

Town Hall

Cabinet on 29 July 2021

Summary

Lead Member: Tom Dawlings – Portfolio Holder for Finance and Governance

Lead Director: Lee Colyer - Director of Finance, Policy and Development

Head of Service: David Candlin - Head of Economic Development & Property

Report Author: Katie Exon – Corporate Property Manager

Classification:

Non- Exempt

Wards Affected: All

Approval Timetable	Date
Management Board	23 June 2021
Portfolio Holder	28 June 2021
Cabinet	29 July 2021

Recommendations

Officer recommendations as supported by the Portfolio Holder to:

1. Agree to a soft marketing and procurement exercise in respect of the Town Hall to secure a partner to deliver co-working space at the Town Hall
2. Delegate to the Head of Economic Development & Property, in consultation with the s.151 Officer and the Portfolio Holder for Finance and Governance to finalise the brief, undertake soft marketing and procure a partner to deliver co-working space
3. Delegate to the Head of Economic Development & Property, in consultation with the s.151 Officer and the Portfolio Holder for Finance and Governance to engage with existing Town Hall tenants and other occupiers to negotiate and agree terms to vary and where required surrender leases/licences to facilitate the development of co-working space

4. Delegate to the Head of Mid Kent Legal Services authority to negotiate and complete all necessary deeds, leases, agreements and other legal documentation and formalities required to deliver the release and management of the Town Hall for co-working space
5. Delegate to the s151 Officer in consultation with Portfolio Holder for Finance and Governance, the power to authorise a capital budget and allocation of appropriate resources to meet requirements in opening up the Town Hall to third party use.

1. Introduction and Background

- 1.1 In December 2019, the Council's Cross-Party Working Group (the Working Group) produced a report which was accepted by Full Council.
- 1.2 The report recommendations, in essence, were that the Council should develop a long-term plan for the Town Hall, Assembly Hall Theatre and 9/10 Calverley Terrace and that this should be widely owned, communicated and informed by refreshed versions of the Council's Cultural and Parking Strategies. The report recommended that the Council should prioritise uses for office accommodation and performance and fund these through the disposal of the Mount Pleasant Avenue and Great Hall car parks.
- 1.3 To consider the future of the Civic Complex, the Working Group continued to meet and had prepared a brief for consultants to help inform next steps which had an outline timetable to Cabinet in June 2020. Unfortunately, the Working Group was put on hold due to the Covid-19 Pandemic and the draft brief was not progressed any further.
- 1.4 Recognising the significant amount of work that has already been undertaken on the various sites in question, the brief aimed to secure a review of the substantial feasibility work that had been undertaken to date to identify options that would deliver the key objectives listed by the Working Group including boosting the local economy and the cultural offer, place-shaping, linking the top, middle and bottom of the town and delivering an acceptable financial return.
- 1.5 The Covid-19 pandemic has thrown into sharp relief the use of the operational estate. With the Council able to deliver on flexible modern ways of working the total floor space required moving forward is being reconsidered. This impact and review of asset ownership and occupation is also being felt across the wider private sector with major employers in the town considering their space and use requirements going forward. There is evidence of alternative office demand developing with co-working proposals being identified. The impact on the retail and hospitality sector has also been significant with many businesses not returning post pandemic, but the independent sector in Tunbridge Wells has to an extent survived the headline casualties amongst national chain stores.

- 1.6 Since the staged return to a form of normality in 2021 the Working Group has been reconvened and has focused on the Town Hall. The Working Group has concluded that releasing space for co-working with the Council remaining in situ but on a reduced floorplate would be the best option in the medium term.

2. Operational Use

- 2.1 The Working Group has highlighted the desire for the Council to remain in the Town Hall and lease parts of the building to a third party for co-working space.
- 2.2 The Covid-19 Pandemic has required the Council and many other businesses to adapt their business practices with an emphasis on staff working from home. While there has been some relaxation and opening up of the Town Hall, the number of staff in the Town Hall, and other Council buildings, remains very low as a percentage of the workforce.
- 2.3 The Covid-19 Pandemic has demonstrated both that the IT infrastructure that the Council has been investing in over a number of years is robust and that having been forced to work from home, it can work for a large number of staff. Importantly for the Council it has demonstrated that service delivery can be maintained even when staff are not in a Council building.
- 2.4 **Council Office Operations** - While the development of Modern Ways of Working (MWoW) was being brought forward in support of a planned relocation, the focus is now on the development of an optimal, location neutral, accommodation blueprint. Through the MWoW programme the Council will be able to develop and deliver an efficient post-Covid operating model which enables the reduction in overheads and revenue budgets through efficient user-focussed service delivery, appropriate office accommodation and flexible working.
- As a result of MWoW it is anticipated that the Council can reduce its office footprint in the Town Hall to approximately 11,442sqft (1063 m²) This will allow for 19,795sqft (1839 m²) of space to be released for occupation/management by a partner/s. The Council Chamber and Meeting Rooms while required for Council use, will be used more flexibly.
- 2.5 The timescales and delivery of MWoW will be carefully assessed alongside the approach to market for co-working space. Engagement across senior management and with staff including any consultation will need to be undertaken at the appropriate time. The aim will be to avoid any potential delays that could impact on the delivery of the offer.
- 2.6 **Current Building Users** – The Council has a number of existing tenants in the building, these include the Magistrates Court, Community Safety Unit, CCTV control room and the constituency office of Greg Clark MP. It is intended that these users will continue to be accommodated however, in introducing wider use of the building the operating relationship may need to be adapted. Users of the

