

Tunbridge Wells Borough Council
Royal Tunbridge Wells
Kent



TUNBRIDGE WELLS BOROUGH COUNCIL ACCOMMODATION STRATEGY

FINAL REPORT
AS AT

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1 EXECUTIVE SUMMARY

King Sturge was appointed by Tunbridge Wells Borough Council (TWBC) to undertake an accommodation review of the current town hall function. TWBC required this strategy review to progress its plans for the redevelopment of the town hall and ultimately aid the regeneration of the town centre.

King Sturge conducted internal and external interviews, the former with senior staff at TWBC and the later with representatives of those occupiers located on the wider development site around the town hall. This was carried out concurrently with a review of current accommodation and staffing numbers. The key findings from this stage were as follows:

- The other occupiers of the wider town hall site were open to relocation, although none had firm plans at the present time;
- The Councils space requirement could be reduced from 289 to 207 by implementing modern working practices; and
- Future staff numbers would be influenced by regional strategic procurement and service sharing through initiatives such as Total Place and MidKIP (Mid-Kent Improvement Partnership).

Relocation options were then developed from the interview information, demographic and property intelligence. The first workshop session with TWBC reduced the nine initial relocation options to a shortlist of six, excluding the base case (do minimum approach) against which they were all compared.

These short listed options were then scored from both qualitative and quantitative perspectives against agreed criteria resulting in a further reduction to the following three preferred options:

Option	Qualitative score %	Rank
Purchase and relocate to the current Land Registry building	77.5	1
Construct a new council complex at the Great Hall car park	74.0	2
Construct a new council complex on vacant land in Southborough	63.5	3

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Each option was appraised financially by calculating the occupational cost of each option over a 25 year period. The results for the options identified above are shown in the following table:

Option	Quantitative NPC £m
Purchase and relocate to the current Land Registry building	17.68
Construct a new council complex at the Great Hall car park	14.90
Construct a new council complex on vacant land in Southborough	12.26

The results of the financial and qualitative analysis were plotted in a 2x2 matrix to show the absolute relative performance of each option. This resulted in the selection of a preferred option and two reserve options as follows:

Preferred Option - Relocate to the current Land Registry building

Reserve Options - Construct a new Council Complex at the Great Hall car park
Construct a new Council complex in Southborough

The conclusion of this report is that TWBC has viable options to relocate and release the present Town Hall site for redevelopment. What is more, there are significant efficiency gains to be had both in terms of space occupation and collaborative working practices.

Our recommendations therefore are that TWBC pursues the option to acquire the Land Registry building to be used as a new town hall. In addition, it should continue to explore the development of the Great Hall car park site, which could form a beneficial addition to the office accommodation in Tunbridge Wells independently of the Council's requirement to occupy.

It is out of the scope of this piece of work to pass detailed comment upon the deliverability options open to the Council through its interest in Tunbridge Wells Regeneration Company. However, preliminary indications are that significant savings on the costs indicated above can be achieved through this vehicle. We would recommend engagement with John Laing to establish how this could be achieved and the scale of financial benefit.

2 INTRODUCTION

Tunbridge Wells Borough Council (TWBC) appointed King Sturge to identify and assess the strategic options that would enable the Council and other occupiers to vacate the existing Town Hall site so that it could be re-developed by John Laing (as the joint venture partner within Tunbridge Wells Regeneration Company (TWRC)).

In order to deliver this requirement, King Sturge completed the following activities between September and end November 2009:

- Over fifteen internal interviews with senior TWBC executives and Councillors to understand strategic intent, opportunities, potential constraints and possible option evaluation criteria.
- Interviews with five external stakeholders, including other public sector bodies occupying the wider Town Hall site (Kent County Council, The Police and Town & Country Housing Group) and other major private sector occupiers within Tunbridge Wells (AXA and the legal firm, Cripps Harries Hall). The main objectives of these interviews were to ascertain whether any of these organisation strategies would be a hindrance to TWBC's and TWRC's regeneration aims for the Town Hall site and whether there was any potential for co-locating the Council with external stakeholders, thereby achieving co-location efficiencies.
- The identification of ten strategic options, including a 'Do Minimum' base case against which all the other options are compared. Preparation of the base case required building a detailed understanding of existing staff numbers, the extent of part-time working and the general pattern of staff mobility through the working day. Assumptions were made on a team by team basis on the number of desks required given likely occupation levels. For example, it was assumed that highly mobile teams, such as Trading Standards and Environmental Health, would need fewer desks than teams where staff were usually at their desks.
- An initial filtering exercise which resulted in the long-list of ten strategic options being reduced to seven by the TWBC Project Steering Committee.
- The selection of operational evaluation criteria in conjunction with the TWBC Project Steering Committee.
- The comparison of the seven short-listed options against both financial cost and operational evaluation criteria.

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The results of the above analysis are summarised in this report, with the remainder of the document divided into five sections, as follows:

Section 3: Operational Requirements

Section 4: Wider Development Context

Section 5: Strategic Accommodation Options

Section 6: Option Analysis

Section 7: Conclusions and Recommended Next Steps

For convenience, most of the detailed analysis is included in the Appendices, with only the main evidence and conclusions incorporated within the body of the main report.

3 OPERATIONAL REQUIREMENTS

3.1 EXISTING POSITION

Tunbridge Wells Town Hall is a 1930s brick built structure purpose built for the occupation of TWBC and was opened in March 1941. It was designed by architects Percy Thomas and Ernest Prestwich who won a competition in 1934 for a neo-Georgian Civic Centre which incorporated the Town Hall, Assembly Hall, Police Station, Library and Museum. It replaced buildings designed by Decimus Burton in Calverley Parade, Calverley Mews and Calverley Terrace.

The accommodation is spread over four floors (including basement) and includes an adjacent assembly hall. The basement of the Town Hall comprises a number of storage rooms containing items relating to planning, the Tunbridge Wells Museum, marketing, IT and finance. The basement contains the CCTV headquarters for Tunbridge Wells, a staffroom, the TWBC planning vault and part of the Council's call centre. The basement also contains an area originally designed as a nuclear bunker with accordingly thick metal doors and concrete reinforcement.

The ground floor of the Town Hall contains the original grand entranceway, now rarely used in favour of an entrance on Monson Way. The office accommodation is accessed by fixed corridors with load bearing walls, concrete floors, suspended strip lighting, compartmentalised offices and other features commensurate for a building of this age. The first floor of the Town Hall is of a similar configuration to the ground floor with the exception of the democratic space comprising a 156m² (1,679ft²) Council chamber and two committee rooms totalling approximately 110m² (1,184ft²). This democratic space has the associated facilities in the form of male and female robing rooms, foyer, mayors parlour, balcony and viewing space.

The remainder of the first floor office accommodation contains the environmental health function, leisure and development services, economic development, legal services and the Chief Executive's department.

The second floor consists of a roof office added in the mid 1980s to house building control and corporate and community planning. This is a metal and glass clad box of low design quality which houses approximately 18 staff. It's positioning on the roof is due to the structural integrity of the building below.

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The total floor area of the Town Hall is 3,672m² (39,526ft²) with the office accommodation taking up 2,747m² (29,569ft²) or 75% of the space. The division of space by floor is shown in Chart 1 below.

