

Rother District Council

Report to: Overview and Scrutiny Committee

Date: 18 July 2022

Title: Town Hall Renaissance Project

Report of: Director – Place and Climate Change

Ward(s): All

Purpose of Report: To present the detailed business case for the redevelopment of the Town Hall site, with a view to gain approval to progress the project, subject to planning permission, to a construction phase, assigning the full and final budget.

Officer

Recommendation(s): It be **RESOLVED**: That:

- 1) Cabinet be recommended to approve the business case, with any amendments as suggested by the Committee, and recommend to Full Council an amendment of the Capital Programme to reflect proposed budget of £14,998,000;
- 2) Cabinet be recommended, subject to full Council approval of the scheme, to give delegated authority to Director – Place and Climate Change to procure the construction contractor required, and enter into other contracts as necessary, for the completion of the project works;
- 3) Cabinet be recommended, subject to full Council approval of the scheme, to give delegated authority to Director – Place and Climate Change to enter in pre-lease agreements with potential tenants to ensure that space within the new office space is tenanted upon to opening; and
- 4) all delegations be subject to a final affordability check to be conducted by the Chief Finance Officer.

Introduction

1. In February 2021, a paper was presented to Cabinet recommending that, due to the current condition of the existing Town Hall buildings, a wholesale redevelopment approach was necessary (Minute CB20/102 refers). It was made clear at this time that the heritage of the primary Town Hall building would be respected as part of any design process and any development would complement and enhance this part of the site.
2. A budget of £460,000 for the development of a planning application was agreed at full Council subject to a review of the proposals by the Overview and Scrutiny Committee.

The site and Town Hall

3. For the purposes of these recommendations, the Town Hall complex comprises the Town Hall, including all extensions, the property leased to Autolec Motor Factors and all associated access and parking. The proposal no longer includes work to the Amherst Road building, the future of which will be considered as part of a second phase and will be the subject of a separate business case. A location map with indicative boundary, site description and existing buildings analysis is attached at Appendix A.
4. The main core of the Town Hall building is over 120 years old. The costs involved with heating the premises are particularly high as the overall heating system is outdated. Whilst some investment has taken place in recent years for the purposes of meeting statutory safety requirements, the building is in need of major modernisation and refurbishment. Regardless of decisions taken in relation to this project, a new heating system and full-scale rewiring will be needed in the next 5-10 years, along with a significant amount of preventative maintenance to keep the building from deteriorating further. The current Town Hall workspace is inflexible, with small shut off rooms and long corridors. Offices in an agile post-COVID environment need to be open, flexible and multi-purpose.

Design and Planning

5. The existing Town Hall is clearly an asset of historical significance for Bexhill and therefore all scenarios explored sought to retain and refurbish the core elements of the existing property.
6. Following some initial advice from colleagues in planning, it is clear that, whilst the principle of development on this site is not an issue, respect for its heritage value and the relationship with the surrounding area are key considerations of any final design.
7. Robinson Low Francis were appointed in 2021 as the project employer's agent. Austin Smith Lord were appointed as the architects and lead designers. A planning application is being submitted in July 2022. For the purposes of this report, design matters are considered out of scope as these will be considered by the Planning Committee in October 2022.

Rationale for Development

8. The table below provides a high-level summary of the rationale for development. Further details related to these themes are provided at paragraphs 9 – 20.

| | Rationale | Implications |
|----------------|--|---|
| Climate Change | The Town Hall's baseline carbon footprint is 104.04 tonnes of CO ₂ e annually. This is primarily due to the antiquated heating system with its unlagged piping, out-dated and | Failure to address this will mean that Rother District Council (RDC) will not meet its organisational net zero position without buying substantial carbon offsets |

