unit D Ropemaker Park, Hailsham (*Pages 29 - 32*)
Report by the Chief Operating Officer
7. Any non-exempt urgent items previously notified under agenda item 3
8. Exclusion of the Public and Press
To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).
9. The review of purchasing Renewable Energy Guarantees of Origin (REGOs) - Exempt Information (*Pages 33 - 34*)
Report by the Chief Operating Officer
10. Dilapidations settlement - Unit D Ropemaker Park, Hailsham - Exempt Information (*Pages 35 - 38*)
Report by the Chief Operating Officer
11. Any other exempt items previously notified under agenda item 3

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7 October 2024

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LEAD MEMBER FOR RESOURCES AND CLIMATE CHANGE

DECISIONS made by the Lead Member for Resources and Climate Change, Councillor Nick Bennett, on 3 September 2024 at Remote Meeting via Microsoft Teams

Councillors Godfrey Daniel, Sorrell Marlow-Eastwood and Peter Pragnell spoke on item 4 (see minute 26)

Councillor Stephen Shing spoke on item 5 (see minute 27)

22. DECISIONS MADE BY THE LEAD CABINET MEMBER ON 15 JULY 2024

22.1 The Lead Member approved as a correct record the minutes of the meeting held on 15 July 2024.

23. DISCLOSURE OF INTERESTS

23.1 There were none.

24. URGENT ITEMS

24.1 There were none.

25. REPORTS

25.1 Reports referred to in the minutes below are contained in the minute book.

26. PROPOSED DISPOSAL OF LAND AT SANDROCK HALL BENDS, THE RIDGE, HASTINGS

26.1 The Lead Member considered a report by the Chief Operating Officer together with exempt information contained in a later agenda item.

26.2 Mr Peter Bailey, a local resident, spoke to highlight concerns regarding the potential future development of the site including flooding risks, biodiversity impacts and increased traffic flow and congestion.

DECISIONS

26.3 The Lead Member RESOLVED to:

- 1) Note the summary of the responses to the public notice of the Council's intention to dispose of the site as set out in paragraph 2.3 of the report;
- 2) Agree to the Council entering into a Promotion Agreement;
- 3) Approve the disposal of the site in accordance with s123 of the Local Government Act 1972; and
- 4) Delegate authority to the Chief Operating Officer to:
 - (a) agree the terms of any future sale to achieve best value for the site in accordance with s123 of the Local Government Act 1972; and
 - (b) take all actions necessary to give effect to the recommendations in this report.

REASONS

26.4 The Council has considered the outcome of the responses from members of the public concerning the intention to dispose of the site. These are summarised in the report.

26.5 Entering into the Promotion Agreement provides the best opportunity to bring forward housing development sites locally, in accordance with the Local Plan. In addition to this, there will be an improvement upon the existing open space provision, with an area of at least 0.635ha in size to be designated for use as amenity land and/or open space and/or woodland and/or sustainable urban drainage as part of any development of the site.

26.6 Delegation of authority to the Chief Operating Officer to agree the terms of the Promotion Agreement and then to comply with and give effect to the provisions set out therein including but not limited to agreeing the terms of any future sale of the East Sussex County Council-owned site to achieve best value in accordance with s123 of the Local Government Act 1972 and to take all actions necessary to give effect to the recommendations in the report will facilitate an effective and efficient process.

27. CORPORATE OFFICE ESTATE; NEW LEASE OF ST MARY'S HOUSE, EASTBOURNE

27.1 The Lead Member considered a report by the Chief Operating Officer together with exempt information contained in a later agenda item.

DECISIONS

27.2 The Lead Member RESOLVED to:

- 1) approve the proposed new lease terms of St Mary's House, Eastbourne; and
- 2) delegate authority to the Chief Operating Officer to approve the final lease negotiations, the signing and completion by the Council of the new lease, the surrender of the existing lease and any related documentation and to take any other actions considered appropriate to give effect to the above decision.

REASONS

27.3 The Council is seeking to secure a longer lease term for St Mary's House, Eastbourne, given that it is now the sole corporate office hub in Eastbourne following the closure of St Mark's House.

27.4 Delegation of authority to the Chief Operating Officer to approve the final lease negotiations, the signing and completion by the Council of the new lease, the surrender of the existing lease and any related documentation and to take any other actions considered appropriate to give effect to the above decision will facilitate the timely completion of the lease documentation

28. EXCLUSION OF THE PUBLIC AND PRESS

28.1 It was RESOLVED to exclude the public and press for the remaining agenda items on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

29. PROPOSED DISPOSAL OF LAND AT SANDROCK HALL BENDS, THE RIDGE, HASTINGS - EXEMPT INFORMATION

29.1 The Lead Member considered a report by the Chief Operating Officer which provided exempt information in support of an earlier item on the agenda.

DECISIONS

29.2 The Lead Member RESOLVED to note the exempt information in the report which relates to an earlier item on the agenda.

REASON

29.3 The report contained exempt information in relation to an earlier item on the agenda.

30. CORPORATE OFFICE ESTATE; NEW LEASE OF ST MARY'S HOUSE, EASTBOURNE - EXEMPT INFORMATION

30.1 The Lead Member considered a report by the Chief Operating Officer which provided exempt information in support of an earlier item on the agenda.

DECISIONS

30.2 The Lead Member RESOLVED to note the exempt information in the report which relates to an earlier item on the agenda.

REASON

30.3 The report contained exempt information in relation to an earlier item on the agenda.

Report to: Lead Member for Resources and Climate Change

Date of meeting: 15 October 2024

By: Chief Operating Officer

Title: County Hall site options – asset review

Purpose: To consider next steps following the asset review of County Hall, Lewes.