Chart 1: Existing Footprint of the Town Hall

Floor	Type	Area/m ²	Desks
Basement	Storage	385	0
	Office	647.4	39
Ground	Office	1152.31	132
First (inc)	Office	799.2	98
(Democratic)	Chamber+ancillary	393.5	0
	Committee rooms	146.5	0
Roof	Office	148.45	20
	Total	3672.36	289
	Total office space	2747.36	

At present TWBC employs 365 staff (FTEs – Full Time Equivalents). A staffing audit was undertaken on a team by team basis, using primarily HR organisation charts. This process identified 359 FTEs, which was considered sufficiently close to the top-down headcount figure.

For each team, we considered where people were located and the mobility of the job roles. Each staff role was allocated a ‘mobility’ number of 1 to 4, based on the following assumptions:

- **Nearly Always in the Office** – assume 9 desks for 10 staff;
- **Frequently in the Office** – assume 7 desks for 10 staff;
- **Frequently out of the Office** – assume 5 desks for 10 staff;
- **Nearly Always out of the Office** – assume 2 desks for 10 staff.

The “team” by “team” analysis concluded that TWBC currently has 285 staff based in the Town Hall and that there are 289 desks. This equates to a space allowance per individual of 9.51m², which is less than the recommended OGC standard of 10m² which includes an allowance for desk space, storage and meeting rooms. We are of

the opinion, however, that the current office space is under provided for with meeting rooms and therefore we have elected to include the committee rooms in the office space analysis. When this is carried out the office space per desk ratio rises to 10.1m².

A copy of the spreadsheets used to calculate the space requirements can be found at Appendix 1.

The remaining staff are predominantly located in the Theatre, Library/Museum, the Registry Office and the Crematorium. For the purposes of this report only staff occupying Town Hall office space were considered in scope. The future location of the Theatre, Library and Museum are subject to separate analysis being carried out by John Laing.

3.2 INTERNAL EXECUTIVE INTERVIEWS

A series of internal interviews was conducted, involving around 15 senior Council executives. These interviews revealed a general consistency of views, although there were clearly some differences of emphasis and priority. The key messages from the internal interviews are summarised as follows:

1. TWBC's current office estate position probably remains acceptable, but it is inefficient and the layout is a significant barrier to the introduction of more flexible working and cross-team working. In particular, the corridors and office structure facilitate a silo-working mentality across the Council. For many of the internal interviewees, redeveloping the site is a wonderful opportunity to create a modern working environment for the staff which is more efficient and effective, as well as being more environmentally sustainable. For some interviewees the only option that would not be acceptable would be the Do Minimum Base Case.
2. A new modern office should encompass flexible working in accordance with the Office of Government Commerce's standards of 10m² per desk for new build, with a minimum occupation rate of 8 desks for 10 people. There was also widespread support for all staff to be located in open-plan space, including Directors, although they would have priority access to meeting room space for confidential discussions.
3. Although there is very little shared desking within the Town Hall, it is important to note that TWBC has already invested in the IT to enable staff to share desks and, work remotely or from home. This is a significant advantage compared to many local authorities looking to move offices in similar circumstances and it should be it much

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easier for TWBC staff to work flexibly rather than be fixed to the territorial ownership of their own office space.

4. There was a clear consensus that TWBC should initiate a storage strategy which considered, for example, the policies for storing documents, electronic data management options and whether there was a role for external storage providers. There is a perception that improvements in storage could result in an approximate 10% saving in TWBC's overall main office space requirement. This would be delivered partly by reducing the size of the general storage area, but mainly by reducing the extent of storage around desks.

5. There are several options for TWBC to co-locate with other public sector organisations in Kent, perhaps as part of the Total Place initiative. The main difficulty is ensuring that potential partners are aligned with TWBC's timetable. There is a risk that partnership discussions linger and TWBC has to make its strategic choices quickly, rather than spend years evaluating all options in detail.

6. The most significant challenge is identifying the number of staff TWBC may employ over the next 5 years. With strategic commissioning developments, it is very possible that the TWBC headcount could be reduced by around a third. However, if TWBC selected a new building that had space to enable the Council to offer services to some of its neighbours or other public sector partners, then it is perfectly feasible that staff numbers could actually increase. This would be an ideal solution if an appropriate building can be identified and public sector partners can be prepared to commit to co-location.

A full summary of the interviews is attached at Appendix 2.


3.3 FUTURE REQUIREMENTS

In future, it is estimated that, with flexible working and desk sharing, TWBC could reduce its desk provision by nearly 30% from 289 to 207 desks. This is based on the assumption that the mobility desk ratios outlined above in Section 3.1 are implemented for all office based staff.

On the assumption that the OGC space standard of 10m² per desk is adopted, TWBC has a new office requirement of 2,070m². To this, should be added space for the Council Chamber, the Mayor, the Leader of the Council and Members. Taking all this into account, the overall space requirement is 2,586m² (27,836ft²) as outlined in Chart 2 which is a reduction of 1,086m² (11,689ft²).

Chart 2 – Town Hall Space Requirement

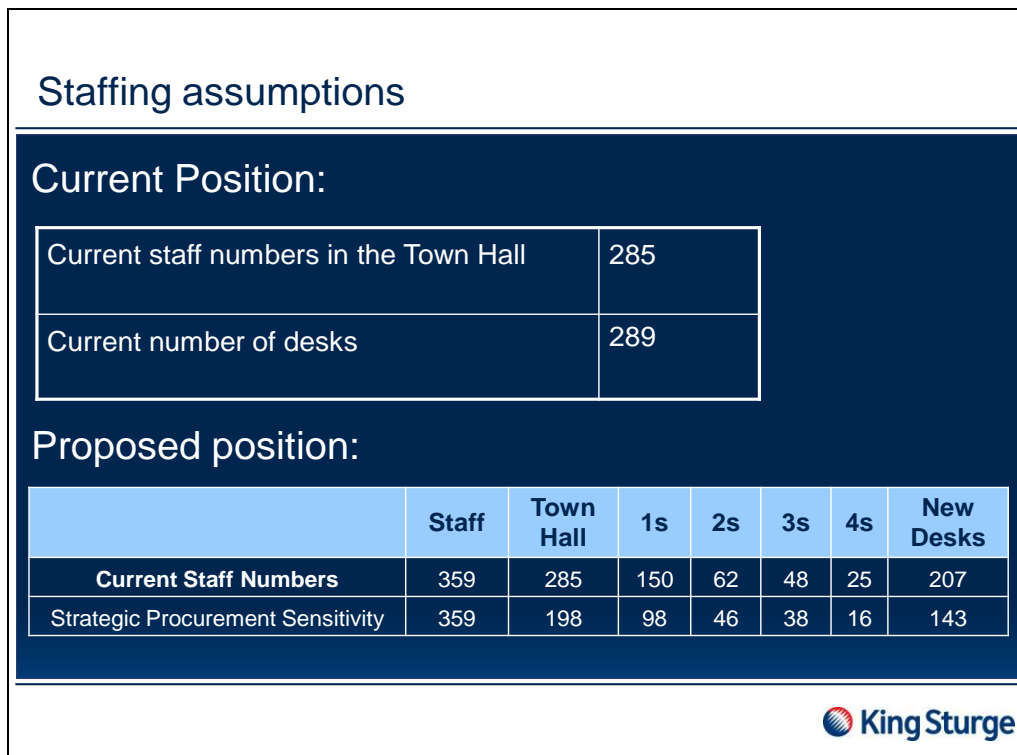
Staffing assumptions- Civic space requirement	
Item	m²
Council Chamber	227
Mayoral Suite	22
Robing Rooms	43
Committee Room	70
Member's Suite	50
On-site storage	100
Total Requirement	512
Grand total Council Requirement	2586
Total with sensitivity to strategic procurement	1938