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| | <p>inefficient boiler, poor levels of insulation, and high consumption electrical system.</p> <p>The Town Hall is Bexhill's most sustainable employment location. It is within walking distance of two train stations and is served by multiple bus routes from both Hastings and Eastbourne, as well as Bexhill's outer wards.</p> | <p>into the future. Undertaking this level of work as a separate project will likely cost in excess of £3m without the possibility of earning additional income.</p> |
| Financial | <p>The Town Hall, in its current condition, represents a significant financial liability. There is a requirement for large scale maintenance and improvements over the next 10 years, including replacement of gas boilers and heating systems as well as a renewal of the electrical system which is coming to end of life as well as roof repairs.</p> | <p>Large costs will be incurred in the near future just to maintain compliance with statutory and safety requirements. Operational capacity of the Town Hall will also be affected.</p> |
| Regeneration/Employment | <p>Non-retail and leisure jobs are critical to a town centre's economic ecosystem. Bexhill town centre does play host to a number of professional services (primarily legal, accountancy, and estate agency), but capacity for this is limited by lack of appropriate property. Relocating high value professional and administrative jobs in to the Town Centre will generate additional economic activity for surrounding businesses. Could host 250 FTE jobs.</p> | <p>The Town Hall is unlikely to return to hosting any significant levels of employment. It offers no commercial opportunity as it exists now and the overall RDC requirement is lower than pre-COVID. Whilst efforts have been made to locate jobs at the Amherst Road building, these arrangements are time limited with that building requiring its own intervention programme.</p> |
| Staff Welfare and Office Accommodation | <p>Following the COVID-19 pandemic, the work styles at RDC have</p> | <p>If the Renaissance Project were not to proceed then it is likely</p> |

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| | <p>changed immeasurably. Having already reduced our available floor space by 562qm, remaining office space is not conducive to a flexible and agile working environment and it is not uncommon to find a single person sat within an office that has 5 desks.</p> <p>With long corridors, small inaccessible stair cases and constantly changing floor levels, the current building is not suitable for wheelchair users.</p> | <p>that we would need to further consolidate the used office space. There will continue to be large areas of unused space within the Town Hall building.</p> <p>If the Council were required to accommodate a wheelchair user employee, there are only four suitable offices (the current offices for the Chief Executive, Deputy Chief Executive, Director and PAs).</p> |
| Funding | <p>It is proposed for this scheme to be revenue neutral, in so much as it does not cost the authority and taxpayers any additional money through the revenue budget. The total cost of the scheme for approval at Council will be £14,998,000.</p> <p>There is 2,168sqm of new office space as well as a cafe provided as part of the new build, from which we are looking to generate £524,000 per annum. When combined with anticipated savings on maintenance and energy, the scheme is anticipated to break even in Year 1 whilst providing a £53,000 budgetary surplus by Year 5.</p> | <p>The current rental space at Amherst Road needs significant renovation and therefore many of the current tenancies are not anticipated to last beyond 2025. Without the creation of new lettable office space there is no scope to generate income to offset future costs.</p> |

Environment and Energy

- In September 2019, RDC declared a climate emergency and set in motion a plan to make the district of Rother and the Council as an organisation carbon

neutral by 2030. The Council has undertaken a carbon baselining to understand its own footprint; it is eminently clear that the Town Hall contributes heavily to the scope 1 and scope 2 footprint. Appendix B outlines historic and predicted future costs as well as the resulting carbon footprint. The carbon output for the Town Hall related to energy in our carbon baseline control period of 2019/20 was 104.04 tonnes of CO₂e, which is the equivalent of 50 average homes. This reduced during the pandemic when usage of the building was significantly restricted. However, it still represents one of the biggest contributors to the Council's carbon footprint. If the Council is to meet its organisational target of carbon neutrality, then it has to address this.

10. The total energy costs for the Town Hall building in 2021/22 were £36,755. The new energy pricing represents a significant increase and whilst prices have varied, it is anticipated that there will be a 61.1% increase in Town Hall energy bills for 2022/23 which would equate to £59,212. There are further anticipated increases in future years as fuel prices continue to rise to unprecedented levels.
11. It is anticipated that the proposal for a full solar array on the top of the new development, installation of low energy lighting alternatives, introduction of air source heat pumps in the new building, a wholesale replacement of the heating and electrical systems in the older core of the Town Hall, and modern thermal retention systems and insulation throughout both buildings will reduce our energy usage by over 80%, even when factoring in the additional floor space. The commercial case presented later in this report includes annual energy savings of £45,000.

Economic Development and Place Making

12. This development affords a generational opportunity to create a lasting place-making legacy for the town of Bexhill on Sea. Buckhurst Place/Town Hall Square is currently dislocated from the remainder of the town centre by the Buckhurst Road/London Road gyratory and the railway line. The works proposed by East Sussex County Council (Appendix C) would be complementary to a redevelopment of the Town Hall site, creating an accessible and welcoming space to the north of the railway.
13. The submitted design proposal delivers 2,168sqm of new internal lettable area. Based upon the Employment Density Guide (3rd Edition, 2015), this space would be capable of hosting approximately 250 FTE jobs when added to the remaining space in the core Town Hall building. Existing economic growth areas for Bexhill are primarily 'out of town' and therefore, whilst provide significant opportunity for job growth, the direct benefits to the town centre are minimal. With minimal existing public transport links, these areas are less sustainable in environmental terms than the town centre. The Town Hall development presents a unique opportunity to retain and grow the number of jobs within the town centre area.
14. The recent acquisition of the Sainsbury's building, along with existing land ownership, offers the long-term potential to extend the regeneration of the Town Hall square all the way up to the railway line, creating a destination for business, retail, community and residential space.