RECOMMENDATIONS

Lead Member for Resources and Climate Change is recommended to:

- 1) Note the report, including the Scrutiny Committee comments and the detailed asset review in Appendix 1;**
 - 2) Approve that the Council proceed on a phased partnership approach set out in section 4 reflecting the key milestones in the next few months;**
 - 3) Receive a report in July 2025 to review progress on the approach set out in this paper; and**
 - 4) Note, as detailed at para 2.1, the current valuation of the site, even with planning permission for a mixed development, would deliver a capital receipt of less than £10m.**
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1 Background

- 1.1 County Hall campus (comprising County Hall, Westfield House, the former St Anne's School site and car parks) is East Sussex County Council's (the Council's) largest freehold asset, sited in a key location in Lewes. The Council's Asset Management Plan 2020-2025 sets out how efficient use of its office hubs will be achieved, making the best use of resources and assets to maximise its ability to support the residents and businesses of East Sussex. Phase 1 and 2 resulted in the Council significantly reducing its office estate in Hastings and Eastbourne, reducing floor space by 43% and carbon footprint by 46%. Phase 3 is focussed on County Hall campus which is a complex site due to its topography, access, nature and location of existing buildings.
- 1.2 There is a clear public duty to ensure that maximum value and use is derived from such an asset through its operational use, but also that it is used in a way that reflects its key location in Lewes and potential to have a significant impact on the town and local economy and amenities. To achieve this we will work in close partnership with others including the South Downs National Park and Lewes District Council (LDC). In initial discussions of the work to date and emerging options, LDC:
- welcomed the early engagement and commitment to a partnership approach
 - emphasised the strategic importance and opportunity of the site to Lewes especially in providing much needed housing and importance of understanding the significant and unique opportunity the site provides for the town
 - recognised the complexity of the site in terms of topography, landscape impact and access and the uncertainty in market currently

- highlighted the importance of recognising the embedded carbon in the County Hall current building and learning the lessons from other developments including importance of clarity about objectives and likely strength of public interest

- 1.3 In autumn 2022 as the patterns of working post pandemic were becoming clearer, senior officers requested consideration of the asset options available for County Hall campus. A procurement exercise was undertaken to secure specialist external advice with the appointed company being Inner Circle Consulting (ICC) who had undertaken similar asset reviews for different types of local authorities, including county councils. The Council commissioned ICC to undertake an asset review based on the Treasury five model approach. The five-model approach looks at the management case, strategic case, financial case, economic case and commercial case.
- 1.4 ICC undertook workshops and briefing sessions to engage with different parts of the organisation to understand the Council's key priorities and how an asset review would provide an assessment, ensuring it is aligned to the Council Plan and wider objectives. There was substantial work undertaken to consider options for the campus site before these were refined.
- 1.5 The Council requires a County Hall base in Lewes that provides efficient, modern, carbon efficient office space that meets the needs of residents, members and staff, and which is a sustainable and cost-effective solution for the long term. This was therefore factored into the review.
- 1.6 The early options were discussed with senior officers, and these are set out in Section 3. The Council then asked for ICC to secure specialist advice from property market specialists, architects, quantity surveyors and planning advisors when considering quantitative and qualitative advice on the options. All the consultants had experience of working on similar asset reviews for private sector and local authorities in East Sussex.
- 1.7 This report provides a summary of the outcome of the asset review, discussions with key stakeholders and also reflects on comments made at the recent Place Scrutiny Committee meeting on 23 September. Additional information on the different options is in Appendix 1.
- 1.8 The report also sets out some immediate, short and medium-term proposed actions to be taken given the findings of the asset review.

2 Supporting Information

As part of the asset review the following factors were considered:

2.1 Realising Value from assets

As part of an asset value review, work has been undertaken to look at the opportunities to reduce property costs and free-up assets for disposal to secure a capital receipt. The current site resides in the National Park and is complex to develop due to its topography, access as well as ecological, biodiversity and archaeological factors. These factors mean that there are significant costs and risks involved with any development proposals and therefore also impact on the potential value of the site. An independent valuation of the whole campus site has been undertaken as part of the ICC review. If the site was developed entirely for housing, in accordance with South Downs National Park Authority's (SDNPA) Local Plan, and planning permission was secured, the site could be worth up to £10 million. However, this does not include the cost of providing a new County Hall nor the significant costs involved in securing planning permission. Whilst the future size requirement of a new County Hall has not been finalised, the approximate cost of a new (or redeveloped) County Hall is £12 - £15 million, based on initial cost estimates as part of the asset review.

2.2 The cost of a new (or redeveloped) County Hall would therefore be in excess of any capital receipt secured from the remainder of the site for development and therefore does not represent the most effective use of Council resources. In addition, securing planning permission (in order to maximise the value of the site) would incur costs which the Council does not have the budget for.

2.3 **Utilisation of space and suitability for service requirements**

County Hall was approximately 45% occupied (average) in 2019 although parking was under significant pressure. Post-pandemic office occupation at County Hall has been low compared to other council offices. For 2023 the average occupancy was 22%, with Mondays and Fridays being a lot lower. In 2024 occupancy has increased with a peak of 29% in March 2024. The average for the first six months of the year was 25-27%. As the utilisation of the offices is below optimal levels, some initial work has been undertaken to look at the future space requirements, reflecting the civic accommodation, administration base and frontline service delivery. The suggested space requirements could equate to 3,500 sqm, significantly lower than circa 15,000 sqm of the current County Hall.

2.4 **Property running costs including energy efficiency**

The Council doesn't pay rent at County Hall as it owns the freehold, but there are business rates, reactive maintenance, utility bills, insurance and other costs which are required to operate the facility. These costs equate to approximately £1 million per annum, and this does not include the staffing costs for staff who manage the building. If a smaller, more efficient building was considered for a County Hall, the running costs and carbon footprint would be lower. Energy prices have increased over the last couple of years and the energy efficiency of the current heating system is poor (due to its age) despite some windows being replaced and solar PV panels being installed on the roof.

2.5 **Planned capital investment**

A condition survey for County Hall was undertaken to identify the items and works needed for a further 10 years of occupancy. The condition survey reflected the building was constructed in 1968 and is reaching its end of life, despite having investment over the last 50 years. There has been investment in the last 10 years on new windows, LED lighting, and additional solar PV panels to improve energy efficiency and reduce running costs. The investment required to maintain business as usual over the next 10 years could be up to £8.4 million but this would involve full replacement of key plant and machinery. There has been minimum capital investment over the last four years. The scale of investment has been reduced as an interim measure, but electrical systems, lifts and water drainage systems need extensive maintenance which could impact on the operational running of the building if not undertaken. At present, the Capital Programme includes a non-schools planned maintenance budget for 2024/25 which is fully committed, but going forward some dedicated funds could be set aside within this budget to undertake minimal investment if the Council remains at County Hall in the medium term.