As highlighted earlier, it is possible that TWBC’s staff complement could fall significantly as the Council continues to implement its strategic commissioning policy. Under this scenario, it is estimated that office based staff numbers would fall by around 30% from 285 employees to 198. The distribution of these staff across the ‘mobility rankings’ is shown in Chart 3. This highlights that it is predominantly those posts where staff are least mobile (i.e. corporate support services) that are most likely to be outsourced or integrated with other public sector partners.

Applying the same mobility and desk assumptions to the strategic commissioning scenario, results in a requirement for 143 desks. This is equivalent to an office space of 1,430m², which increases to an overall space requirement of 1,938m² once the civic elements have been added.

Chart 3: TWBC Staffing Assumptions

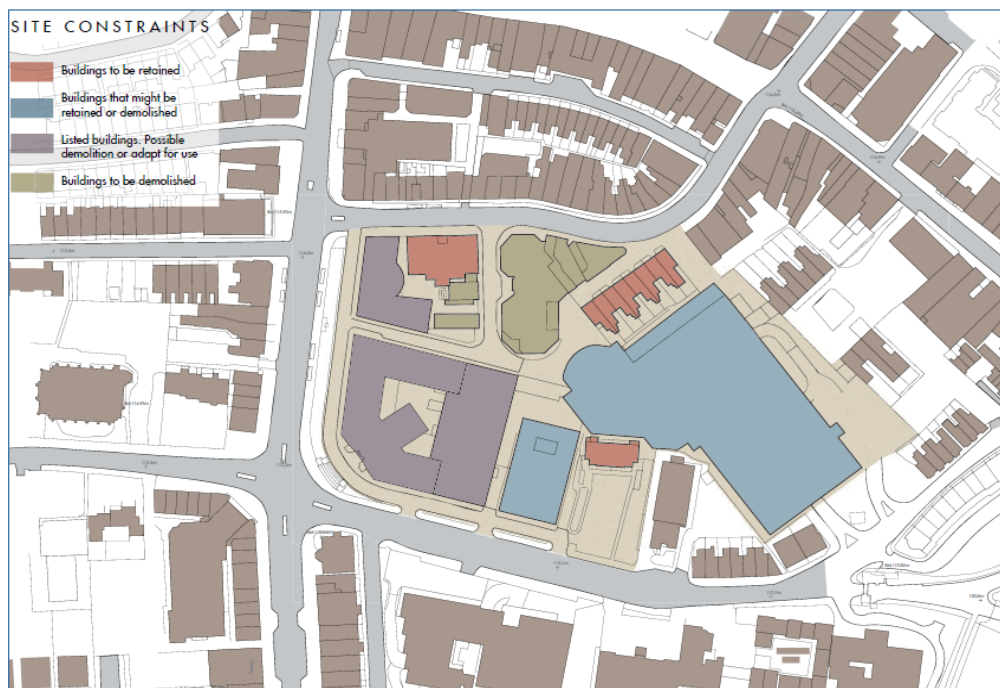


Given the uncertainty over staffing numbers and strategic commissioning, the financial analysis has been prepared on the assumption that TWBC’s total office requirement is for 2,586 square metres. However, it could potentially be nearer to 2,000 square metres.

4 WIDER DEVELOPMENT CONTEXT

The Councils offices are a central keystone in the redevelopment potential of the wider town centre opportunity which includes the assembly hall, police station, magistrate's court, adult learning centre, public library, Priplan House, Crescent Road car park and museum. Engagement with the occupiers of these properties to establish their intentions is essential if this aspiration is to be realised. As part of this report we have carried out a series of interviews with these occupiers to determine their individual estates strategies and how they might be linked to deliver the wider development opportunity. A copy of the external interviews is attached at Appendix 3. The following plan identifies the properties in scope.

Chart 4 Buildings included within Project Scope



The scale of this amalgamated site and more importantly its location in the centre of the town is such that it would support a number of higher value uses. The town centres current layout is linear and disjointed with poor connectivity. It is broken into a number of district areas; the Royal Victoria Place Shopping Centre and pedestrianised Calverly Road; Mount Pleasant Road; Train Station, High Street and Pantiles. This lack of connectivity or retail circuit within the town centre contributes to this situation.

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The Council site redeveloped in conjunction with the other properties as part of a wholesale mixed use development including retail, leisure, residential and possibly office space provides a superb opportunity to increase this connectivity and cohesiveness between the distinct areas. Furthermore it will add to the character of the town and create a new retail circuit at its hub the junction of Civic Way/Crescent Road and Mount Pleasant Road.

5 STRATEGIC ACCOMMODATION OPTIONS

5.1 LONG-LIST OPTION IDENTIFICATION

Following the internal executive and external stakeholder interviews, the project team identified a long-list of ten options. These were subjected to some initial filtering against operational acceptability criteria with the results discussed at a TWBC Project Steering Committee workshop on 29th September 2009.

At this stage, three of the long-listed options were discounted by the steering group. These were:

1. **The construction of a smaller town hall complex on the existing site**

One of the fundamental aims of relocating from the existing site is to release the greatest area possible for regeneration purposes. It was considered that to stay on the existing site would therefore compromise the wider redevelopment options of the site.

2. **Relocation to a new build Town Hall in Cranbrook**

This option was discounted due to the distance from Tunbridge Wells, by far the largest centre of population in the Borough. After discussion the team thought that, as the Cranbrook office had recently been incorporated into TWBC, this would be a step backwards.

3. **A hub and spoke Council spread out in several locations**

This option was discounted as the Steering Committee preferred to retain a consolidated working environment in one building and concluded that having several locations would be efficient and may foster silo working to the detriment of public services.

5.2 PRIORITISATION PROCESS

Consequently a short-list of seven options was agreed, which were then subjected to analysis against operational acceptability criteria and financial costs. The short-listed options are summarised below and includes the Base Case position against which the other options were compared against.

Option 1 - Do Minimum Base Case

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- TWBC remains in the Town Hall
- Full maintenance program restarted, but no upgrade to facilities
- Part of ground floor let as small business units
- Vacant space divided into business units and let at £134.5m² (12.50ft²)

Option 2 - New Build Great Hall Car Park

- Town Hall is vacated
- New office and democratic space is constructed at the Great Hall Car Park site
- Additional office space is constructed and forms an additional revenue stream. Space let out at £237m² (£22ft²)
- Construction cost £2000m² (£186ft²)
- Two-storey car park, with gross floor area of 1,900 m² per floor.
- Site overlooks Calverley Park and is very close to the railway station.
- Council chamber has alternate everyday use for community.
- Assumed rental levels will be equal to the decapitalised capital cost of the construction.