Town Hall are on appropriate agreements that allow for a termination, if so desired, on provision of 6 months' notice.

- 2.7 **Maintenance** - While works to ensure the building remained operational have been undertaken including the replacement of the fire alarm system and an upgraded access system, with a decision not to dispose of the building and relocate operations to a new development, investment of several million pounds in the structure that was not previously justifiable is now being undertaken. This includes repairing windows and the roof to both the Assembly Hall Theatre and Town Hall. Works to renew the roof have been authorised and will commence late summer 2021. This will include replacement of defective insulation with newer more effective insulation. The new roof will reduce the energy demand for the buildings.
- 2.8 There is an approved capital bid for works to renew the windows to commence in 2022. This is a like for like replacement. Ideally this proposal be expanded to include double glazing. Additional secondary glazing could also be added to reduce energy demand.
- 2.9 Works will continue to be brought forward through the four-year rolling capital programme. This will ensure that investment in the fabric of the building and plant will ensure the existing asset continues to be usable as an office for Council use and enable letting of space to third parties. In support of this the Property team are preparing a bid for grant funding, to reduce energy demand in the building including:
- The enhanced window replacement
 - Wholesale replacement of traditional lights with LED replacements in a new layout as part of the fit out
 - Install roof top solar units
 - Replacement heating system
 - Install ground and/or air source heat pumps
- 2.11 The outcome will not be known before November 2021; however, regardless of grant funding success aspects should be delivered to not only improve the Council's carbon position but are essential in maintaining the building and bringing the building to an acceptable standard that will be assumed by a private sector tenant.

3. Co-Working Space

- 3.1 The Working Group has focussed on the Town Hall and the release of space to a third party to enable co-working space to be established in the Town Hall alongside the Council's operations. This proposal to release part of the Town Hall for co-working/office space with the Council remaining in situ on a reduced footprint is to be taken to the market with offers being sought for a partner to develop the opportunity with the Council. The Council will retain ownership of the asset.

- 3.2 When considering the option of vacating the Town Hall completely, the Council undertook research into Civic Place shaping. This included some soft market testing of releasing part of the building for business use which demonstrated that there was:
- Interest in taking freehold ownership of the Town Hall by some operators
 - Both leasehold and management contract approaches were also considered positively
 - In any lease arrangement it was expected there would be a significant rent free period to offset any cost of refurbishing the building
 - ability to be 'converted' with relative ease – a result of there being no material change in the way spaces would be used beyond some sub-division of larger office space
 - Ceremonial spaces could continue to play that role in a business centre
 - Dedicated parking for occupiers
- 3.3 Clearly the Covid-19 Pandemic has altered the market, plus the Council is planning to stay in the building. However the day to day working of the Council in the Town Hall is little different to business use but the reduced space will impact on the attractiveness of the opportunity.
- 3.4 The Council has sought some wider guidance from Locate in Kent regarding the market. The property portal operated by Locate in Kent has seen a 500% spike in searches from London but only a 5% increase in enquiries. In part this could be attributed to either businesses looking but not yet ready to take a decision but also that while looking the businesses are unable to find suitable premises in Kent.
- 3.5 The recent Make the Move campaign was highlighted with more enquiries for West Kent generally. And while this was in part driven by availability at Kings Hill the main requirement was for up to 2,000sqft for 10 or so employees. Local co-working space in Kent includes offers in Chatham and Maidstone which have been fully let. The space in Chatham having just been doubled. Overall the expectation is that co-working space would grow to the West of the A249.
- 3.6 Generally, the main driver for space was the creative and digital sectors, sectors of which Tunbridge Wells has a significant cluster of businesses. In moving towards co-working businesses were not looking for the lining up of desks but the environment created by the design and use of space, the design being as important to other businesses such as accountancy. A number of businesses have already developed co-working models that are attractive to business and rather than seek to establish a separate offer, partnering with a business to deliver co-working space would enable a more creative offer to be provided in the Town Hall.
- 3.7 Other circumstantial evidence has identified that generally businesses are not seeking 3 - 5 year leases but will pay more for flexibility. There is therefore a significant demand for smaller 500sqft - 1,500sqft office suites but a lack of availability. In addition the Council is aware of a number of operators in the borough looking to either expand or develop a new offer. Regardless some additional direct soft market testing is proposed prior to procurement.

