

## **REPORT TO COUNCIL**

Date of Meeting: 18 September 2025

Report of: Strategic Director of Corporate Resource

Title: Civic Centre Relocation Strategy

### **Is this a Key Decision?**

No

### **Is this an Executive or Council Function?**

Council

#### **1. What is the report about?**

1.1 Members will be aware that the Council is seeking to identify an alternative civic centre relocation option. This is due to a requirement for modern, fit-for-purpose office accommodation together with enabling the release of the current Civic centre site for housing, to help facilitate the delivery of the Council's Liveable Exeter vision.

1.2 The previous Guildhall led split site relocation option is proposed to be discounted on the basis that further consideration and feasibility has identified it fails to deliver sufficient quantum of accommodation (having regard to the Council's current flexible working arrangements).

1.4 In the event the Council resolves to progress the delivery of this replacement option, time-sensitive tasks need to be undertaken to ensure vacant possession can be secured. The building is currently vacant subject to one existing tenant who occupy the first, ground and basement floors. Their lease is due for renewal, and the Council would therefore need to ensure that vacant possession is achieved by mid-2026 should it approve this revised option.

#### **2. Recommendations:**

2.1 That Council approves in principle, the proposed office move to Senate Court, subject to a further report in November 2025 which identifies the full cost and feasibility of the re-location.

2.2 That the Council approves a budget of £412,000 to meet its obligations for the payment of the statutory compensation in securing the full vacant possession of Senate Court. The cost will be met from the Guildhall Shopping Centre income surplus.

#### **3. Reasons for the recommendation:**

3.1 Senate Court is owned by the Council and provides modern, open plan and energy efficient accommodation which can satisfy the Council's entire civic centre requirement in a single location (including the Customer Service Centre).

3.2 Securing a new short-term lease with the tenant at Senate Court will provide a fixed end date for their occupation to terminate (agreed in principle for July 2026). This,

together with the Council's agreement to pay statutory compensation, will enable the Council to secure full vacant possession of the building as the replacement option for the new Civic Centre.

3.3 The Civic Centre site is identified in the Liveable Exeter programme and forms part of a strategic allocation in the draft Exeter Plan as a site for future housing-led mixed-use development. The recommendations will advance the work required to enable the site to be re-developed for that purpose.

#### **4. What are the resource implications including non-financial resources**

4.1 The proposal requires the allocation of funds in the sum of £412,000 to meet the Council's obligations for the payment of statutory compensation.

4.2 As the compensation proposal, (once legally completed) will assist in achieving vacant possession of the existing Civic Centre site for a housing-led redevelopment scheme, it is appropriate to use Guildhall Shopping Centre surplus funds to finance the compensation payment.

4.3 Agreeing to the proposal and securing vacant possession of Senate Court will enable the Council to relocate from its current accommodation, subject to further Council scrutiny and approval in November 2025. Alongside the obvious benefit of making the Civic Centre site available for housing, the relocation will also reduce running costs as Senate Court is a considerably more efficient building to operate.

4.4 The feasibility assessment currently being developed for Senate Court will assess several options, including costing a proposal to deliver an upgraded, low carbon building for the Council.

#### **5. Section 151 Officer comments:**

5.1 The use of funds to secure vacant possession of Senate Court is an appropriate use of the Guildhall Shopping Centre Surplus Funds. The opportunity to relocate will allow for the existing Civic Centre site to be regenerated for a housing-led scheme, for the Council to reduce its costs and deliver a significant capital receipt.

#### **6. What are the legal aspects?**

6.1 The Council's power to provide office space to discharge its functions is a subsidiary power under Section 111 of the Local Government Act 1972 which subject to financial restrictions in clause 111(3) permits a local authority to do anything which is calculated to facilitate or is conducive or incidental to, the discharge of any of their functions.

6.2 The Council is the registered freehold owner of Senate Court and its current tenant occupies part of the premises on a secure business tenancy also known as a protected lease in accordance with the Landlord and Tenant Act 1954 ('the LTA'). Pursuant to section 24 of the LTA the tenant has a statutory right to seek a new lease of the premises when the current lease expires. Until such time as a new lease is in place the existing lease will continue to run unless it is terminated in accordance with the statutory provisions set out in the LTA.