Option 3 - Union House

- Town Hall site vacated
- Council leases (not purchases) space in Union House next to the Pantiles
- Light refurbishment including the creation of democratic space
- Rental level £161.5m² (£15ft²)
- Refurbishment cost £500m² (46.5ft²)
- 35,000 ft² occupied by AXA PPP on lease until 2011.
- Office space is not to modern standards, but good access to train station and the town.

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- No guarantee that space is available as AXA has an option to renew its lease at 2011 for a further 10 years.
- Assumed market rent of £15.00 per sq ft with a discount to take into account the excellent covenant of the Council.
- Assumed that the landlord will carry out the TWBC fit-out requirement and the cost will be decapitalised over the term of the lease – cost approx £500 per m2.. This is not sufficient to convert the office space into 'Grade A' space but will create a satisfactory environment.

Option 4 - Land Registry

- Town Hall site vacated
- TWBC purchase and occupy the Land Registry Building, Forest Drive, Tunbridge Wells
- Light refurbishment including removing demountable partitioning
- Remaining space approx 2,787m² (30,000ft²) let out to other occupiers at a rent of £161.5m² (15ft²)
- Opportunity to purchase building and generate an income through the subletting of unused space.
- 58,000 ft² space constructed in the early 1990s.
- Modern space spread over three floors.
- Only modest refurbishment at £400.00 per m². to create democratic space and other specialist uses.
- Not in town centre, but close to A21 and good access for partner organisations.

Option 5 - North Farm Business Park

- Town Hall site vacated
- TWBC purchase and construct a new 'Town Hall' complex on an industrial estate site presently owned by Kent County Council
- Site decontamination may be expensive

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- Site constraints and poor access may make partnership/ collaboration difficult
- Site is close the sewage works and a new B&Q superstore.
- Construction less expensive than a town centre site. on inside.

Option 6 - Paddock Wood

- Town Hall site vacated
- TWBC purchase and construct a new 'Town Hall' complex on a presently unidentified site in Paddock Wood, but close to train station.
- Good road access may facilitate partnership working.
- Local regeneration benefit.
- Assumed that the standard of building will be at the same cost and configuration as that proposed at North Farm.
- Major uncertainties over site assembly and planning permission.

Option 7 - Southborough

- Town Hall site vacated
- TWBC purchase and construct a new 'Town Hall' complex on a site in part ownership of TWBC and Southborough Town Council (STC)
- There is a significant planning risk associated with locating on a site not allocated for business use
- Assumed that STC is willing to sell or lease an appropriate area of the vacant land to TWBC to construct the new offices

6 OPTION ANALYSIS

The options have been analysed from both a Quantitative and Qualitative perspectives. The Quantitative analysis calculates the occupational costs over a 25 year period. A bespoke financial model was constructed to calculate the Net present Cost of the major costs including; rent, rates, service charge, maintenance and utilities. Where an option assumes construction of a building we have decapitalised the construction cost over the period. Similarly where a building is rented the rent and service charge have been cash flowed over the period but where a building has been purchased we have decapitalised the purchase price over the period, much like a mortgage would be.

The Qualitative analysis assesses the options from a non financial perspectives. It therefore considers the needs of the occupier both from a user's perspective but also from the Councils wider objectives and stakeholders.

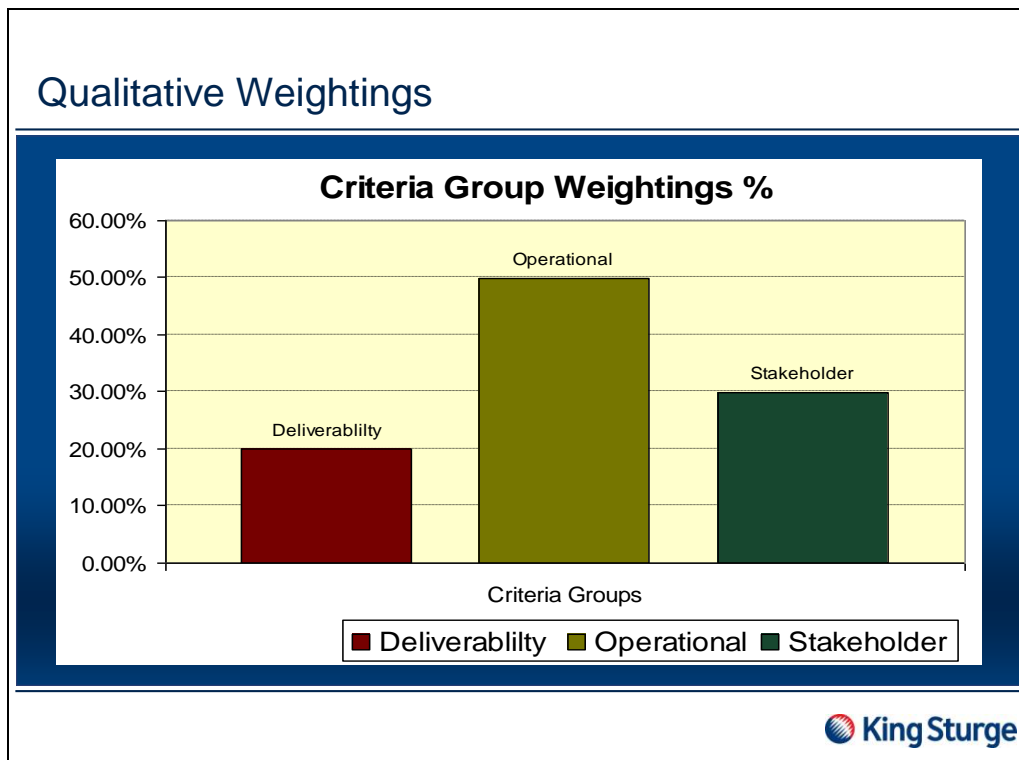
6.1 QUALITATIVE ANALYSIS

Non-financial evaluation criteria were discussed at two workshops. After the first project workshop, we split these criteria into three categories and weighted them in order of importance. It is important to be clear what each of these broad categories covers.

- **Operational** – the suitability of the accommodation to meet the working practices of the Council.
- **Stakeholder** – the suitability of the option from those parties which will be influenced or materially affected by it.
- **Deliverability** – how practical is the option.

The weightings of the categories are shown in Chart 5, and were agreed with the council before evaluation and scoring of each option.

Chart 5: Qualitative Criteria Weightings



The criteria were discussed and revised with the TWBC Project Steering Committee. This resulted in the 11 criteria outlined below being adopted. When carrying out the assessment it is appropriate to weight the scorings from each criterion by importance to TWBC.

1. Planning Risk: What is the planning risk associated with the Council adopting this solution?

The options that score well under this criterion are those that satisfy B1 (office) use under the Town and Country Planning (Use Classes Order) 1987, or the site identified in the local plan is being allocated for office development.

In assessing options we have referred to the Local Plan but not engaged on a site by site basis with the Councils planning team. Essentially this criterion tests the ability of achieving a successful position.