3.8 While the Council needs to be open to more creative market offers it needs to have some clarity of what it is prepared to offer. While not fixed to a static space, if the Council was to embrace a more organic approach within the Town Hall, it would need to be clear that this would be beneficial to its own operational requirements and delivery of services. As a baseline it is intended to approach the market with an offer of 19,795sqft (1839 m2) of space. Some elements of operation and management will need to be addressed during the procurement as operators will all have slightly different approaches. A more co-operative approach to the day to day building management particularly the front of house, the management of the Council Chamber and meeting rooms and whether design changes in these rooms will be required. These will require individual discussion with tenderers during the process.

4. Proposal and Procurement

4.1 Key aspects of a suggested approach to the market:

- The Council retains the freehold ownership of the Town Hall but would seek to grant a lease to a successful tenderer. There are many points that will need to be considered and negotiated in agreeing the terms for a lease and the Council will need to be flexible in its initial approach, as it is anticipated that different companies will have subtle different requirements in both need and operation. Whilst being mindful of our own end position, it is advised that we are not too prescriptive in our initial market brief as to potentially exclude any interested parties.
- The Council will need to complete the external planned maintenance of the Town Hall, without further delay. This will ensure that the fabric of the building is to a serviceable standard and to avoid any secondary internal damage to the property. The new roof to both the Town Hall and Assembly Hall Theatre has been approved and the successful contractor will start on site in July 2021. The anticipated work programme is 6 months. The new roof will ensure that the property is watertight and no further damage to the external and internal structure and finishes occurs. The repair and refurbishment of the windows to both the Town Hall and Assembly Hall Theatre are subject to a capital bid and these works are also essential to bring the property to a desirable condition. There is a possibility that Government funding may become available for window repair and the installation of secondary glazing and the Property Team are preparing a bid to apply for the funding in autumn 2021, although there is no guarantee that this bid will be successful.
- To promote future flexibility it is proposed that the entire internal area of the Town Hall is refurbished to a certain standard. This would not preclude the successful tenderer carrying out their own branding, fit out and enhanced works, but would allow a relatively seamless operation to release additional space to a third party, rather than finding funding in the

future for these works if the Council's own office requirements decreased in the future.

- As Members are aware the Town Hall is a listed building of which we are the custodians. As part of the market brief, we would be seeking details and proposals on the fit out, design and concept of office space by the tenderer.
 - It is proposed that use of the Council Chamber and meeting suites, will be on a shared basis, with the Council having priority on use. As such any upgrade and furnishing of these areas will be subject to an agreement between the Council and the successful tenderer.
 - Co-working could lead to an opportunity for the joint management of front of house services. In turn this could lead to a small saving in staff and on costs.
 - From experience in setting up other similar co working set ups, the Council will need to be flexible and guided by tenderers need for building opening times. Some co-working arrangements have clients who work in international markets and therefore need access to a desk in the early hours of the morning for example or whose business need may dictate that they need office accommodation at weekends. Whilst flexibility on building opening times, may promote a higher offer for the accommodation in both terms of value and interest, Members are reminded that increased opening hours will also pose a cost increase to the Council and this will need to be considered.
 - The Council will be seeking the successful tenderer to make a considerable financial investment in the fit out works of the building and therefore the lease term will need to be enticing. Therefore, it is proposed that the initial brief suggest a flexible lease length of between 10 and 20 years. Final details including provision of break clauses to be agreed in consultation with the Portfolio Holder. To protect the Council's future security of vacant possession the lease will need to be contracted out of the 1954 Act.
 - Regarding rent levels, the Council will be seeking in the market brief a business proposal from the tenderers. It is thought that the market will propose a type of profit share arrangement. Consideration will need to be given to a formal service charge being agreed and the possibility for the inclusion of a sinking fund to enable the property to be maintained to an acceptable standard.
- 4.2 Ideally the Council would want to be in a position to shortlist approximately three operators prior to a final decision.
- 4.3 The Working Group in discussing the opportunity has taken a number of decisions that influence the approach to market, including the need to move as swiftly as possible therefore a degree of delegation is required to enable a more agile approach.

- 4.4 The approach to the market will need to follow procurement guidelines. The key elements of which are:
- 4.5 We will conduct a supplier engagement process in order to fully assess the interest from the market in working with the Council on this project. This process will run in July 2021 and will be designed to enable the Council to extract as much information and detail on potential operational models and investment options as possible – thereby informing the next stage of the process.
- 4.6 Following a review of the information provided during the supplier engagement process, and the preparation of all necessary specification and outcomes documentation, a full tender will be released to the market in mid-August 2021. We would like to give a period of 6 to 8 weeks for tenderers to prepare and submit responses – with a deadline for final submissions in late September/early October 2021.