Securing the future of the Town Hall for the long term

15. Opened on 27 April 1895, the original core of the Town Hall is now over 127 years old. It must be noted that over the last 10 years there has been significant investment in the building, including large scale roof repairs to the east wing as well as upgrades to the glazing undertaken by previous administrations. However, the building continues to deteriorate and requires substantial reactive annual maintenance to keep it operational and compliant. Over the last two financial years almost £85,000 has been spent on general repairs and maintenance, £11,000 on replacing and repairing required safety equipment and £135,000 on larger reactive repairs and refurbishment to meet operational necessity and basic statutory compliance (including new fire doors and fire alarm system).
16. In addition to continued increasing annual maintenance costs there are a number of unavoidable future costs that will be incurred if this project does not proceed. The current building's heating and electrical systems are both nearing end of life. Within the next 5 – 10 years, wholesale removal and replacement will be required. These works will be carried out as part of the Renaissance project and the costs of these works are included in the full cost report provided at Appendix D. However, a standalone piece or pieces of work at a future date would be significantly more expensive and is predicted to cost up to £300,000. As part of the financial appraisal for the scheme, we annualised the savings against costs for these works over the first ten years of operations.
17. Whilst a new building and a refurbished core building will still require annual maintenance, this will be at a significantly reduced level, particularly for the first ten years. These savings have been captured as part of the financial appraisal for the scheme.

The future of the office

18. The current building does not offer the attractive modern working environment expected by many employees. This can cause issues with recruitment and retention as well as overall staff wellbeing. In May 2020, September 2020 and September 2021, staff surveys were carried out to understand how officers are likely to wish to work in the future given the precedent that was set by the organisation's response to flexible and home working during the COVID-19 pandemic. The results of this survey showed that, whilst the staff have adapted well to home working, most would anticipate still working in an office environment between one and three days a week 'post COVID'. As restrictions have eased, the organisation has experienced differing appetites across departments to return to regular office working. A piece of work is being undertaken as part of our ongoing business practice and workforce transformation, led by the Deputy Chief Executive, to establish organisational expectations on future attendance at the office.
19. As part of the Strategic Property Asset Collaboration East Sussex (SPACES) group, officers have been contributing to a pan-East Sussex and Greater Brighton study to ascertain the likely working practices and office requirements of public sector organisations into the future (attached at confidential Appendix E). There are clear differences in approach across local government organisations, the health sector, and the blue-light services. Of particular note, health services are looking to remove administrative staff from clinical

environments such as hospitals, to free up much needed clinical space as well as providing better, more appropriate accommodation for office-based workers.

20. One other key finding is that all organisations are now taking a far more flexible approach to office-based workers, recognising that office locations should not be a deterrent in recruitment. There is a shared ambition to offer collaborative workspace throughout the county to enable sharing of desks across organisations. This is following a pilot study in Kent, led by the County Council in partnership with the district and boroughs. What has yet to be determined is how this operates on a commercial basis to support development of new suitable space in required locations. Bexhill has often been overlooked as a strategic office location because of its proximity to Hastings. As the third biggest town in East Sussex and its profile as a largely residential town, Bexhill does offer the opportunity for a range of public sector services to provide a high-quality office environment close to where their workers live. As such, we have been engaged in a range of discussions with partners, details of which are provided later in the report.