3 **Options**

3.1 The following options were considered:

- Option 1 – Remain at County Hall indefinitely
- Option 2 – Retain the County Hall structure but refurbish some of the existing space for a new office/civic accommodation with residential conversion for the remaining blocks and re-develop the remaining site for residential homes over the wider campus.
- Option 3 – Retain the County Hall structure but completely refurbish all of the accommodation for residential homes. A new County Hall would be located on the campus site and the remaining space would be re-developed for housing development.
- Option 4 – Demolish County Hall structure and new provide a new County Hall on the site with the remainder of the site being re-developed for housing.
- Option 5 – Re-locate to office accommodation in the Lewes area, if available, and re-develop all of County Hall campus, including primarily residential development.

- Option 6 – Re-locate County Hall services and civic accommodation (Council Chamber) to Sackville House, Brooks Close, Lewes, and re-develop the whole County Hall campus site. Sackville House is owned by the Council and is let out to a number of tenants on leases which end around 2030 and do not have landlord break clauses to enable maximum rental value. This would therefore represent a medium term option.

3.2 The options above were considered following a quantitative and qualitative assessment by officers, by ICC and by specialist property experts. Due to its size, there were perceptions that County Hall had significant capital receipt value. It is a complex site where any re-development would need to consider a number of constraints, and this was reinforced by ICC and the specialist property experts. The site has challenges in relation to access points from St Anne's Crescent and Rotten Row and the site is in South Downs National Park Authority (SDNPA), so important design and environmental factors would need to be considered as part of any development. The site is next to Lewes cemetery, and there could be archaeological factors that influence any development. Across the site, ecological and biodiversity matters will also be a factor in future development. As with all significant potential sites for redevelopment where there is residential development, the mix and style of housing needs to be considered to ensure the site delivers the level of affordable housing in accordance with the appropriate Local Plan.

3.3 Place Scrutiny Committee considered a report, covering the content of Appendix 1 to this report. The Committee considered the options and provided a wide range of diverse comments which can be summarised into the following themes:

- All Members recognised that a short to medium term solution was needed to find a new county hall base for modern space needs but to utilise the wider county campus site for development.
- Whilst some Members considered a base in Lewes was needed, others discussed whether other locations could be considered that would assist in wider economic development and/or regeneration in the county, for example a variation of option 5.
- Some Members were keen to ensure that any re-development on County Hall campus would address the wider county pressure on affordable housing need.
- Some Members considered option 6 has its merits, but the timescale to consider this (not until 2030-2032) was not ideal.
- There were varying views on whether option 2, 3 and 4 was most suitable in relation to the re-development options.
- Some Members considered the re-development of the site was marginal and didn't want it considered until increased viability was known.
- It was acknowledged the Council had notified SDNPA of its intentions in the long term to consider the campus site as part of SDNPA's emerging Draft Local Plan.
- Members discussed whether renewed work could be taken to reduce property running costs and boost income from vacant space from County Hall in any event.

3.4 Given the levels of utilisation of the asset, option 1 is not considered to be a viable option. From the three development options (options 2, 3 and 4), option 3 was the least viable following valuation appraisals. For options 2 and 4, the viability was marginal and there are many variables, risks and dependencies that would negatively impact on the viability in the short to medium term.

3.5 There is also currently no provision for any revenue or capital costs in relation to development works within the Council's existing capital programme or put forward in the Reconciling Policy, Performance and Resources (RPPR) process for any future capital programme. If the Council wanted to include the project in the capital programme, then its impact on the wider Council budget would need to be considered, reflecting challenges to secure a balanced budget for 2025/26. The Council did consider the options for how a development project could be structured to include self-delivery, joint ventures and development agreements. If the Council was to construct and procure a new compact county hall on site, the expected cost would be circa £12-15 million, depending on size and specification. The Council would need to consider

how this would be funded given that the market value of the site is not sufficient to cover it, as noted above.

- 3.6 The option 4 proposal allows teams from County Hall to move to a new County Hall on site so there should not be any need for interim decant offices but there would be an impact on car parking spaces during the development phase. However, options 2 and 3 may result in all County Hall staff having to be moved to alternative office accommodation in Lewes. There would be challenges to find suitable office accommodation to lease for two plus years in Lewes and the financial cost pressures (noted in 3.8 below) for this decant accommodation have not yet been factored into the financial assessment.
- 3.7 In summary, currently there are no viable development options from a cost or delivery perspective.
- 3.8 Option 5 is dependent on the availability of c.3,500 sqm of office space with car parking elsewhere in Lewes. The majority of staff who are based at County Hall live within 5-10 miles or travel in from the west of Lewes, so another location in the north of the county or east of the county may impact on staff retention. The Council also currently holds other key sites across the county with sizeable offices in Eastbourne and Hastings. The Council would need to either acquire the freehold of an office building with vacant possession or seek to lease accommodation. There are no current freehold offices for sale available within Lewes that would meet these criteria. There are smaller office suites in Lewes available to let but leasing space would put pressure on the Council's budget. As a guide, renting space at 3,500 sqm metres in Lewes would be circa £450,000-£500,000 per annum plus other property-related costs. If the Council did seek to move to leased accommodation, it would probably need to undertake works to convert or adapt space for the Council's particular requirements.
- 3.9 Option 6, Sackville House, was previously used by the Council in the 1990s, but it has been let out to different third parties for over 15 years. As of August 2024, the building is 95% let and produces £390,000 of income per annum. The leases granted to tenants by the Council come to an end in 2030-2032 so the Council could re-locate to this office at that time as it is a similar size to the intended County Hall space. In addition, any move would be a straightforward decant for staff.

Variable factors impacting on development feasibility

- 3.10 When options were analysed, ICC and its professional/technical advisors also looked at specific variable factors that would impact on the development viability of the site.
- a. **Grant Funding:** There are a number of funding streams to promote new housing. Whilst there is a good case for leveraging external grant funding from funds such as the Brownfield Land Release Fund (BLRF), which could realistically contribute between £1-3 million, the criteria are very strict. Central government is keen to promote growth and deliver more homes so there may be a new round for BLRF or different funding avenues that may support options. Receipt of an affordable housing grant for the delivery of affordable units has been assumed in the financial modelling.
 - b. **Re-assessment of the required County Hall accommodation area:** The proposed County Hall development area requirements could be adjusted, and layout of space be geared to more meeting spaces and fewer desks. A number of workshops have been undertaken so the size of the new County Hall has been reduced, as is outlined in Appendix 1, though there may be potential to reduce further.
 - c. **Increasing housing density:** This is an area where working with external property development specialists to consider increasing the number of homes, types of homes and layout on the site has yielded increases in development value. There has been no informal testing of the revised assumptions with SDNPA, and this could be looked to be increased. SDNPA are currently

engaging with residents and stakeholders in its emerging Local Plan and more information about this is included below.