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2. **Ownership:** *How will the ownership affect the availability of the solution?*

The options that score well against this criterion will be those of which the Council has the greatest control and influence. This is important as it will allow flexibility of development and use.

It takes into account the relative advantages of leasehold versus freehold ownership. It also considers whether TWBC owns the proposed land, or if the land is currently available for purchase.

3. **Access:** *Will the proposed solution address the Council's requirements regarding the current location and travel arrangements of Council staff?*

Options that score well under this criterion will have excellent access to the road network, good public transport links and be in the vicinity of Tunbridge Wells town centre as the majority of staff live in or around Tunbridge Wells and in particular to the West of the Borough.

4. **Business Continuity:** *Will the proposed solution enable a smooth transition to a new Council facility without the use of temporary facilities?*

The options that score well are those that enable the Council to keep business disruption to a minimum from both a physical and staff perspective.

5. **Timescale:** *How well does the solution fit probable Council timescales?*

The options that give the Council total control over their timescale and allow the date of vacation to be determined unilaterally will score well. The success is therefore linked to ownership as those options which the Council owns also perform well from a timescale standpoint.

6. **Environmental Sustainability:** *How environmentally sustainable is the proposed solution?*

The options that have scored well under this criterion are those that have a demonstrable environmental consideration on the part of the Council.

We are aware that the Council is under an obligation to procure environmentally sustainable property and therefore this criterion scores the options according to their overall approximated carbon cost. It should be noted that the carbon already expended to construct existing buildings is usually significantly greater than any savings in carbon cost through procuring a building that can be run with high environmental efficiency. For example, if the Council were to vacate the current

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Town Hall and construct a BREEAM (Building Research Establishment Environmental Assessment Method) 'Excellent' new Town Hall, savings in carbon over the life of the new construction would be outweighed by the cost of constructing a new building and the inherent carbon lost through the demolition of the Town Hall.

7. **Office Environment:** *How well does the design/space enable the Council to implement modern working practices and provide a flexible office environment?*

Options that will enable the Council to reflect a positive image whilst aiding effective service delivery have scored highly against this criterion.

This takes into account the quality of the environment in which the staff will be working. The office environment affects the ability of the Council to attract staff, implement modern working practices (for example desk sharing) and to maintain high staff morale.

8. **Shared Facilities/Partnership-Collaboration:** *Does the site offer co-location opportunities with other public bodies/organisations, or strategic procurement opportunities in the form of expansion space?*

As described elsewhere in this report as part of this exercise we interviewed local public sector bodies to determine their future strategic plans. We are aware that TWBC are currently involved in negotiations with regard to Total Place, an initiative to encourage co-location of local authorities, NHS Trusts, police and other publicly funded organisations. This is part of a central government drive towards efficiency in these areas and certainly this would be an intuitive way of achieving savings. In this criterion therefore, we have scored each option by its ability to house one or more other public sector organisations on the same site.

The options that have scored well against this criteria are those which either have sufficient space to accommodate TWBC plus one or more other organisation, or a building which is significantly larger than the current TWBC space requirement.

9. **Strategic Flexibility:** *Does the solution offer flexibility in terms of possible future occupational change?*

This criterion can be thought of as a combination of market acceptability and physical divisibility. It may be that after TWBC relocates it will undertake further structural change and its requirement for office space may fall. This criterion therefore scores each option according to how readily TWBC would be able to

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subdivide, sublet or sell unwanted space. Clearly, this is a function of the market demand for such space and options located within stronger commercial property markets will score higher. Accordingly, those options which do not facilitate simple division of office space and subsequent disposal score poorly.

10. Stakeholder Acceptability: *Is the solution acceptable to stakeholders including town centre users, occupiers and council tax payers?*

Broadly, this criterion scores the general political acceptability of each option. It examines whether each option would be, in our opinion, a good use of tax revenue and other Council savings. It also takes into account the acceptability to TWBC staff and users of a relocated Council building.

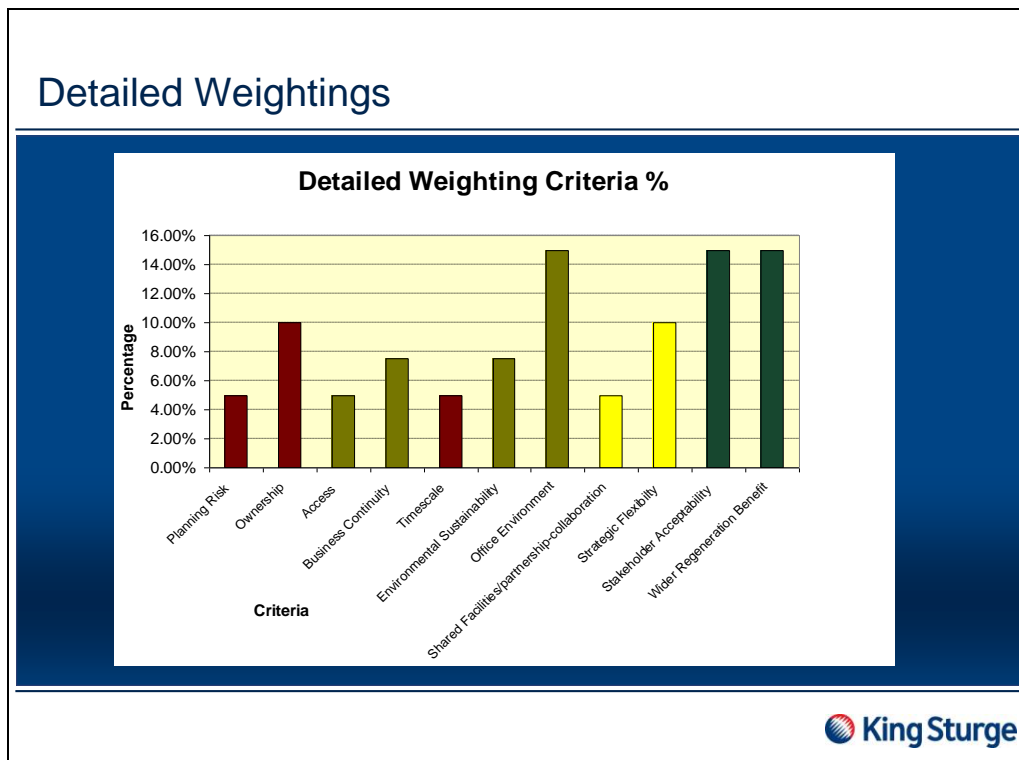
The options that score well against this criterion are those which would be seen to be an efficient way for the Council to use its various tangible resources.

11. Wider Regeneration Benefit: *What is the impact of this solution on the local economy and the Council's regeneration aims?*

The two factors that are taken into account in this criterion are the deliverability of the current Town Hall site for a commercial property scheme, and the impact that locating c.200 staff members will have on a local area. Clearly, the former one of these requirements will have a greater overall impact to the Borough both economically and commercially.

Chart 6 shows the relative weights of the 11 criterion colour coded against the categories.