Financial Case and Commercial Strategy

21. The Town Hall Renaissance Project is designed to be self-funding, with no additional revenue burden to the Council. The new modern accommodation exceeds the needs of the Council and, as stated above, there are significant economic benefits to Bexhill and the wider Rother District by increasing jobs hosted in the area. As such the financial case is based upon renting space to tenants on a commercial basis.
22. The Council already has a number of tenants in situ at the Amherst Road former-treasury building, which is rented out at comparatively low cost but is of a particularly low quality. Officers engaged heavily with the original tenants about moving over once the new building is complete, all of whom have also helped to shape the internal layout requirements. The Council has also attracted new tenants to the Amherst Road building, whose interest was based on an initial short-term lease in preparation for moving into the new building. The Amherst Road building does not reflect a long-term option for our tenants, without significant investment. The details of potential tenants, level of commitment, and preliminary space need is detailed in Confidential Appendix F.
23. The initial expectation was that the whole of the new building would be taken up by public sector organisations. As organisations begin to shape their 'post-COVID' working patterns and office requirements it may be that this will need to be supplemented by the inclusion of private sector organisations. Officers are working with commercial agents to ascertain the likely levels of demand for this type of Town Centre work space. There is also potential to operate this space as an innovation/start-up centre, supporting new businesses to grow, much like Napier House which has shown consistently high levels of occupation.

Funding and Income

24. In order for the scheme to be considered self-funding, the combined annual income and net savings resulting from the development must at least match and preferably exceed the annual costs associated with servicing the borrowing.
25. £460,000 was approved by Council (Minute C20/62 Refers) in February 2021 to develop a design and bring forward a planning application. There have since been additional costs incurred as a result of extra works commissioned to limit future development risks. These additional costs have included a planning performance agreement with the Local Planning Authority (LPA) to enable the additional resource required by them to ensure that proper pre-planning advice could be provided as well as ensuring that an independent appraisal of the scheme is provided by an outside consultant, additional project management resources to cover long-term staff sickness, and a series of additional surveys that de-risk the development going forward and ensure that no further works or delays are needed when the procurement of a contractor is undertaken (including bat surveys and ground stability surveys, amongst others). These additional costs have been included in the overall cost of the scheme and have been agreed by the Section 151 officer (Chief Finance Officer) as necessary.
26. Should the scheme not progress beyond the planning phase then all costs to date would revert from capital to revenue costs. The total liability to the Council's revenue budget would be approximately £650,000 including aborted works costs.
27. Officers have produced a discounted cash flow document (Confidential Appendix G) based on a prudent approach to potential costs and income. A series of assumptions have been made based on stakeholder and tenant engagements, information provided by consultants, and information from the Council's Chief Finance Officer. These are detailed in the table below:

| Cost/Income/Saving | Assumption | Notes |
|-------------------------------------|-------------------|--|
| Savings on energy costs | £45,000/annum | As outlined above, this is factored in over the lifetime of the appraisal |
| Savings on maintenance | £54,000/annum | Includes annualised savings as outlined above. Only factored in for first 10 years of the appraisal. |
| Average interest rate for borrowing | 3.25% | As advised by CFO and based on current rates of interest. |
| Rent reviews and increases | 1%/annum | Factored in as a rent increase of 5% once every 5 years |
| Professional fees on construction | 10% | Industry standard assumption and reflective of current fee structure. |

28. Based on these assumptions the basic annual cash flow for the year 2025 is shown below (this is shown in greater detail in Appendix G):

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| Total Cost of Project | £14,998,000 |
| Net Income | £524,536 |
| Cost of borrowing including repayment | £610,873 |
| Savings over current costs | £99,000 |
| Sinking fund for future maintenance | £14,040 |
| Deficit/Surplus on current revenue budget | -£1,377 |

29. By the year 2035, following two rent reviews and loss of annualised maintenance savings the annual cash flow shows:

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| Net Income | £639,313 |
| Cost of borrowing including repayment | £610,873 |
| Savings over current costs | £45,000 |
| Sinking fund for future maintenance | £14,040 |
| Deficit/Surplus on current revenue budget. | £59,400 |

Key Risks

30. Whilst a comprehensive risk register has been developed, listed below are some of the key risks and the relevant mitigations:

| Risk | Mitigation |
|--------------------------------------|---|
| Cost of build increases | The current appraisal has taken a prudent approach to contingency as well as accounting for the increase in materials prices. We are currently appraising the appropriate procurement route for this scheme but an award of contract in line with expectations is critical and will give certainty of costs. Limiting delays in the governance and planning processes helps to ensure that the projected prices remain assured. |
| Un-rented commercial space | Potential tenants are being asked to commit to Heads of Terms based upon the required rent. We have engaged with a long list of public sector organisations who are interested in taking on space. Should there be supplementary space available then commercial tenancies would be considered and made available to ensure maximum income. |
| Planning Permission | The project undertook a planning performance agreement with the LPA. This has funded additional input and advice from the LPA as well as a series of meetings on the appropriateness and merits of the design. The LPA are still to make their recommendation on this proposal, and this will be influenced by the response from statutory consultees. The RDC Planning Committee will make the final adjudication on the scheme. |
| Ground conditions and other unknowns | To reduce the risk of discovering unfavourable ground conditions or ecological factors, the decision was taken to bring forward a series of surveys necessary for planning discharges in advance of the planning application. This |