- d. **Reduction in specification for housing units and office accommodation:** There have been some revisions in design standards, and these have reduced estimated costs for any new County Hall and the new homes. The design standards still recognise the Council's Climate Emergency Plan 2023-2025. The specification has been slightly reduced but retains some key sustainability aspects, so the scheme delivers sustainable measures above building regulations.
 - e. **Adjustment of Affordable Housing provision:** A review of the mix of housing units, their location on site and other factors could also result in a positive impact on development value. However, for the financial appraisal, it is assumed the Council have a policy compliant scheme with 50% affordable housing though this could be reduced depending on other factors.
- 3.11 County Hall is located within the South Downs National Park Authority area. There is a review of the South Downs Local Plan and early participation is sought by SDNPA. As part of the Local Plan review, it will be seeking identification of potential land so an assessment can be made on the suitability and achievability of potential sites. Further information on the timelines is included in Appendix 1. SDNPA will undertake formal consultation (Regulation 18 consultation) for its emerging revised Draft Plan in Spring 2025 and intends to submit its Local Plan for Examination in 2026. The Draft Plan will allow residents and all stakeholders to come forward with their views and the new Local would provide the Council with greater information to assess the viability of the site for re-development.
- 3.12 At present, the whole County Hall campus does not have a current whole site allocation as a development site for housing or other uses. Parts of the County Hall site (land fronting onto St Anne's and the former St Anne's School site) do have current site allocations and are also within the Lewes Neighbourhood Development Plan. Therefore, a future SDNPA Draft Plan and its site allocations, as well as potential national planning changes, may result in options 2, 3 & 4 becoming more viable for the site.
- 3.13 It is intended to notify SDNPA that the Council wants to consider County Hall campus as a potential opportunity for future development, to enable residents and stakeholders to give their views through the Local Draft Plan process (Regulation 18). It is important to note that the Council has not made a decision but is exploring options about the future use of the campus site. The Draft Local Plan will consider revised policies and plans as an update to the current Local Plan (2014-2033).
- 3.14 There are proposed changes by central government seeking to increase housing supply including changes nationally to the local authority planning system. Over the next 18 months there may therefore be increased opportunity to drive greater property viability returns on sites such as the County Hall Campus.
- 3.15 Lewes District Council (LDC) completed its Regulation 18 consultation for its Local Plan in February 2024, and it is proposed to have the Local Plan ready for Examination in 2025/2026. The Lewes Local Plan covers spatial areas not covered by SDNPA Local Plan. The County Hall campus is within the SDNPA.
- 3.16 There are also general economic factors affecting development viability which have recently included periods of high interest rates and high inflation as well as supply chain difficulties. Inflation has recently fallen, and projections are for a continued fall in interest rates which may result in greater economic certainty and viability for the site.

Financial information

- 3.17 No budget has been prepared or considered for 2024/25 for any additional external consultants or other costs if the project was to move to the next stage.

- 3.18 The Council's financial position was reported to Cabinet on 26 September 2024 highlighting significant budget challenges for 2025/26, so officers and Members are focusing on protecting key services and driving efficiencies. The Council does not have funds available to consider re-development options 2-4 at this time when all staff are concentrating on delivery of frontline services with reduced budgets. Options 2-4 would require significant officer resource together with the cost of external specialist resource to consider a detailed business case, when resources aren't available.
- 3.19 The Council benefits from having two office buildings within Lewes. The actual office requirement is very similar to Sackville House, option 6, and whilst this building produces a gross income of £390,000 per annum, the leases granted allow the Council to consider not renewing the leases in 2030-2032. If the Council switched from County Hall to Sackville House then capital investment to modernise Sackville House would be required, which would be more than offset by the anticipated capital receipt from the current County Hall site. The Council would lose the rental income from Sackville House and would have to bear the property running costs as an operational building. This would be more than offset by no longer incurring running costs of the current County Hall site.
- 3.20 If options 5 or 6 were considered, the Council could sell the County Hall campus site and work with a development partner and other key stakeholders such as LDC to work up planning permission for a residential development. As part of this, the Council could ensure that the overall site is a crucial part of Lewes, providing a mix of homes with a balanced natural environment through open spaces and biodiversity addition to this area. As the Council owns Sackville House as a freehold asset it would not need to lease accommodation. Therefore, option 6 offers an opportunity to be efficient in using its assets as an integral part of its Asset Management Plan 2020-2025.
- 3.21 If option 6 was progressed it would be necessary to better utilise the existing County Hall in the period to Sackville House becoming available. This would include other public sector partners leasing out some of the space (as immediately as possible) and reducing running costs through mothballing part of it (by the new year).
- 3.22 Overall, the Council needs to consider if there are future opportunities where re-development options 2, 3 & 4 would become financially viable and become standout options. This may occur if there are additional avenues to access grant funding; changes in planning policies at local and national levels that increase the development value of the County Hall campus site, and factors within the SDNPA Local Plan. In the meantime, option 6 provides an opportunity to use existing Sackville House office space within Lewes.
- 3.23 Senior finance officers have reviewed the financial information contained within ICC options work.

4 Conclusion and reasons for recommendations

- 4.1 At the moment, there are no standout re-development options (2-4) in the report due to viability. Given the information set out in the paper, particularly that the cost of providing a suitable County Hall exceeds the market value for the sale of the site and given the Council's financial constraints and the uncertainties noted in paragraphs 3.9 to 3.15 above, a phased approach is recommended.
- 4.2 In a phased approach, the Council would look to remain at County Hall in the short term until alternative Council owned accommodation becomes available at Sackville House, Lewes, at which point the Council would look to relocate (see Option 6). This would also enable certain milestones to have occurred which would provide greater certainty over the variables noted above, and therefore greater knowledge of the viability of any potential development (see paragraph 4.5).

