Minister for Green Skills, Circular Economy & Biodiversity

NATURESCOT ESTATES: PERTH RELOCATION AND PROPOSAL TO SELL BATTLEBY

Priority and Purpose

1. Routine. To seek the Minister's approval on NatureScot's new estates provision for Perth, which includes progressing with the sale of the Battleby estate.

Recommendation

2. Recommends that you: **Approve** the new lease and for NatureScot to now proceed to sell Battleby (near Perth) in line with its estates strategy.

Context and Issues

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- 6. NatureScot has offices across the country, including in Inverness, Clydebank and Perth. Battleby came into public ownership in 1970 and was for a time the Headquarters of NatureScot's predecessor. As part of the Board's requested internal review, it has now been considered to be surplus to requirements and NatureScot seek to sell the property.
- 7. REDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTED REDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTED REDACTEDREDACTEDREDACTEDREDACTEDREDACTED Battleby, please see Annex A.

Requirements

- 8. For its Perth facilities, NatureScot requires office facilities and some specific operational storage requirements for staff who undertake site visits.
- 9. NatureScot has worked with SG Property Division to identify viable premises in the context of rationalising public estates and with a focus on shared services.
- 10. It is seeking space for 22 desks for the 85 staff whose posts are based in Perth. REDA REDACTEDACT
- 11. In addition to office space, NatureScot requires specific space for operational work such as wildlife management specialist equipment eg beaver traps. This requires a mixture of store rooms and outside space. NatureScot also needs to be able to store large equipment for National Nature Reserves (NNRs) and a place to base its electric cars and pick-up truck.

Options Considered and Advice

- 12. The proposed option is to relocate to Strathearn House and co-locate with SG and SEPA. There are few options in Perth available in Scottish Government offices and no options currently in local authority estates. The options appraisal has therefore focused on comparing the status quo (Battleby) with co-locating to Strathearn House for which there is a clear business case.
- 13. The proposal to move to Strathearn House at this point is focused on office space only. SG Property Division will continue to work with NatureScot on accessible locations for its equipment and fleet.

- 14. NatureScot has also considered options for relocating its office to existing offices in its estate within or close to 30 miles of Battleby, these include Stirling, Cupar and Edinburgh but were ruled out when practicalities considered. Private leases were also ruled out as this would oppose SG's aims for rationalising public sector estates.
- 15. NatureScot weighted options against the following needs: customer centric presence; a greener estate; staff skills and geographic availability; and, value for money and financial sustainability.
- 16. As outlined in the submission of 25 April, given the works required at Battleby, the options appraisal strongly favoured Strathearn House. Although there is a minor saving of c.£20k per year (less the cost of storage solutions), NatureScot would make savings through the sale of the property and relieve its obligation for maintenance and upgrading, REDACTEDREDACTED REDACTED There will also be a wider saving to the SG estate through co-location which may increase if additional tenants also relocate.
- 17.As outlined in the submission of 25 April, with new premises secured, NatureScot would seek to sell Battleby with the proceeds returned to the Scottish Government as savings.
- 18. Commissioned reports from Savills property consultants outline the development opportunities for the Battleby Site and suggest REDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTED REDACT 0.
- 19. NatureScot's business case in full is attached separately for information.

Financial Considerations

- 20. The full cost of retaining the Battleby at this stage is not fully known however significant upgrades REDACTEDREDACTEDREDACTEDREDACTED) will be required for heating systems and roof repairs. Additionally, given the size of the property, it is inefficiently used by NatureScot who only requires c.22 desks (plus storage) and therefore to be a viable site in future NatureScot would have to continue to sub-let to cover overhead and maintenance costs.
- 21. The Strathearn contract would enable a small amount of savings to be made (c.£20k p.a. less the cost of storage solutions) but would ultimately remove NatureScot's responsibility for property and grounds maintenance saving both staff time and the need for short/medium term investment.
- 22. Timing of the sale will be important as there is the risk of Battleby becoming a stranded asset if investment is not made and sale postponed. Any costs associated with mothballing and disposal of Battleby in the short term will be offset by the significant sales receipt.

Sensitivities

- 23. The property has been in public ownership for 53 years and its sale is likely to generate interest from locals and/or politicians. A comms and handling plan is in place.
- 24. There will be an impact on collocatees currently in Battleby who will also be required to move. SG/NatureScot will support the collocatees to pursue options for the future of their offices. Scottish Forestry and Forestry and Land Scotland are aware of NatureScot's intentions and have alternative options. They too have low attendance at the site.
- 25.REDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTED REDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTED REDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTED REDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTED REDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTED REDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTED RED
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Property Division

28. Property Division has worked closely with NatureScot on its business case and are content to support the recommendation.

