

Appointment of Co Working provider for Town Hall

For Cabinet on 17 March 2022

Summary

Lead Member: Cllr 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 and Property

Report Author: Katie Exon – Corporate Property Manager

Classification: (delete as appropriate) Public document (non-exempt)

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Wards Affected: All

Approval Timetable	Date
Management Board	16 February 2022
Portfolio Holder	14 February 2022
Civic Complex Working Group	8 February 2022
Finance and Governance Committee	1 March 2022
Cabinet	17 March 2022

Recommendations

Officer / Committee recommendations as supported by the Portfolio Holder:

1. That the Co working provider supplier D is awarded the tender to take a lease of part of the Town Hall as outlined within this report, subject to agreed negotiations of the heads of terms.
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

negotiate and finalise the head of terms with the preferred provider for co working space.

3. Delegate to the Head of Mid Kent Legal Services authority to 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.
4. In line with the Full Council decision of October 2021 delegate the release of the approved budget to the Head of Economic Development & Property, s151 Officer and Monitoring Officer in consultation with the Portfolio Holder for Finance & Governance to enter into contract with a co working provider who has satisfied the Council's due diligence and provided a sound business case.
5. In line with Full Council decision of October 2021 delegate to the s151 Officer in consultation with the Portfolio Holder for Finance and Governance the identification of the source of the funding which may include borrowing or external funding.

1. Introduction and Background

- 1.1 In December 2019, the Council's Civic Complex Cross Party Working Group (CCWG) produced a report which was accepted by Full Council. 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.
- 1.2 Since the staged return to a form of normality in 2021 the CCWG was reconvened and has focused on the Town Hall. The CCWG 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.
- 1.3 In line with the work of the CCWG, Cabinet on 29 July approved the procurement of a partner to deliver co working space and reduce the overall office space occupied by the Council. The development of Modern Ways of Working (MWoW) is enabling the Council to develop and deliver an efficient post-Covid operating model. In turn this will result in the reduction of overheads and revenue budgets through efficient user-focussed service delivery, appropriate office accommodation and flexible working. This means the Council can reduce its office space to approximately 11,442sqft (1063 m²), releasing 19,795sqft (1839 m²) of space for occupation/management by a partner.
- 1.4 In early August the Council undertook a soft marketing exercise to gauge market interest. Four co working companies declared an interest and presented to a panel including members, basic concepts for how they could and would use the Town Hall to provide a co working business. The main aim of the panel presentations was for the panel to get a "feel" for the companies and to be able to form a brief to go out to formal tender. It became clear during the soft market engagement that the type of business models being offered by the providers varies. It was clear that further investment will be required to make it attractive to tenants.
- 1.5 On 6 October 2021 Full Council approved a capital budget of up to £5m to enable the conversion of the Town Hall for co working. The budget is available on the Council entering into contract with a co working provider who has satisfied the Council's due diligence and provided a sound business case. The release of the budget being delegated to the Head of Economic Development & Property, s151 Officer and Monitoring Officer in consultation with the Portfolio Holder for Finance & Governance.

- 1.6 Throughout the process the CCWG has been regularly engaged in considering future options for appointing a co working provider to operate the Town Hall as a co working operation.
- 1.7 By entering into an agreement with a co working provider to take a lease in part, of the Town Hall, the Council will still be the freeholder of the building. This will allow investment in preserving and improving the building. The Council has identified with the change to working practices of its own operation, that it no longer requires all the Town Hall space in order to be able to operate as a Council. This opportunity will represent money savings in operational costs and provide an income, in addition there are wider community and economic benefits for the town.
- 1.8 The Council will be releasing some 20,000ft2 of accommodation for co working, **(Annex A Floor plans)**

2. Tender Process

- 2.1 The Council commenced a formal Invitation to Tender (ITT) for a co working partner in the Town Hall in October 2021. A supplier engagement exercise to gauge interest from companies and the market in taking this project forward proceeded the formal tender. With a budget in principle established, the Council could respond to tenderer queries on approach during the process. Final proposals from tenderers were provided on 29 November 2021. **(Annex B – tender document)**
- 2.2 The initial request for an Expression of Interest in the ITT received 15 companies registering an interest in early November. Five final proposals were received on the Portal by the closing date on 29 November. The Council then carried out an initial evaluation of the five tenders received against the following requirements as set out in the ITT.