- 4.3 In doing so the Council would take immediate steps to ensure utilisation of County Hall improves, to boost rental income opportunities and to reduce property running costs. These would include:
- Relocating teams based in other leasehold premises (other than Eastbourne and Hastings) into County Hall to reduce rental costs elsewhere.
 - Mothballing a significant section of County Hall to reduce running costs. The Property team will work with directorates to consider how best to reduce the number of blocks that will remain open with the intention of finalising plans by December 2024.
 - Appointing an office agent to pursue the medium term letting of spare space.
- 4.4 Ahead of this work, a public sector partner has already agreed to take one floor of one of the blocks and this occupation will take place by the end of November 2024.
- 4.5 The intervening period would also enable the Council to obtain more information which would increase the certainty in any assessment of development viability. Key dates and information include:
- Adoption of the SDNPA Local plan – Spring 2026
 - There may be another round of the Brownfield Land Release Fund which might provide grant funding for the site – Potentially by 2026
 - Any precedent being set on factors such as housing density, housing specification and levels of affordable housing coming from other planning applications in the SDNPA area - Ongoing
 - Central government policy changes or changes to the planning system given their commitment to housing delivery – 12-18 months
 - Changing nature of the property market, economic context, falling interest rates etc – Ongoing
- 4.6 It would also allow close working with SDNPA, LDC, Lewes Town Council and other stakeholders to consider a wider regeneration plan as part of the SDNPA process to develop their Local Plan.
- 4.7 It is therefore also recommended that a further report will be presented to the Lead Member in July 2025 to provide the new Council more information, and progress on this approach.
- 4.8 The Lead Member for Resources and Climate Change is therefore recommended to:
- Note the report, including the Scrutiny Committee comments and the detailed asset review in Appendix 1.
 - Approve that the Council proceed on a phased partnership approach set out in section 4 reflecting the key milestones in the next few months.
 - Receive a report in July 2025 to review progress on the approach set out in this paper.
 - Note, as detailed at para 2.1, the current valuation of the site, even with planning permission for a mixed development, would deliver a capital receipt of less than £10m.

ROS PARKER
Chief Operating Officer

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Local Members:
Councillor Wendy Maples

Background Documents:
None



EAST SUSSEX COUNTY HALL

Lead Member for Resources and Climate Change 15 October 2024



County Hall constructed 1968 and civic facilities provided in 2003

Site area -4.13 hectares whole campus

Former St Anne's School vacant since 2005

What were the options considered?

Retain & Maintain

Option 1 - Stay

Adapt County Hall to maintain it in operational condition for the Council to function as is. Invest in replacing failing plant and equipment to maintain BAU. Without some minimum investment there is a risk to Council operations

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Council Led Site Development

Option 2:

Adapt County Hall building with reduced office usage, lease / co-locate other uses in the building + develop surrounding land.

Option 3:

Re-purpose the County Hall building entirely for new uses, develop surrounding land and include a smaller, purpose-built Council building

Option 4:

Demolish existing CH building, develop the site to include a smaller, purpose-built Council building and other uses



OPTION 2 – indicative site plan



OPTION 4 – indicative site plan

Sell Site & Relocate

Options 5&6:

Option 5 - Sell County Hall site and relocate Council services and activities to other location(s) in Lewes. Overall space c. 3500 sqm required.

Option 6 – Sell County Hall site and relocate Council Services to Sackville House in 2030-2032 as new County Hall



Reviewing development options



- **There is no clear re-development option that stands out at this moment in time**
- The whole site has complex constraints – topography, archaeological matters, natural environment and ecological matters, bio-diversity, accessibility to the wider site
- The Council's earlier office rationalisation was straightforward - Phase 1 and Phase 2 – Hastings and Eastbourne office solutions focused on reducing space requirements and these didn't concentrate on wider re-development opportunities with a freehold asset in the South Downs National Park.
- Wider property re-development market is volatile. Sensitivity analysis of key inputs to a development model shows high risk at present.
- Size of County Hall future accommodation needs more analysis as increased office usage at CH in 2024 compared to 2023.
- The overall Council's financial budget position for 2025/2026 and beyond require significant organisational focus
- Technical experts have challenged assumptions in the modelling though options remain financially borderline with significant risks. The future potential risks could reduce in a more stable operational context.

East Sussex
County Hall
(now)



£914k
Annual
operational
costs

22%
occupancy
levels -2023

25-27%
2024

£8.4M
additional
repairs
required in the
next 10 years



SITE POTENTIAL



Modern
efficient
office

£500k-
£840k
Annual Rev
Saving

240+
Homes

New
3500^{sqm}
County Hall
space req.



Staying at CH

It costs about £1m per annum to operate the CH building just in its current condition which is reaching end of life. There are risks of plant and machinery failing in the next few years impacting the ability of part or all of the building to function which would be a risk to business continuity in the next few years.

Up to £8.4 million over next 10 years required from the Council's corporate maintenance programme and reactive repairs needed.

Areas for further review under Options 2-4

What are the key commercial considerations?

GRANT FUNDING

Testing the potential for leveraging grant funding for the site through a fund similar to the Brownfield Land Release Fund and other potential central government affordable grant provisions

COUNTY HALL SIZE REQUIREMENT

Testing the feasibility with a further reduced Council footprint that could accommodate 1400-1600 Council staff plus civic meeting spaces to drive efficiency and minimise cost

DENSITY AND MIX CHALLENGE

Exploring a more ambitious density on the site and a refined housing mix, with appropriate benchmarking for similar developments in Lewes

SUSTAINABLE SPECIFICATION

Establishing a suitable design specification that supports the environmental ambitions of the project but is commensurate with public building investment and assessing embedded carbon

AFFORDABLE HOUSING

Testing the viability against lower affordable housing targets, supported by a clear rationale for how this argument could be supported in planning terms

Key Objectives

- To provide a workspace that aligns to modern ways of working - flexible and adaptable to future needs;
- To reduce the Council’s running and maintenance costs for the County Hall building and surrounding assets on the site;
- To closely align with the Council’s climate targets and net zero ambitions;
- To create a more rational layout that improves the connection of the site with its natural surroundings and community;
- To achieve a more efficient use of the site, creating financial value for the Council;
- To support East Sussex’s economic growth ambitions for Lewes.

County Hall Requirements

An assessment of reasonable reduction in size.

