

Report Number: SWT 56/21

Somerset West and Taunton Council

Executive - 21 July 2021

Future of Flook House, Belvedere Road

This matter is the responsibility of: Cllr Marcus Kravis, Chair of Member Working Group

Report Author: Chris Hall – Assistant Director Climate Change, Regulatory Services and Asset Management

Executive Summary

- 1.1 This is the report of the Member Working Group (MWG) as drafted by an officer and presented by the chair of that group. The Member Working Group protocol as approved by Members requires the relevant portfolio holder to be the Chair of the Member Working Group.
 - 1.2 The MWG was created by the Executive to consider options for Flook House and the surrounding area with a view to concluding if investment should be made to retain the building or if demolition should be reconsidered. During this time expenditure on compliance matters has continued.
 - 1.3 The report does not make a specific, costed recommendation, instead it identifies preferences from the Member Working Group. A key recommendation being to retain the Flook House building.
 - 1.4 The MWG had no budget to engage specialists or architects on options for the surrounding land that might financially support the retention of Flook House, and this hampered their ability to create a shortlist of costed options.
 - 1.5 A number of decisions were made by the portfolio holder during the term of the group, these include a decision to demolish the old toilet block, and a decision to offer up lease extension of up to 12 months for new or existing tenants that don't currently claim a protected status.
- 2. Recommendations of the Member Working Group:**

- 2.1 That the Executive retain Flook House for its historical interest and potential future social value.
- 2.2 That the Executive establish a new project as part of the business planning process for 2022/23. Taking forward the feasibility works for potential development of the area including the retention of Flook House as part of the longer term solution.
- 2.3 That a new budget of £125,000 is established as part of the business planning process for 2022/23 to provide project management resource, engage architects, and the other necessary specialists to produce a costed business case.
- 2.4 That the Member Working Group continues to support the project and pfh, if 2.2 and 2.3 are approved.

3. Risk Assessment

- 3.1 Rising costs of property compliance mean that the Council need to invest significant sums to maintain the aging Flook House building with little in return by way of rent. The longer term solution seeks to produce a financial return to support the costs of operating Flook House.
- 3.2 Further tenants leave, or we fail to attract new tenants during the period of uncertainty. This is mitigated in part by the extensions to existing leases and the offer of new short leases, whilst it does not bring the certainty some would require it allows for tenants and future tenants to plan.
- 3.3 Without a costed business case it is unclear if financial sustainability can be achieved and therefore the property may continue to operate at a cost to the tax payer. There is a related risk of inadequate scope within budget to support the necessary expenditure.
- 3.4 Whilst the paper focuses on the opportunities no work has been undertaken to establish the deliverability of a scheme in this area. It may be determined upon further work that the site is unsuitable or unaffordable for delivery. There are potential 4 key considerations in addition to this area being outside of the current site allocations. These being heritage, the flood zone of the area, some of the land being designated as public open space, and the intensification of the frontage further enclosing the canyon of properties on Station Road.
- 3.5 Existing tenants may have hold some reasonable concerns over some of the options being considered resulting in them leaving. If approved consultation with them over the future use of the Flook House building will be necessary.
- 3.6 The Member Working Group gave consideration to running a competition for local architects in order to move the project along in the absence of having a working budget. This posed a number of procurement challenges that required further investigation but may remain an option to keep costs down.

3.7 For the reasons set out in the report the Member Working Group were unable to produce a costed business plan. Whilst the future of the building forms part of the recommendation the ability to fund the capital improvement works identified in the previous report remains unresolved, but the need for the work has not gone away.

4. Background and Full details of the Report

4.1 Considerable discussion on the future of the Flook House building was had at Scrutiny and Executive committees with a Member Working Group being created as a result. The challenge faced by the group was to consider the future of the building and the immediate surrounding area against the backdrop of rising capital costs, the maintenance needs of the building and reducing tenancies and therefore income. The original report was brought at a time when a decision was needed to invest £22,000 on compliance works. These compliance works have now been commissioned.

4.2 As a result of the pandemic and the closure of Somerset West and Taunton Council offices, the parts of the building used by SWT have been empty throughout lockdown. At the same time improved technology has been implemented for employees making the transition away from that space for the Council's own requirements easier.

4.3 The group set out to establish how the building might be used to increase income and make it self-financing. Whilst there are many options for the space the ability to make it self financing are reduced by the standard of that space and the costs of operating within a building of that age. Tenants currently pay a below market rate for their space and future tenancies are unlike to change that position.