Requirement 1 - Vision, service, business community engagement and events (weighting 15%)

- Please provide the following information to support your proposal:
 - A strategic concept vision and innovation document
 - A partnership approach statement to working with TWBCs Economic Development Team and other partners
 - An ethical compliance statement (to cover items that are not illegal but not in the best image of TWBC, for example (but not limited to) adult entertainment
 - A marketing and communications plan
 - A written statement detailing your approach to engaging with, and appointing, local suppliers to provide services as part of this project

Requirement 2 - Experience, references, CVs, and Case studies (weighting 10%)

- Please provide evidence of your experience by submitting the following:
 - Two detailed case studies from previous projects of this type, with references

- CVs of the management team and a management structure diagram
- Details of any joint venture agreements (if any)

Requirement 3 - Building maintenance plan (weighting 10%)

- Please provide the following information to support your proposal:
 - A detailed building maintenance plan and methodology
 - A cleaning plan
 - A waste and recycling plan

Requirement 4 - Business plan (weighting 25%)

- To provide the following information in the proposal:
 - a full business plan including financial projections P&L, cash flow and long-term balance sheet forecasts.

Requirement 5 - Level of Capital investment in the first 12 months (Council or Company investment) (weighting 15%)

- To provide the following information in the proposal:
 - The proposed term of the Lease (to be no less than 15 years)
 - The level of capital investment to be committed to refurbishment of the Town Hall in the first 12 months, or the level of investment required by the Council
 - A proposed schedule of detailed expenditure payment
 - Evidence of availability of capital in order to finance the expenditure outlined
 - A master plan/design for the refurbishment of the Town Hall, and suitability for planning assessment/listed building consent, if so required

Requirement 6 - Profit Share (weighting 15%)

- To provide the following information in the proposal:
 - The % profit share to be made available to TWBC
 - The full accounting methodology for profit calculation and dividend

Interview – (weighting 10%)

- Presentation and Q&A session tested written submissions and quality and reality of statements made

2.3 The scoring matrix is shown in **(Annex C)**

2.4 The initial evaluation process against the 6 requirements in the ITT as listed above, **(Annex A exempt)** reduced the shortlist of companies invited to panel the interviews on 13 and 14 December 2021 to three companies.

2.5 The three companies invited to interview were as follows:

- Supplier A
- Supplier C
- Supplier D

2.6 The interview panel comprised of the members of the CCWG and senior officers. The interview comprised of a presentation and question and answer session and was worth 10% of the overall score. Following the interview process one company was dismissed on financial grounds and not fulfilling the parameters set out in the tender brief.

2.7 The final two co working companies were asked via the ITT process to provide further clarification on areas of their submission and interview **(Annex B**

Exempt). The responses on points of clarification have been evaluated and form the final report and recommendation.

- 2.8 Members of the CCWG and officers attended a site visit of the two companies' current operations on 31 January. The purpose of the site visit was to have the opportunity to see first-hand the quality of the companies fit out, speak with users, and see the co working operation in use. The site visit was not scored as part of the tender evaluation.

3. Preferred Option

- 3.1 The objectives of leasing part of the Town Hall to a co-working provider are that the successful provider will be able to deliver a sound business case with financial returns that will enable the Council to cover the cost of conversion and fund the maintenance required to enable the continued use of the Town Hall. It should be noted that any third-party provider will expect that the fabric of the building which remains the Council's responsibility, is maintained and renewed appropriately. Condition surveys of the Town Hall indicate that significant investment will be required in the next 10 years for replacement heating systems. The partnership with a co-working provider will not necessarily bring an income stream into the Council but will provide finances to continue to maintain the Town Hall.
- 3.2 After full tender evaluation, panel interview and additional clarification responses, Supplier D scored the highest. It should be noted that the scoring received unanimous support from the Cross Party Working Group, who were fully inclusive in the decision making process and in favour of this approach of appointing a co-working provider.