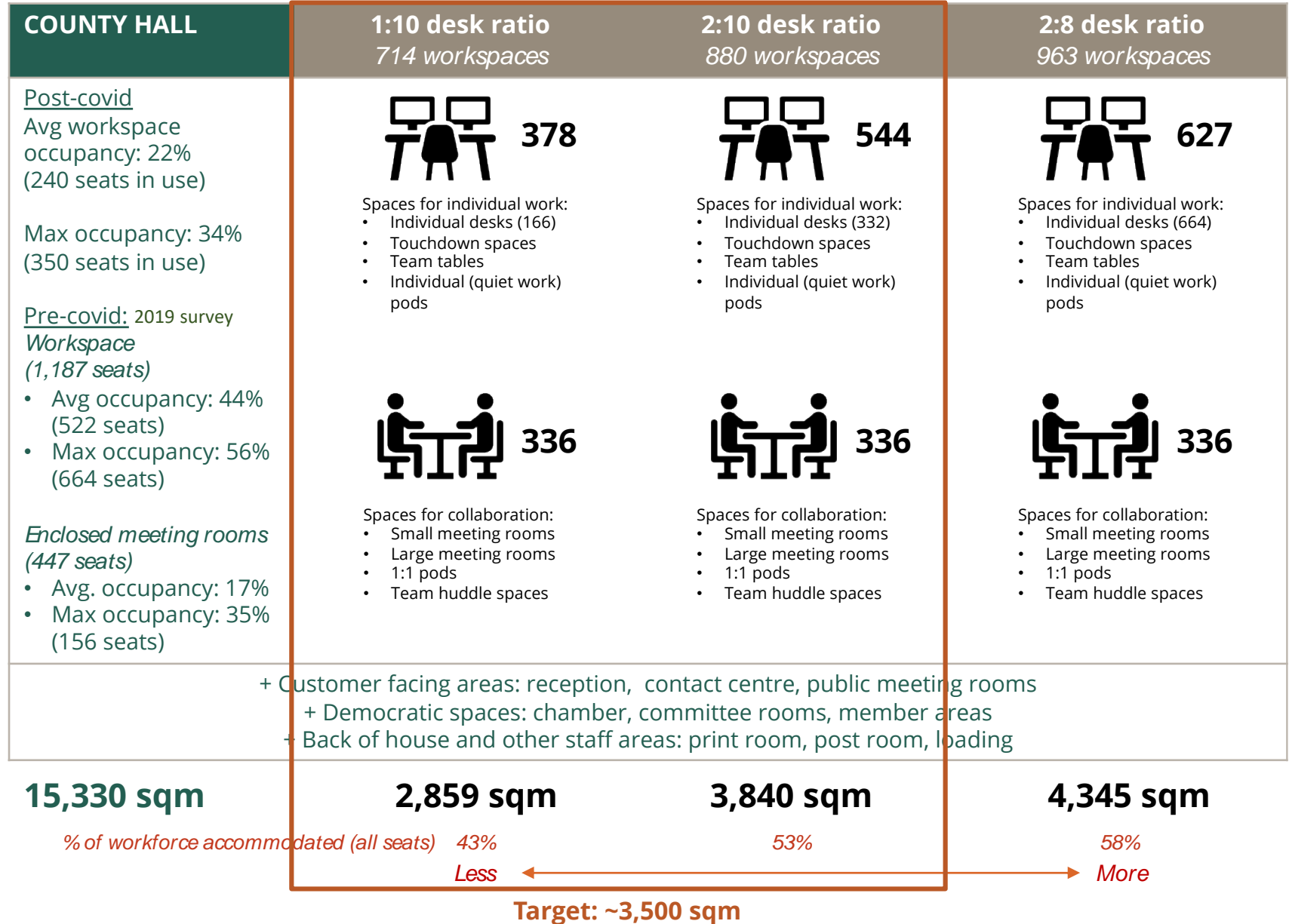
How much space does the Council need?

Informed by Hastings office move
(Note: current observed occupancy is 50%)

There is an opportunity to reduce the Council's current footprint and modernise its workspace.

A number of scenarios were tested to indicate the potential size of the Council office. These were benchmarked against:

- Observed occupancy
- Learning from recent rationalisation of other Council accommodation (i.e. Hastings offices)
- Benchmarking against other civic offices across the UK
- ESCC's specific functional and team requirements and where they need to be based



Wider engagement

- LDC initial view is:
 - “Welcome the early engagement and commitment to a partnership approach
 - Emphasising the strategic importance and opportunity of the site to Lewes especially in providing much needed housing
 - Recognising the complexity of the site in terms of topography, landscape impact and access and the uncertainty in market currently
 - Importance of recognising the embedded carbon in County Hall current building
 - Learning the lessons from other developments including importance of clarity about objectives and likely strength of public interest
- Understanding the significant and unique opportunity the site provides for the town”

South Downs National Planning Authority - emerging Local Plan proposals

| Actions | Progress |
|--|---------------|
| Work on Local Plan Review started | 2022 ✓ |
| Call for sites (various uses) | Summer 2022 ✓ |
| Evidence gathering | In progress < |
| Land Availability Assessment & Local Green Space Assessment | In progress < |
| Early engagement (scope & ways to consult) | In progress < |
| Drafting policies and site allocations | Autumn 2024 |
| Public Consultation on draft Local Plan Review (Reg 18) | Early 2025 |
| Review consultation feedback and refine policies/allocations | 2025 |
| Public Consultation on submission Local Plan Review (Reg 19) | Early 2026 |
| Submit Local Plan Review for Examination | 2026 |

Interim next steps to increase utilisation and boost income?

- Interim measures on County Hall to make better use of the space being explored:
 - Other public sector partners shown active interest in using some of the space
 - Reducing some running costs by mothballing part of the building
 - Alternative operational use such as more meeting rooms, more conference style facilities
 - Exploring local business interest in use

Report to: Lead Member for Resources and Climate Change

Date of meeting: 15 October 2024

By: Chief Operating Officer

Title: The review of purchasing Renewable Energy Guarantees of Origin (REGOs)

Purpose: To consider whether East Sussex County Council should continue to purchase Renewable Energy Guarantees of Origin certificates (REGOs).

RECOMMENDATIONS

The Lead Member for Resources and Climate Change is recommended to:

- 1) Agree that East Sussex County Council ceases the purchase of Renewable Energy Guarantees of Origin certificates from 1 April 2025; and
 - 2) Delegate authority to the Chief Operating Officer to take all actions necessary to give effect to the above recommendation.
-

1 Background

1.1 East Sussex County Council (ESCC) procures renewable energy as outlined in the Lead Member's decision of 20 September 2019 ([Agenda for Lead Member for Resources and Climate Change on Friday, 20th September, 2019, 11.00 am | East Sussex County Council](#)).

1.2 Renewable Energy Guarantees of Origin certificates (REGOs) are purchased in order to provide 100% renewable electricity to corporate buildings and for street lighting. Schools have been offered the opportunity to purchase REGOs, however none have chosen to do so.