Chart 6: Weightings of the 11 Operational Criteria



The options were scored using a scoring system ranging from 1 - 5 as follows:-

1. Poor
2. Below average
3. Satisfactory
4. Good
5. Excellent

This scoring process involved assigning a score to each option against each criteria (77 scores in total) and inputting an explanation for the score next to the input. This was done to aid reviewing of the scoring and to help condense the sometimes complex ideas behind each score into a short paragraph.

Subsequently, at the second project workshop, we took the TWBC Steering Group through each score individually to assure that there was consensus across the group. This resulted in a few minor changes which were introduced into the final scoring.

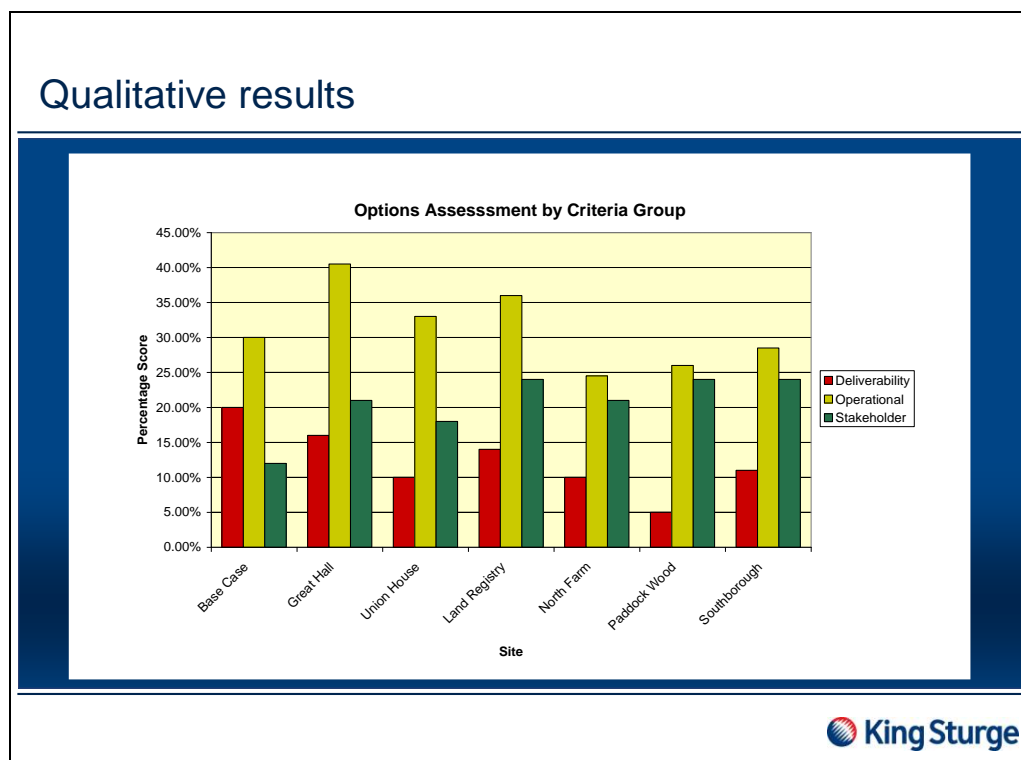
These scores were then weighted, as described previously in this report. It should be noted that to ensure the scoring was not influenced by viewing of the final placings, the scores and weightings were fully agreed before placings were revealed.

6.2 QUALITATIVE RESULTS AND PLACINGS

After compiling and weighting the scores we put them into two forms of graphical output for ease of understanding. In Chart 7 we show the results of the options assessment split by criteria group. The main conclusions are as follows:

- The Land Registry and Great Hall options score well operationally whilst North Farm scores particularly poorly.
- Against the scoring criteria that fall into the stakeholder category, North Farm Southborough and Paddock Wood score well whilst the Base Case scores poorly.
- In terms of deliverability, the Base Case and Union House score well whilst Paddock Wood score poorly.

Chart 7: Overall Qualitative Results

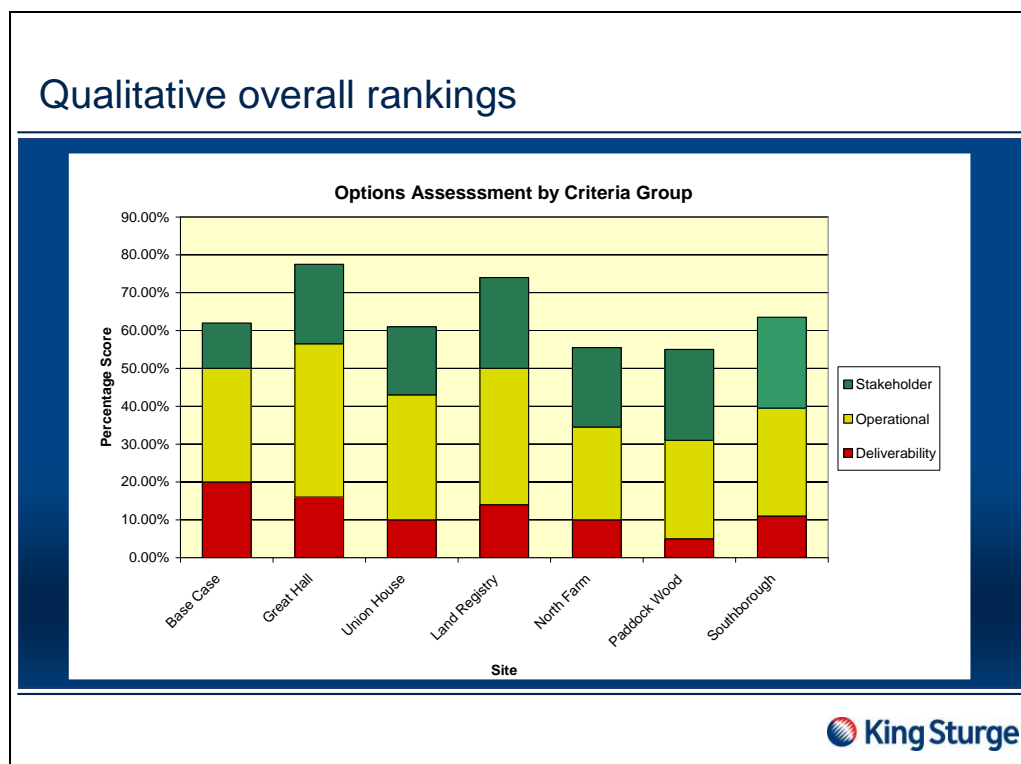


Options Assessment Split by Criteria Group

To show the overall qualitative rankings for the options we have effectively stacked these bars on top of one another, to produce Chart 8. This graph shows that the Great Hall and Land Registry options score well and the North Farm and Paddock Wood options score poorly.

Of the options that involve moving away from Tunbridge Wells town, Southborough has the overall best score, scoring comparatively well on the operational and deliverability fronts.

Chart 8: Combined Qualitative Results



6.3 QUANTITATIVE ANALYSIS

The Quantitative analysis was conducted to compare the financial performance of the options against each other. The analysis was carried out in a bespoke financial model constructed in Microsoft Excel. The benefit of constructing a bespoke model rather than using proprietary software is that it allows the user to run sensitivities and scenarios specific to the client.