4. Options Considered

- 4.1 In December 2019, the CCWG produced a report which was accepted by Full Council. 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. The report recommended that the Council should prioritise uses for office accommodation and performance. As outlined in the report the CCWG has been involved in the preparation and the undertaking of the ITT throughout including the decision making.
- 4.2 The Council has also undertaken wider engagement on our consultation portal on our website. The Council has established pages covering the repurposing of the Town Hall which also includes an FAQ section:
<https://talkingpointtunbridgewells.uk.engagementhq.com/repurposing-the-town-hall>
- 4.3 Engagement received comments and queries from approximately 10 people on the proposals being considered. A number of those engaging asked multiple

questions or made a number of points. The points being made can primarily be considered as related to the business plan, the risk and consideration of alternative uses.

- Business plan - how sure the Council was that this will work and make a return
- Risk - benchmarking, track record of suppliers, attractiveness of the building to users, covid and impact
- Alternative Uses – Use of the building by charities, creative businesses, music venue, residential, just sell and move into smaller premises

4.4 In addition, the Council has engaged with the Town Forum and Civic Society during the procurement, though as a live tender opportunity the detail has had to be limited to the wider process and general direction rather than specifics.

5. Recommendation from Cabinet Advisory Board

5.1 Discussion with the Portfolio Holder has taken place throughout the process and on 14 February. The report is being considered by the Finance & Governance CAB on 1 March 2022 and the recommendation from the CAB will be outlined here in the report when submitted to Cabinet.

6. Implementation

6.1 If agreed, the Council will notify the remaining tenderers of the decision and seek to enter into final negotiation with the preferred provider as outlined in the report on the Heads of Terms for the contract. The final timetable will form part of the discussion to be undertaken. However, assuming no delays in finalising the legal agreements the potential timescale for implementation of the co working facility could be anticipated as follows:

- Legal and other matters - 3 months (March - May)
- Design – 4 months (May – August)
- Planning - 3 months (July - September)
- Procurement - 4 months (August –November)
- Refurbishment - 5 months (November - March)
- Opening - April 2023

7. Appendices and Background Documents

Appendices:

- Appendix A: Floor Plans
- Appendix B: Tender Document
- Appendix C: Scoring Matrix

Exempt appendices:

- Exempt Appendix A: Evaluation and Financial scoring
- Exempt Appendix B: Clarification questions and answers

Background Papers:

- Cabinet 29 July 2021
- Full Council 6 October 2021

8. 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.

Acting on the recommendations specified in this Report is within the Council's statutory powers as set out above.

Any other legal implications are contained within the body of the report.

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, Interim Head of Legal Services.

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 opportunity to examine other benefits to the authority will become clearer as the Invitation to Tender is progressed. Establishing a budget in principle provides the scope within the procurement for dialogue regarding options subject to due diligence and consideration of the best approach for the Council prior to a final decision. The Council and the partner will, as outlined in the report, need to work together to identify opportunities for external funding to reduce the capital required from the council's resources.

C. Staffing

There are no direct staffing capacity implications as a result of the recommendations being sought in the report. 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.

Report Authour

D. Risk Management

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.

The award of the contract will result in the Council giving up control of the part of the Town Hall leased to the co working provider for the next 15 years. The contract will bind the Council to allow the co-working provider a 15 year lease to deliver their business plan. During the term of the lease granted to the co working partner, the Council, Members and Officers will have no legal right to interfere in the operation of the Town Hall, save for the areas retained for the Council's own use.

Report author

E. Environment and Sustainability

Within the tender for a partner, tenderers had to demonstrate consideration of 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 carbon reduction template has been completed in order to understand the impact of this decision on the Council ambition to be net carbon zero by 2030. A copy of the completed template will be available prior to the meeting dates.

Gary Stevenson Head of Housing, Health and Environment

F. Community Safety

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

Report Author

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.

Report Author

H. Data Protection

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

Report Author

I. Health and Safety

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

Report. Author

J. Health and Wellbeing

No issues are identified.

Report Author