1.3 The current contract for the provision of REGOs expires on 31 March 2025 and a decision is therefore required from ESCC on whether to continue purchasing REGOs.

2 Supporting information

2.1 There are four concerns with REGOs. These are set out below.

2.2 The REGO scheme was set up with the intention of making the electricity market more transparent, by allowing customers to see what proportion of their energy originates from renewable sources. However, in practice, REGO certificates are able to be sold separately ('unbundled') from the energy itself. This enables energy suppliers to purchase energy from the wholesale market (as a mix of non-renewable and clean energy) and then acquire enough certificates from companies that produce green electricity to label all of what they supply as 'green'. It is not considered to be good practice for organisations to represent the purchase of REGOs as a contribution to reducing their corporate carbon emissions. For example, current guidance issued by the Department for Energy security and Net Zero requests that Scope 2 electricity emissions are reported utilising the location-based grid average emissions factors [Greenhouse gas reporting: conversion factors 2024 - GOV.UK \(www.gov.uk\)](#) therefore the cost of REGOs is incurred for no clear benefit.

2.3 In practice, all of us use fossil-fuel based electricity at certain points in our day-to-day life if consuming energy from the national grid, even if we have purchased a green electricity tariff. This is because all the electricity generated by different sources across the country (gas, coal, solar, wind etc.) goes into the same central system, which is then distributed collectively to customers. At points of high demand, or when the sun is not shining and the wind is not blowing, the system relies on fossil fuel sources. The REGO system simply says that any fossil fuel electricity used during these times will be 'matched' to a REGO certificate for the output from a renewable supply such as a wind farm that may have taken place at any time during the preceding 12 months.

2.4 REGOs are purchased from existing suppliers of renewable electricity, so paying for REGOs does not automatically increase the investment in renewable energy generation. In other words, there is no 'additionality' in renewable energy available as a result of purchasing a REGO.

2.5 The price of REGOs has increased significantly in the last few years, from about 20p per certificate a couple of years ago to a record high of £20 in October 2023 and continue to trade as such. At current prices this would add about 3.5% to the Council's unit cost of electricity at a time when the Council is under significant financial constraints.

2.6 More detailed financial information is set out in an exempt report later on in the agenda.

3 Conclusion and reasons for recommendations

3.1 As set out in Section 2 above, there is both a financial impact and a reputational risk to ESCC in continuing to purchase REGOs, with no clear benefit from doing so. Consequently, the Lead Member for Resources and Climate Change is recommended to:

- 1) Agree that East Sussex County Council ceases the purchase of Renewable Energy Guarantees of Origin certificates from the 1 April 2025; and
- 2) Delegate authority to the Chief Operating Officer to take all actions necessary to give effect to the above recommendation.

ROS PARKER

Chief Operating Officer

Contact Officers:

Andy Arnold

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LOCAL MEMBER

All

BACKGROUND DOCUMENTS

None

Report to: Lead Member for Resources and Climate Change

Date of meeting: 15 October 2024

By: Chief Operating Officer

Title: Dilapidations Settlement – Unit D Ropemaker Park, Hailsham

Purpose: East Sussex County Council’s lease of Unit D Ropemaker Park expired in July 2023. A schedule of dilapidations was served on the Council by the Landlord. This report sets out the approach to negotiations and recommends the process for settlement of the claim.

RECOMMENDATIONS

The Lead Member for Resources and Climate Change is recommended to:

- 1) Agree that the Council seeks to settle the claim by mutual agreement in the first instance, as set out in paragraph 2.2 of this report;
- 2) Delegate authority to the Chief Operating Officer to take all actions necessary to give effect to the recommendations in this report, including, but not limited to, approving the amount of any settlement.

1 Background

1.1 East Sussex County Council (the Council) previously occupied Unit D Ropemaker Park, Hailsham by way of a 15 year fully repairing and insuring commercial lease, commencing on 11 September 2007 and expiring on 10 September 2022. The 32,500 sq ft warehouse unit was used as an archive facility by the Council’s Library Information Service (LIS) and the Records Management Service (RMS). A plan of the site is attached as Appendix 1.

1.2 Following an internal review of service requirements in advance of lease expiry, and in line with the Council’s Asset Management Plan 2020-2025, LIS was relocated to the former Polegate library, which was re-purposed. RMS was relocated to alternative leased premises at Alder Close, Eastbourne. The Alder Close premises is smaller and more cost-effective than Unit D, Ropemaker Park. The Lead Member for Resources and Climate Change gave approval to enter into the new lease of the Alder Close premises on 19 May 2022 - [Alder Close - Letting - Lead Member Report](#).

1.3 In order to ensure continuity of the service, the Council entered into a new short lease agreement at Unit D Ropemaker, effective from 11 September 2022 and expiring 10 July 2023. This ensured that the service could continue uninterrupted, whilst works were undertaken at the Alder Close premises to make it suitable for occupation. The obligations and covenants contained in the 15-year lease were largely replicated in the short term lease expiring 10 July 2023, including the covenant for the Council to fully repair and maintain the property.

1.4 Prior to the Council vacating the property at Ropemaker Park, the Landlord served a Schedule of Dilapidations on the Council, setting out items that they considered to be in disrepair. The Schedule set out estimated costings to put the property into a satisfactory condition, as required by the lease. The principles of the measure of damages for disrepair is established at common law and is governed by Section 18 of the Landlord and Tenant Act 1927. In essence, the basic principle of dilapidations is to ensure that a landlord should not

suffer financial loss as a result of a tenant not adhering to repair covenants contained within the lease. The Schedule also included a quantified demand for settlement and the Council engaged a specialist dilapidations surveyor to consider the validity of the claim.

1.5 The Council advised the Landlord that it was not possible to undertake all of the works prior to vacation, due to the need to maintain continuity of the service. The Landlord made the Council aware that a new tenant had been identified for Ropemaker Park and that the Landlord would undertake works to put the property in repair to enable the new tenant to take occupation as quickly as possible following the expiry of the Council's lease. An updated claim was then sent to the Council by the Landlord on 5 April 2024. The Council's appointed surveyor re-inspected the property to assess the works undertaken by the Landlord and has since provided advice to the Council.

2 Supporting information

2.1 If the parties are unable to agree a mutual settlement, the Landlord may issue court proceedings. The landlord can legitimately claim for interest, at the rate prescribed by the lease, and legal and expert fees. In addition to this, the Council will incur its own additional legal and expert fees. Determination of the matter by the court or via an alternative process such as mediation, may be more costly to the Council than settling the claim mutually, and the outcome is uncertain.