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The model is based on a 25 year cashflow and constructed in line with the Treasury Green Book method of appraisal. It therefore discounts the total costs of an option over the period to arrive at a Net Present Cost (NPC). The rationale behind this is to model over a sufficiently lengthy period so that any potential savings mitigate any upfront cost such as one off staff costs to ensure a true comparison between options is achieved. In the model we have adopted a discount rate of 3.5% and not inflated the occupational costs over time. We feel that this is a more appropriate approach to modelling rather than apply an arbitrary inflation rate which will inevitably be incorrect over the 25 years whilst also adjusting the discount rate to reflect the inflation.

As per the Green Book the starting point is to model the Base Case position of remaining in the existing Town Hall but on a reduced footplate, 2,586m² (27,836ft²). We have therefore assumed that the surplus space of 1,086m² (11,689ft²) will be let out on commercial terms and effectively be cost neutral to the Council.

The difficulty comes though when modelling the effective rental for the Town Hall building as the Council owns the freehold of the property. In the absence of any capital charging information we assumed the Council pays a hypothetical rental for the accommodation, based on a market rent of £12.50ft². We made the same assumption for the letting of the surplus space. The financial model therefore shows a net position for the Council by taking the effective rental cost for the entire building and a receipt for the surplus space which has been let into the open market. This approach is helpful as it allows subsequent sensitivity testing around the rental levels.

The rental level is one of the three most important occupational costs the other two being business rates and service charge. We have pro rated the existing rates payable for the building on a floor area basis, so the base case only incurs the rates on the 2,586m² (27,836ft²) the Council occupies. We have also included an effective service charge based on the costs the Council currently expends on items commonly found in a service charge.

The following bullet points therefore sets out the items which form the occupational charge and create the total NPC for the options:

- Hypothetical Rent
- Rates
- Service Charge
- Maintenance Backlog

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- Annual Maintenance Provision
- Utilities
- Car Parking
- Other occupational costs

There is also one significant one off item in the cashflow. The Treasury Green Book requires, where an asset is held freehold, that the value of said asset is reflected at the end of the accounting period. The difficulty therefore comes when attempting to value the site in 25 years time. We have approached this in a consistent manner by capitalising the Occupational Charge for each option at an appropriate yield. The 'end site value' as it is called is therefore shown as a positive item in the cashflow. Importantly even though the base case is a freehold we have not assumed an end site value. The rationale behind this is straight forward and links back to the purposes of the estates strategy, namely relocating the existing offices releases the site for a much larger mixed use development. All the options achieve this end and therefore this 'end site value' is common across all options and is therefore not included in the cashflow. It is important though to recognise the potential scale of this receipt and a separate piece of work is running in parallel to this to establish the most appropriate scheme.

6.4 OPTION 2 – GREAT HALL

To calculate the NPC for this option we have assumed that the Council remain in the existing Town Hall whilst construction of the new building is completed. The Council therefore incurs the costs of remaining in the Town Hall for 18 months until the move into the new accommodation. As the Council owns the land we have assumed that the Council lets a design & build contract to meet its requirements to a contractor, this could be through the Regeneration Company.

Decapitalisation of the construction cost including professional fees, finance, contractors profit and contingency arrives at an effective rental for the accommodation. We have assumed that the accommodation would sit above a 2 levels of car parking. It is unlikely that the existing car park could be included easily within the scheme we have therefore assumed a clear site and the re-provision of a new car parking. The combination of a constrained site, scale of building and high quality environment necessitates a building which compliments this and accordingly we have adopted a build rate of £181ft². We have assumed an 18 month period to

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construct, with a 5% contingency, a profit level of 15% on costs, development finance at 7% and professional fees at 10%.

At the end of the cashflow we have assumed an end site value as explained earlier.

6.5 OPTION 3 – UNION HOUSE

Union House assumes a leasehold arrangement where the Council takes accommodation in the building. We have therefore assumed a rental of £15.00ft² having spoken with the agents managing the property. Importantly we have not assumed an end site value in this instance as the property is not freehold.

6.6 OPTION 4 – LAND REGISTRY

The property is held currently by the Land Registry, we are aware that they are looking to dispose of the property as a result of the corporate restructuring they are currently undergoing. We have engaged with their property agent but to date the potential disposal price has not been disclosed. We have therefore had to make our own assumptions as to where the rental value of the property sits by consulting with our office agency colleagues. Adopting a rental of £14.00 ft² equates to an annual rent of £812,000 however this is for the entire property comprising some 58,000 ft². The Council does not require the entire building but it would need to purchase the entire building and then look to let the surplus space in order to reduce its financial exposure. To calculate the purchase price we have capitalised the annual rent at 9%. This worst case position assumes that the surplus accommodation cannot be let over the entire 25 year period and consequently it makes this option significantly more expensive than the others. We have though carried out a sensitivity which assumes that the surplus space is let upon commencement which much improves the overall financial position. Clearly the risk profile of achieving this is an important factor and something we will go on to discuss.

6.7 OPTION 5 – NORTH FARM

As this option requires the construction of a new build solution the methodology is the same as Option 2 – Great Hall. There are differences though, as the construction time is shorter at 12 months to reflect the less complex build and also a lower build cost of £139ft² as the building will be near to an existing industrial estate. Additionally there is no need for multi storey car parking as there will be surface level provision. The underlying assumption therefore that this building will be cheaper to build and be delivered quicker.

6.8 OPTION 6 – PADDOCK WOOD

The same methodology as above applies but we have assumed a slightly higher build cost of £151ft² as the building will likely be located near to the high street and residential and will therefore likely be required to be of a higher design standard than the North Farm, Option 5.

6.9 OPTION 7 – SOUTHBOROUGH


Again the same methodology applies as the same build rates as the Paddock Wood, Option 6.

6.10 RESULTS

We have shown the results in Chart 9 below and is infact a screenshot taken from the financial model's dashboard and displays the quarterly cashflow results.

Chart 9: Quantitative Results

Quantitive Results			
Key Outputs	Total Cost (incl. end site value) £m	NPC of Total Cost (incl. end site value) £ @ 0.035	Rank
Base Case	18.2	12.5	4
Option 2 - Great Hall	25.4	16.2	6
Option 3 - Union House	19.8	13.3	5
Option 4 - Land Registry	27.0	17.6	7
Option 5 - North Farm	17.5	11.3	1
Option 6 - Paddock Wood	18.4	11.9	2
Option 7 - Southborough	18.4	11.9	2



As anticipated the North Farm option is the least expensive followed by Paddock Wood and Southborough. The Base Case and Union House are very closely ranked with the new build Great Hall option being the second most expensive a result of the higher build costs necessary for the type of building required to compliment its surroundings. The Land Registry is the most expensive as it provides 5,388m²


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(58,000ft²) of accommodation more than double the councils requirement of 2,586m² (27,836ft²).

Clearly though the Land Registry is not being compared on a like for like basis and to this regard the results as shown in the table are not a true reflection of the likely NPC of this option. Very crudely if this space can be sublet straightaway then the NPC falls to c.£12.6m as shown in Chart 10 below there are however risks surrounding this option which require further analysis which we have outlined in the next steps.