5. Consultation and recommendations from the Cabinet Advisory Board

- 5.1 Discussion with the Portfolio Holder took place on the 28 June. In addition the establishment of additional resources for a Property Asset Programme and the member level structures have been raised and discussed at the Working Group. The report will be considered by the Finance & Governance CAB on 13 July and comments and recommendations from the CAB will be reported to Cabinet.

6. Implementation

- 6.1 If agreed, the soft market testing will be completed and procurement for a partner to deliver co-working space will be brought forward in line with the Council's processes. Dates may vary depending on review of tenders but an indicative timetable could include:

July	Supplier engagement (soft marketing)
12 August	Expression of Interest (assume 2 weeks)
w/c 30 August	Assess Expressions of Interest
6 Sept	Brief out to Tender (assume 6 weeks)
15 Oct	Tender close
w/c 18 Oct	Tenderer Review programme (possibly 3 shortlisted)
w/c 15 Nov	Tender Report recommendation
w/c 22 Nov	Leadership Board discussion/Cross Party Group

w/c 29 Nov	PH decision report
w/c 29 Nov	Members Briefing
w/c 13 Dec	10-day standstill period completes
w/c 13 Dec	Enter into contract

7. Cross Cutting Issues

A. Legal (including the Human Rights Act)

The Local Government Act 1972 (the LGA 1972), section 111(1) empowers a local authority to do anything (whether involving the expenditure, borrowing, or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

The Council also has a general power of competence pursuant to Section 1 of the Localism Act 2011 which enables it to do anything that individuals generally may do.

The Council has power under section 123(1) of the Local Government Act 1972 to dispose of land and property in any manner that it wishes. The proposed disposals must be for the best consideration reasonably obtainable in accordance with section 123 of the Local Government Act 1972 or meet the requirements of Circular 06/03: Local Government Act 1972 General Disposal Consent (England) 2003 - disposal of land for less than the best consideration that can be reasonably obtained failing which, the Secretary of State's consent would be required.

The Council will need to follow its own internal procurement guidelines as detailed in the Constitution and, if the project is over a particular monetary threshold, the Public Contracts Regulations 2015 will also need to be followed.

Acting on the recommendations specified in this Report is within the Council's statutory powers as set out above. The proposal to delegate authority to the S151 Officer is in accordance with a decision that Cabinet can make, taking into account the contents of this report to protect the Council's financial and commercial interests.

Claudette Valmond, Principal Solicitor - Commercial

B. Finance and Other Resources

The Council is reassessing its asset portfolio which will include asset disposals and the development of new income streams to support the delivery of services. This report proposes to release space in the Town Hall to provide new employment space and a new income stream for the Council. Initial investment in the building will be required to meet market standards from the Council and the potential partner. The requirements will become clearer as the soft market testing and procurement are progressed.

Lee Colyer, Director of Finance, Policy and Development

C. Staffing

There are no direct staffing capacity implications for the delivery of the project which can be delivered within existing staffing structures. The MWow approach and the Council moving to a reduced footprint will require planned engagement with staff on the opportunity and the revised working practices to a more hybrid way of working, particularly moving away from individual desks and moving towards an outcomes based style of management that will assist the successful transition.

Nicky Carter, Head of HR, Customer Service & Culture

D. Risk Management

The investment in the development work is at risk if appointment of a contractor is not completed. Appropriate diligence will be carried out on prospective partners. The approach allows for a managed approach to consideration with authority at each stage reducing the wider financial exposure of the Council and managing the risk as appropriate. An appropriate risk register will be established for the project.

David Candlin, Head of Economic Development & Property

E. Environment and Sustainability

The tender for a partner will need to include consideration how the project will beneficially contribute to the Councils Corporate Carbon Descent Plan and Action Plan 2021-22 to deliver net zero carbon by 2030. The body of the report sets out the main aspects being considered for the Town Hall to enable the Council to meet its commitments and are essential in maintaining the building and bringing it to an acceptable standard.

Karin Grey, Sustainability Manager

F. Community Safety

There are no specific community safety issues arising from this report.

Terry Hughes, Community Safety Manager

G. Equalities

Decision-makers are reminded of the requirement under the Public Sector Equality Duty (s149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups or to insert comment on if/how the proposals affect equalities issues. Consideration must be given to our legal obligations.

H. Data Protection

The issues raised in this report have little or no relevance to the Data Protection Act 2018 or the GDPR 2016

David Candlin, Head of Economic Development & Property

I. Health and Safety

There are no specific Health and Safety issues arising from this report.

Mike Catling, Corporate Health and Safety Advisor

J. Health and Wellbeing

No issues are identified.

Report author