2.2 To minimise costs, the Council intends to resolve this matter by negotiation. It is therefore recommended that the Lead Member approves that the Council seeks to settle the claim by mutual settlement in the first instance.

2.3 More detailed financial information is set out in an exempt report later on in the agenda.

3 Conclusion and reasons for recommendations

3.1 The Council has taken appropriate professional advice with regard to the Landlord's dilapidations claim in respect of Unit D, Ropemaker Park, Hailsham.

3.2 The Lead Member is recommended to approve that the Council seeks to mutually agree the settlement of the claim with the Landlord in the first instance.

3.3 Additionally, the Lead Member is recommended to delegate authority to the Chief Operating Officer to take all actions necessary to give effect to the recommendations in this report, including, but not limited to, approving the amount of any settlement.

ROS PARKER
Chief Operating Officer

Contact Officer: Rebecca Lewis
Tel: 01273 335873
Email: rebecca.lewis@eastsussex.gov.uk

LOCAL MEMBERS

Councillor Gerard Fox - Hailsham New Town

BACKGROUND DOCUMENTS

None

GENERAL NOTES

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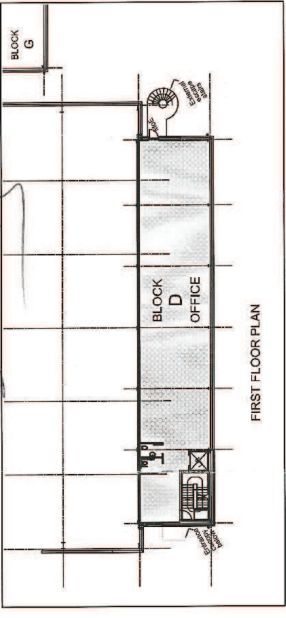
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ABP
X
X
MAN COMPANY
X
X



Appendix 1

LEGAL

MOUNTFORD
ARCHITECTS

ARCHITECTS: PROJECT MANAGEMENT PLANNING
50 Mountford Road, New Malden, Surrey KT3 3ZZ
Telephone: 020 846 8464 Fax: 020 846 8464
www.mountfordgroup.com

QUADRANT ESTATES

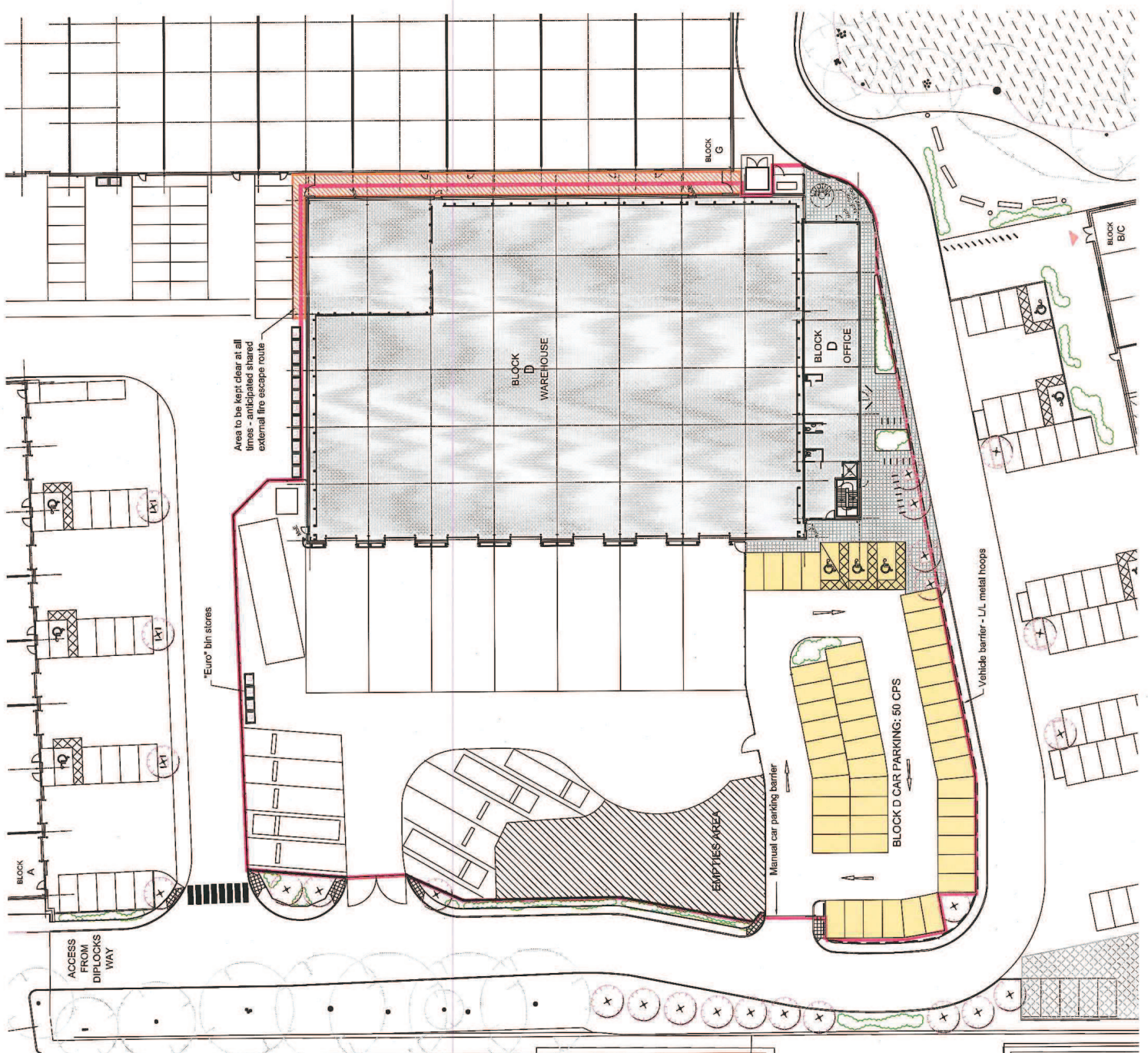
ROPEMAKER PARK
HALLSHAM

BLOCK D - WAVERLEY TBC
LEASE PLAN

DATE: 20/08/2018
DRAWN: 1:2000@A1, 1:5000@A3
SCALE: 1:2000

0375-L-WAV1

PLAN1



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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