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| | included bat surveys and ground stability surveys among others. |
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Conclusion

31. This project represents a once in a generation opportunity to transform the Town Hall and the surrounding area of Bexhill. It will create the opportunity for jobs to relocate to a sustainable town centre location, reinvigorate Buckhurst Place with additional footfall and employment, set the standard for environmentally friendly office development in the district, and significantly reduce the Council's own organisational carbon footprint.
32. The whole project is to be revenue neutral to the Council by combining new sources of rental income, significant annual savings on maintenance and energy and additional car parking revenue. Whilst recognising that there are risks involved in the financial case, a great deal of work has gone into liaising and engaging with potential tenants. There are high levels of take up on a building which has not yet received planning and formal legal agreements will be concluded at the earliest possible point, whilst negotiations continue with other potential tenants.
33. The project team have sought to engage with the public at the earliest opportunity in the design process. A recent public exhibition was undertaken in the Town Hall and online, with an opportunity to complete a short feedback survey. In total, 765 people engaged with the materials. 66 people responded to the survey with the proposals receiving very favourable feedback. Positive responses (Strongly Agree/Agree) made up between 56% and 91% on all questions. However, limited information was provided regarding the business case for the scheme as well as the principle behind the development. As such, a further engagement process will be undertaken following the consideration of this report, giving members of the public the opportunity to respond to the issues considered herein. This feedback will then be provided to Cabinet for their consideration for making a recommendation to Council.
34. Following a review of the evidence provided, it is recommended that the Overview and Scrutiny Committee resolve a recommendation to Cabinet that this project proceed to construction, and that the necessary amendments to the Capital Programme are agreed at full Council. It is proposed that the relevant authorities be delegated to the Director – Place and Climate Change to progress the award of contracts and agreement of tenancies.

Financial Implications

35. The development would require a significant capital input with the need to at least cover, and preferably exceed, borrowing costs through the generation of rental income and delivering savings against existing expenditure.

Environmental

36. One of the main drivers of the redevelopment proposals for the Town Hall and associated buildings is to enable the organisation to meet its own carbon neutrality targets. Failure to address the environmental impact of the Town Hall, being the largest administrative building for the organisation, would likely lead to inability to meet these targets.

Sustainability

37. As with the environmental impact, this project is aimed with ensuring the Council's main administrative building can operate sustainably into the future whilst being able to adapt to new ways of working.

Risk Management

38. A full project risk register has been developed and will be maintained through the lifetime of the project.

Equalities and Diversity

39. Equalities Impact Assessments will be carried out as part of this project to understand how the building needs to accommodate the needs of all users in line with statutory requirements, promoting inclusivity, diversity and wellbeing.

Consultation

40. Following the final recommendations by this Committee, there will be a further four weeks of public engagement. This will include the opportunity to comment on the business case and commercial strategy outlined in this report. The outcomes of this engagement will then be reported to Cabinet alongside the recommendations from this Committee enabling an informed decision to be made.

| Other Implications | Applies? | Other Implications | Applies? |
|----------------------------|--|--------------------------|----------|
| Human Rights | No | Equalities and Diversity | Yes |
| Crime and Disorder | No | Consultation | Yes |
| Environmental | Yes | Access to Information | No |
| Sustainability | Yes | Exempt from publication | No |
| Risk Management | Yes | | |
| Chief Executive: | Malcolm Johnston | | |
| Report Contact Officer: | Ben Hook | | |
| e-mail address: | ben.hook@rother.gov.uk | | |
| Appendices: | A Site layout and description | | |
| | B Maintenance and Energy Costs | | |
| | C ESCC Consultation Designs | | |
| | D RLF Cost Report. (Confidential) | | |
| | E SPACES future of the Public Sector Office (Confidential) | | |
| | F Tenants and space need details (Confidential) | | |
| | G Financial Appraisal Discounted Cash Flow (Confidential) | | |
| Relevant Previous Minutes: | CB18/73: February 2019 | | |
| | CB20/102: February 2021 | | |
| | C20/62: Full Council February 2021 | | |
| Background Papers: | None | | |
| Reference Documents: | N/A | | |