4.4 There have been government grant opportunities for public buildings over the time of the groups operation, however it was not considered that Flook House met the criteria for these grants. Whilst the building is in public ownership is it not a publicly accessible building, and to make it one for the purposes of the grant would be difficult and pose issues for existing tenants.

4.5 The group established early on that they wished to see the Council retain Flook House and in order to do so there would need to establish other income streams within the surrounding land (although this isn't necessarily the only option) to fund both the capital improvements and the revenue costs.

4.6 The high level options for Flook House considered by the group were:

Demolish – not supported

Dispose – not supported

Convert for housing – not supported due to complexities of the building

Continue to let – supported with a preference for a wider regeneration of the area to bring financial support to the Flook House property.

- 4.7 The preference to continue to let Flook House was supported on the basis that the group wanted to keep the building and the other options to do so would be difficult and costly to implement. There was considerable discussion regarding the use types sought, and the tenants and tenancies that would be preferred as there are a range of options including the current use types through to a community hub, Town Council offices, art gallery / studio space, etc. It would be for the portfolio holder with the views of the MWG to consider the uses of the Flook House space based on the interest received.
- 4.8 The group recognise that further work would be needed to establish which uses would bring value to the Council in terms of social benefit as well as finance. Marketing of the internal space of Flook House would also be needed to establish the demand and assess income expectations for the Council. It was decided that lease extension and new leases would be offered whilst a more in depth review is carried out as per the recommendations.
- 4.9 Members of the Group identified that financial support may best be achieved by developing the land around Flook House for housing. The budget requested would allow officers, with the ongoing support of the Group, to engage architects and take pre planning advice on the type and density of scheme that might be supported. Without this information it is difficult to establish likely construction cost and resale values to cover the capital works, or rental values to cover the ongoing revenue costs of Flook House.

5. Links to Corporate Strategy

- 5.1 A financially self-sufficient Council which has expanded its commercial activity in order to support service provision: The demolition would prevent a greater level of expenditure on the asset whilst not disposing of the land on which the properties sit leaving opportunities for site development at a later stage.
- 5.2 Increase the number of affordable and social homes in our urban towns, rural and coastal communities; including those built by the Council

6. Finance / Resource Implications

- 6.1 The initial report to Executive in December 2020 was brought forward on the basis of officer recommendations to limit costs to the taxpayer. This report includes recommendations from the Working Group that, if supported by the Executive, would add a further financial pressure to the Council, and has yet to evidence the financial viability of Flook House.
- 6.2 The estimated initial feasibility project costs are significant when compared to the estimated £220k capital investment required to bring the Flook House property up to a higher standard. It is understood though that the project is to consider the potential for residential development of the area in order to raise funds that may be reinvested to

improve the Flook House asset. The two aspects need not be linked as development of the area may prove to be a positive option regardless of the how Council chose to spend any income. The wider development may be financially beneficial and Council may choose to divert those funds to activity of a greater priority. This would need to be considered in the round with other asset management priorities or indeed other capital investment needs across the Council's strategic priorities and services.

- 6.3 The impact on rental income in the short term is unclear. Rents currently stand at £12,070 per year which is a reduction on the previously reported figure and is reflective of the reducing occupation of the building. The previous reported figure was £14,810 per year.
- 6.4 If Members wish to support the retention of this property a capital budget in the region of £220,000 is still needed to improve the asset, as identified in the previous Executive report. If the feasibility project is to be approved it would be advisable to undertake a range of condition surveys to establish if this estimate is over or understated.
- 6.5 The funding required to deliver the proposed project is not currently included within the approved budget for the year. In order for costs to be affordable, other budgeted costs and officer time would need to be de-prioritised, or additional funding identified from other sources (e.g. earmarked reserves) to cover costs and potential additional officer capacity. Alternatively, the provision of resources to undertake the feasibility project could be considered as part of the development of the operational plan and budget for 2022/23. However, Members are advised to consider the financial strategy, and existing scale of financial challenge identified within the Medium Term Financial Plan.
- 6.6 Any business case brought forward for investment in a residential scheme for the surrounding area would need to demonstrate a robust business case for assessment by officers and ultimately Council.