6.3 Upon termination of the protected lease unless the tenant is in breach of the lease obligations or is provided with suitable alternative accommodation the landlord is liable to pay the tenant statutory compensation. Statutory compensation is payable in accordance with section 37 of the LTA and addressed in paragraph 8 of this report.

6.4 The Council served a notice under section 25 of the LTA which at the time of writing expires on 24th September 2025. If the tenant wishes to obtain a new lease it must prior to 24th September 2025 either issue legal proceedings claiming a new lease or agree with the Council an extension of time to the notice period and negotiate new terms without submitting the matter to the Court.

## **7. Monitoring Officer's comments:**

7.1 Members are directed to read the contents of this report which raises no concerns for the Monitoring Officer.

## **8. Report details:**

8.1 The Civic Centre forms part of the Liveable Exeter Eastgate site, which also includes City Point (incorporating the former bus station) and the draft Exeter Plan has allocated this opportunity for a high quality residential-led mixed use development. In the event this relocation project proceeds, and the Council vacates the Civic Centre, working in partnership with stakeholders, the Council will have the opportunity to bring this key site forwards for redevelopment and in doing so enabling the delivery of a substantial city centre, regeneration scheme.

8.2 The Council is currently actively engaged in assessing the redevelopment potential of the Eastgate site and has commissioned a comprehensive market, feasibility and deliverability assessment. This preparatory work will be key to realising the potential of the Civic Centre site and achieving certainty around vacant possession timeframes will be of importance in this regard.

8.3 The Civic Centre offices were constructed in 1972 and are widely considered no longer fit for purpose. The building is poorly laid out and does not enable modern ways of working, to operate both efficiently and effectively. In addition, the building has a high carbon footprint and requires significant maintenance and repair due to its age and design.

8.4 Following an earlier feasibility study, the Guildhall Shopping Centre split site solution (previously reported to Council on 15th October 2024) does not deliver sufficient space for Council office-based staff.

8.5 During this process, it emerged that Senate Court, situated in Southernhay, would become predominantly vacant and was identified as a potential alternative option. The building is owned by the Council, provides modern, open plan and flexible accommodation and is right sized, being able to accommodate up to 300 desks together with the broader Council requirements including committee rooms, meeting rooms, the Customer Service centre and staff wellbeing facilities.

8.6 The building incorporates robust sustainability credentials and has the potential to achieve a high EPC B rating (currently a mid-range C). The building benefits from electric heating throughout, therefore, achieving the aspiration of non-gas. The fabric efficiency of the building is inherently sound albeit, slightly below current Building Regulations

(reflecting a building that is c 20 years old). The proposed upgrade project includes a PV array over the roof which when considered holistically contributes to the overall ECC PV and Net Zero aspiration strategy.

8.7 To evaluate this opportunity further, the Council has engaged a professional team (Architect, M&E, cost consultants) to develop a series of layout/utilisation and fit out options together with a project risk, cost and programme/delivery assessment. The intention is that the outcome of this feasibility study will be reported to Council in November 2025 seeking approval to i) the refurbishment budget and implementation of the upgrade works to Senate Court and ii) authority to vacate the Civic Centre site and relocate to Senate Court in early 2027.

8.8 The output from the feasibility assessment to date has been encouraging and has demonstrated that Senate Court can provide a modern and open plan environment accommodating an appropriate mix of traditional office, collaborative/break out and meeting room work settings. Albeit investments and upgrade works are required, a proportion of the existing fit out can be retained (with a significant proportion of furniture being reutilised from the existing Civic Centre). Indicative capital costs (including major expenditure items such as M&E, IT installation, Roof mounted PV) fall within a range of £2.5m - £3m - albeit the specification is subject to further development and value engineering.

8.9 Subject to further Council approval, the current delivery programme indicates that the Council could fully occupy Senate Court in early 2027.

### **Senate Court – Vacant Possession Enabling Works**

8.10 Senate Court is vacant except for the part basement, ground and first floor (and 10 car parking spaces) which is leased to a tenant for a term expiring in March 2025 and at a passing rent of £315,150 pa (exclusive). Following the service of a section 25 Notice in mid-2024 (seeking to negotiate terms for a new lease), the tenant is currently holding over pending agreement of terms.