Quality Assurance

29. This Submission has been approved by REDACT, Deputy Director, Future Environment Division.

Conclusions and next Steps

30. If you are content to approve, NatureScot would seek to engage its staff in mid-late August on the proposed move and begin to put arrangements in place for

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ENFOR Sponsorship Hub, Future Environment Division REDACTED

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| Minister for Zero Carbon Buildings, Active Travel & Tenants' Rights | | Х | | |

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Additional Information

<u>Context</u>

Following a return to post-pandemic working, NatureScot (NS) is reviewing its office space requirement. This review is aligned to the Scottish Government (SG) place-making approach and Guidance on Asset Management that seeks to rationalise the overall public sector office buildings and develop Work Local Hubs.

Several years before the pandemic NatureScot (NS) introduced modern smarter working environments in its large and small local offices. Hybrid working is now embedded in NS's culture.

There is significant vacant space in all NS offices. REDACTEDREDACTEDREDACTED REDACTED REDACTED

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NatureScot's strategy is to bring the estate to the correct size to manage this significant change in preferred working. This can be achieved by relocating from existing premises to other offices in the public sector estate operated by partners. This approach will significantly reduce costs and carbon emissions and provide opportunities for more collaboration. As a result, some of NatureScot's offices will become surplus to requirement and may be sold.

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Estates Activity – Savings and Net Zero

NS's office reviews to date have delivered benefits in Clydebank through sharing space with Scottish Enterprise & Forestry and Land Scotland, generating the opportunity to renegotiate its lease onto more favourable terms.

In Edinburgh, NS has recently relocated to Registers of Scotland's building in Meadowbank that has rationalised the public sector estate giving up a private sector lease and downsizing space by two thirds from 650m2 to 250m² (a separate note on this is being prepared).

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NS seeks to consolidate operations in Dingwall and Aviemore to its headquarters building in Great Glen House in Inverness and attract other partners including Scottish Government.

Following recent investment in renewables NS's office in Golspie is its first Net Zero office.

Battleby Office, conference centre and grounds

Battleby is a campus site with a main house used by NatureScot, a separate building housing Scottish Forestry and Forestry and Land Scotland, and extensive grounds and a conference centre.

The office in Battleby is now surplus to NatureScot's requirements:

- the main house is too large for sole occupancy (require 325m² to provide for 22 desks and storage);
- the heating systems are obsolete and spare parts are increasingly difficult to source (latterly the search has had to extend to the USA) so there is a real risk of an all-out failure at any time;
- significant investment is needed to replace the aging biomass and oil back-up systems;
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- location of the site is currently not accessible by public transport (although development plans suggest better public transport links may come in future); and,
- NatureScot continues to subsidise the running of this estate with its extensive grounds and conference centre requiring a team of people and service contractors. These facilities are not part of NatureScot's core business nor essential to delivery of its corporate plan priorities.

There are co-locatees: The building used by Scottish Forestry and Forestry and Land Scotland has a separate biomass heating system to the Main House, and whilst it is also aging and in need of replacement, its condition and back up oil system is currently less vulnerable to all out failure.

NatureScot has also attracted in to the Main House three small co-locatees generating income, and there are other small organisations showing an interest in sharing, however the overall demand is not achieved to fill all the vacant space. Nor are these organisations liable for, nor likely to have funds to help cover the full cost of repairs required.

NatureScot continues to subsidise the running of this estate with its extensive grounds and conference centre requiring a team of people and service contractors. These are facilities that are not core business nor essential to delivery of NatureScot's corporate plan priorities. REDACTED REDACTEDREDACT

NatureScot considers there is no viable option other than to vacate the premises at least before FY 24/25 to avoid the expenditure profiled, if not before the winter of 2023 which will see increased loading on the failing heating system.

Relocating from Battleby and disposal of the site is expected to deliver the following benefits:

- reduced running costs for NatureScot through downsizing space requirements and sharing office services
- offsetting another partners costs by taking up vacant space in their building with more opportunities to collaborate with strategic partners
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- Improved carbon benefits due to more efficient heating sources and shared accommodation.

<u> Alternatives – Perth Estate</u>

NatureScot has worked in conjunction with Scottish Futures Trust, Scottish Government and other partners namely SEPA and Perth and Kinross council who have two office buildings in the area with vacant space and are reviewing their estate. They have said that the Battleby site does not meet their current or future requirements and that there is no interest in this building becoming the new hub for the area. Whilst commissioned reports from Savills set out options for the site including its potential to be a public sector hub, to provide modern open plan work space requires a redesign of the interior of the main building. To do this requires significant investment, which would be in addition to that outlined above for property repairs and renewables.

There is currently no Public Estates Strategy for the Perth area and Property Division's consideration of the site is that, given the cost of investment required and the need to make savings in the coming

years, it is likely to not be a wise investment and alternative options would yield quicker and more comfortable results for staff. Investment works could also potentially require a vacation of the premises in the short term. Property Division are therefore working with NatureScot to identify options for its Perth staff.

Alongside working with Property Division on new premises, NatureScot is taking subsequent action to dispose of Battleby following normal procedures which include checking the register for any community interest, of which there is currently none. REDACTEDREDACTEDREDACTED REDACTEDREDACTE