7. Legal Implications

- 7.1 Both the short and longer term solutions attempt to retain tenancies within Flook House. Consideration should be given to the ability to delivery any of the necessary work with tenants in situ. Should the building need to be vacant the legal status of the tenants will need to be reviewed and action taken accordingly.

8. Climate and Sustainability Implications

- 8.1 If the Flook House property is to remain in use it will require investment as set out in the previous report. The financial ranges identified include improvement to the building within a standard refurbishment. With the Council having declared a climate change emergency and needing to set the standard for others to follow greater consideration should be given to an enhanced standard of insulation and heating systems. This might include internal or external wall insulation, floor insulation, triple glazing, air source heat pump(s), solar PV, rainwater harvesting and so on. If the property is to be

retained in accordance with recommendation 2.1 the Council needs to consider a more thorough property inspection to gain a more robust costs for building enhancements.

- 8.2 The Council should seek to create properties with the lowest affordable climate impact. The financial case will need to establish that affordability level whilst not losing sight of the need for the development to pay for the capital and revenue costs of Flook House.

9. Safeguarding and/or Community Safety Implications

- 9.1 There are community safety and antisocial behaviour issues that occur around the property. This report makes no changes to that situation.

10. Equality and Diversity Implications

- 10.1 All tenants will be treated appropriately in law. There are not considered to be any equality and diversity implications as a result of this report.

11. Social Value Implications

- 11.1 The project would look to achieve social value if approved.

12. Partnership Implications

- 12.1 There are no identified implications of this report.

13. Health and Wellbeing Implications

- 13.1 There are no identified implications of this report.

14. Asset Management Implications

- 14.1 The recommendations will have resource implications, whilst a budget is also requested for this work the activities are not identified within the Directorate plan and therefore places a new pressure on whichever directorate is assigned to deliver the business case. The proposal to put this into the business planning process for 2022/23 resolves the immediate pressure.
- 14.2 Agreement needs to be reached on which directorate is best placed to lead on this project if approved. It would be reasonable for this to be placed with Development and Place as a development scheme but they, like External Operations, have fully committed resources and are dealing with larger schemes. This is a matter for consideration as part of the business planning process.
- 14.3 The proposal does not provide direction on maintenance or improvement works for Flook House which remain an outstanding financial consideration. The property will continue to be maintained in accordance with the necessary compliance assessments and works that are identified through that process.

15. Data Protection Implications

15.1 There are no identified implications.

16. Consultation Implications

16.1 There are no identified consultation implications of this report, but the future project, if approved, would require consultation with the existing tenants as well as wider consultation on any development proposals.

17. Community Scrutiny Comments

17.1 The Member Working Group report was heard by Community Scrutiny on 30th June 2021. There was a considerable debate over the report with some concerns expressed over who's the report was. Was it an officer report, the portfolio holder report, or that of the Member Working Group? Clarity was provided during the meeting that the report was authored by an officer which is the usual practice and presented by the portfolio holder but represented the views of the group and was written with their input. This was further confirmed by a Cllr Whettlor who was a Member of the Working Group.

17.2 Clarity was sought over the Member Working Group make up, a response was provided in the meeting with the names of all Members involved.

17.3 Concerns were raised that the MWG have not concluded the need to spend money on the building as identified in the report from December 2020. This remains the case.

17.4 Some Community Scrutiny Members were reluctant to support the request for £125k for a feasibility study which may not produce a financially viable redevelopment plan, instead suggesting this money may be better spent retaining the building and bringing it up to a higher standard.

17.5 It was noted that the report does not provide a detailed assessment of each of the options that were discussed. The report identified the recommendations of the working group with a high level summary of the discussions. Cllr Whettlor gave a verbal response as to the level of detail that group had discussed and that the Group had not included this in the report as it would have run to many pages.

17.6 Particular future uses for Flook House were discussed in the meeting including the potential for this to support wider social value. Arts studios and galleries as well as use as a Foyer Hub were mentioned. Future uses can be considered as part of the feasibility work or through the Working Group but it must be born in mind that there are existing tenants that claim a protected status and therefore vacant possession of the building cannot be provided for change of use without negotiation and potential compensation to the existing tenants.

17.7 Whilst the Community Scrutiny members were not all in agreement with retaining the Flook House property there was support from the majority for the general direction recommended by the Working Group.

Democratic Path:

- **Community Scrutiny – 30th June 2021**
- **Executive – 21st July 2021**

Reporting Frequency: One off

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