8.11 In terms of programme, the Council is targeting practical completion of fit out/upgrade works to Senate Court at the end of 2026. To enable more intrusive fit out and mechanical/electrical upgrade works to be undertaken (which generate noise/disturbance and interference with building systems), it is important that full vacant possession is achieved by mid-summer 2026.

8.12 The Council's Commercial Assets team has commenced negotiations with the one remaining tenant and has secured in principle agreement that full vacant possession will be yielded in July 2026.

8.13 Under Section 37 of the Landlord & Tenant Act 1954 a tenant is entitled to statutory financial compensation for the disturbance to their rights of security of tenure where the landlord relies on one or more 'no fault/compensation grounds' to secure possession of that accommodation. The amount of the compensation is determined by the length of period the tenant has been in occupation of the premises. If the tenant has been in occupation for less than 14 years, the statutory compensation will be that rateable value. If the tenant has been in occupation for 14 years or more, then the statutory compensation will be twice that rateable value.

8.14 The tenant has been in continuous occupation since August 2005, which is over the 14-year threshold, and are entitled to a compensation package amounting to 2 x Rateable Value, which equates to £412,000.

8.15 In order to capture the commercial agreement, Heads of Terms have been prepared. The key terms are as follows:

- Simultaneous surrender of the existing lease and granting of a new lease expiring in July 2026, to be contracted out of the provisions of the Landlord & Tenant Act 1954
- Immediate vacation of first floor and consolidation into ground floor and part basement
- Passing rent £159,239 (payable from completion of the new lease)
- Dilapidations settlement to be waived and no reinstatement works are to be required (on basis that elements of the existing fit out can be utilised by the Council)
- The compensation sum will be paid in two instalments. 50% will be paid on surrender of the existing lease and 50% will be due on expiry of the new short terms of the ground floor.

8.16 The tenant requires certainty to commit to alternative accommodation and to be in a position to vacate in mid-2026. Due to a protracted negotiation with the Council, time has now become of the essence.

8.17 The tenant benefits from security of tenure which, under the terms of the Landlord and Tenant Act 1954, entitles them to a further secure lease. Should agreement not be reached on terms for a new lease (or Council approval not given for the compensation package), the tenant is highly likely to apply to Court for the determination of a new tenancy. In determining the terms of a new lease, the Court will have regard to the terms of the existing lease and can grant a new lease for a term up to 15 years. If this was the outcome that transpired the Senate Court relocation option would be compromised.

## **9. How does the decision contribute to the Council's Corporate Plan?**

9.1 Achieving vacant possession of Senate Court supports the delivery of the following overarching strategic priorities:

- Homes: The Civic Centre site has been identified as a Liveable Exeter strategic regeneration opportunity for a high quality residential-led scheme. In the event this relocation project proceeds, working in partnership with stakeholders, the Council will have the opportunity to bring this key site forwards to the market.
- Well Run Council: Having regard to existing running cost and repairs/maintenance liabilities for the Civic Centre, the move to Senate Court would enable the Council to meet its operational requirements whilst achieving better value for money.
- Local Economy: The move to Senate Court would be a clear commitment by the Council to invest in and support the economic vitality of the city centre. Helping to support local business and jobs.
- Sustainable Environment The building's improved energy efficiency credentials are also in closer alignment with the Council's sustainability agenda. There is also the opportunity to move towards a net zero building.

## **10. What risks are there and how can they be reduced?**

10.1 As mentioned above, should the Council not agree terms with the tenant for a new lease and payment of the statutory compensation, they have the option can apply to

Court for a new lease for a term of up to 15 years. Should the Court grant a lease of that duration the Council's opportunity to relocate to Senate Court would be compromised.

## **11. Equality Act 2010 (The Act)**

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impact on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act, because the transaction relates to the letting of commercial accommodation used for business purposes which is not accessible to the public.

## **12. Carbon Footprint (Environmental) Implications:**

12.1 No direct carbon/environmental impacts arising from the recommendations.

## **13. Are there any other options?**

13.1 None

### **Director - Strategic Director of Corporate Resource**

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## **Local Government (Access to Information) Act 1972 (as amended)**

Background papers used in compiling this report:-

None

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