Chart 10: Ranked Quantitative Results

Quantitative Results			
Key Outputs	Total Cost (incl. end site value) £m	NPC of Total Cost (incl. end site value) £ @ 0.035	Rank
Option 5 - North Farm	17.5	11.3	1
Option 6 - Paddock Wood	18.4	11.9	2
Option 7 - Southborough	18.4	11.9	2
Base Case	18.2	12.5	4
Option 4a - Land Registry	19.2	12.6	
Option 3 - Union House	19.8	13.3	5
Option 2 - Great Hall	25.4	16.2	6
Option 4 - Land Registry	27.0	17.6	7

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6.11 LAND REGISTRY RISKS

We understand that there have been discussions and workshops, supported by OGC, regarding regional strategic procurement and service sharing through initiatives such as Total Place and MidKIP (Mid-Kent Improvement Partnership) which could identify public sector occupiers for the surplus space at the Land Registry.

We have not assessed the financial delivery options for any of the options available to the Council. The Councils position on revenue or capital funding will be an important factor in this decision. Discussions with John Laing need to be entered into to explore how any these options could be delivered through Tunbridge Wells Regeneration Company, as there might be instances where the financial position is improved if

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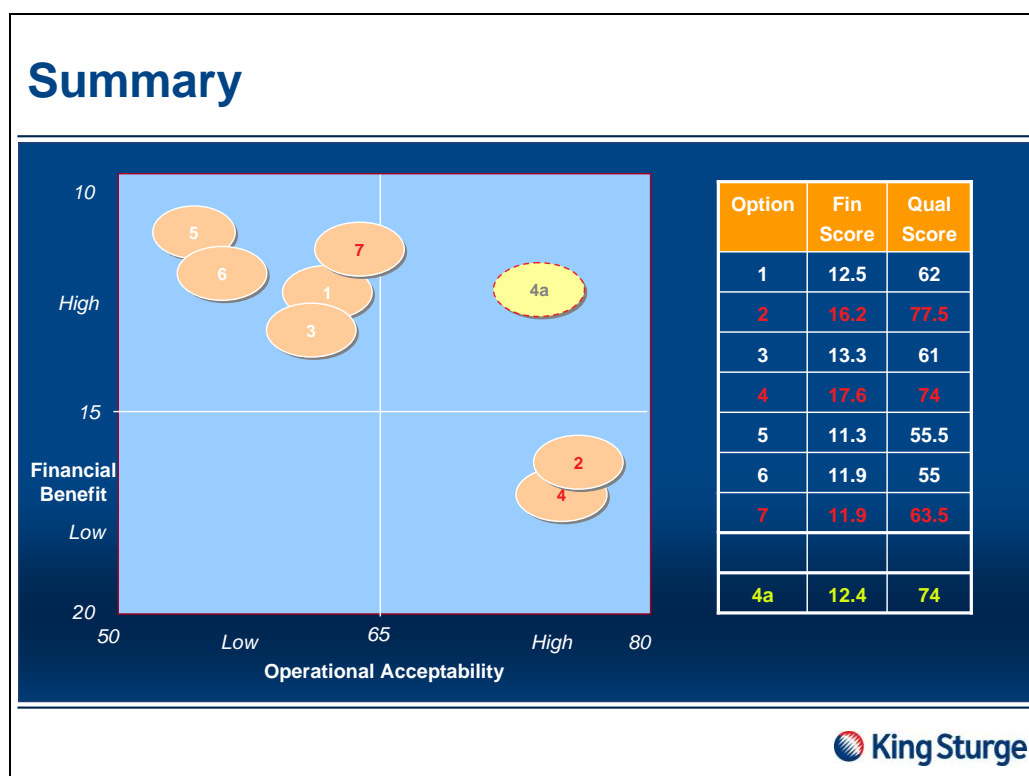
delivered through the joint venture vehicle. An example of this is if the Council takes an occupational position within a new build solution. As an equity participant it will receive a profit share which could be recycled through Regen. Co. and potentially used to subsidise its rental (whilst maintaining a share of the ownership of the asset) or deployed to other regeneration projects improving the councils commercial position within them.

7 CONCLUSIONS

7.1 INTRODUCTION

Chart 10 shows the combined Qualitative and Quantitative scores for all the options to identify the trade-offs. Those options falling into the upper right quadrant perform well financially and operationally and should be prioritised. The results show the options falling into 3 groups.

Chart 11: Overall Results



Group 1 – financially they perform well but operationally they are unsatisfactory. Options falling into this category are 5 (North Farm) & 6 (Paddock Wood).

Group 2 - again this group financially performs well but does not score equally as well operationally and includes 1 (Base Case) and 3 (Union House). Option 7 (Southborough) only just falls into this group outperforming the other two financially and having a slightly better operational score. It is on the borderline of falling into the upper right quadrant.

Group 3 – These options are at the opposite end of the spectrum to the other 2 groups as operationally they far exceed them but they are expensive to deliver, they include 2 (Great Hall Car Park) and 4 (Land Registry). We have carried out a

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sensitivity analysis on the Land Registry and called it 4a, it shows the consequence of letting the surplus space in the building, and it moving in the upper right quadrant. This option moves up significantly as effectively the cost of the occupying the building is considerably reduced, there is however a significant risk if a secure letting or lettings are not achieved as the option will then fall back to being the most expensive. We understand that there are discussions ongoing with other public sector bodies which could potentially take some or all of the surplus space between them. Further analysis is therefore required and discussion on terms that these occupiers would take space is necessary as well as exploring potential private sector occupiers.

We would conclude that there are 3 options which should be pursued and highlighted these in red in Chart 10. They are:

- Option 4 - **Land Registry**
- Option 2 – **Great Hall Car Park**
- Option 7 – **Southborough**

8 RECOMMENDATIONS AND NEXT STEPS

Since late August 2009, King Sturge has worked with TWBC to identify and evaluate its strategic options for its town hall office accommodation. This process has included:

- Over 15 internal and external interviews;
- Visits to all the potential sites
- Detailed financial modelling;
- Several conversations with external stakeholders or potential partners, such as Kent Police, AXA, Cripps Harries Hall, Kent County Council & Town & Country Housing Group.
- A briefing for Cabinet members and the leaders of the two opposition parties;
- Two briefings for the GCC Chief Executive;
- The completion of two workshops with the Internal Project Team.

As a result of these investigations, King Sturge makes the following two main recommendations, with key action points and objectives. The strategic estate options should be narrowed to the following three and ranked accordingly:

Preferred Option - Relocate to the current Land Registry building

Reserve Options - Construct a new Council Complex at the Great Hall car park
Construct a new Council complex in Southborough

TWBC should maintain the momentum created by this project and analyse the three short-listed options in conjunction with John Laing, so that it is in a position to commence the implementation of the preferred option during Q1 2010. The main actions to achieve this objective are:

- Engage with the Land Registry to establish the proposed timing of disposal of the property and their aspirations with regard to purchase price.
- Establish through Total Place and MidKIP (Mid-Kent Improvement Partnership) other potential occupiers and their space requirements and the terms under which they would look to occupy the space.
- Develop a clear timetable for the implementation of the preferred strategic option.

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We have attached at Appendix 5 a template for a business plan for the Land Registry option

