

## Appendix Five

### **Total Place Proof of Concept: Proposal to co-locate public sector back-office functions in Tunbridge Wells**

#### **Summary:**

A proposal to co-locate a range of public and voluntary sector agencies in a town centre 'Gateway' to improve the coherence and efficiency of customer service along 'tell us once principles' and to bring together back office functions in a public sector 'hub' which would help deliver capital receipts and ongoing revenue savings of £1.1 million per annum.

The proposal very much supports the other strands of Kent's Total Place pilot as follows:

- Gateway: Tunbridge Wells already has an established Gateway. This proposal would enhance and deepen the offer by aligning and integrating services and extending them deeper into back-office functions
- Deprivation: Whilst the Kent pilot on addressing deprivation has focused on one geographical location in Margate, the lessons learned would be clearly applicable in Tunbridge Wells (an area that, whilst on the face of it, appears to be affluent, nevertheless has significant pockets of deprivation). The Margate work would inform the space planning work to make sure that inter-related functions of separate organisations are co-located (for example, the Police being co-located with the Licensing, CCTV, Community Safety and Civil Enforcement functions of Tunbridge Wells Borough Council and the PCT being co-located with colleagues from Adult Social Services).
- Assets: The proposal would support the disposal of three Central Government properties (Land Registry, HMRC and Probation Service) and would enable further future disposals. It would also bring approximately nine local offices (used by TWBC, KCC and the PCT) together into just one building with associated annual savings in rental, utilities and space requirements of £682k and approximately £180k staffing costs.

## **Background**

As part of the Kent Total Place pilot, one particular 'proof of concept' has been developed alongside the more general work on counting public sector expenditure in the County and exploring how it could be spent more effectively. This concept, if delivered, presents an opportunity to realise capital receipts associated with the disposals of a number of assets, to reduce ongoing revenue expenditure and radically to improve joint working between central and local public and voluntary sector organisations.

## **The opportunity**

Four developments have come together to present an exciting and viable opportunity:

### Gateway

One initiative which has enabled the Council to consider relocating its office accommodation is the opening of a 'Gateway' in the heart of the Town Centre. Gateway is a joint initiative between Kent County Council and Tunbridge Wells Borough Council which has brought together 30 public, private and voluntary sector organisations under one roof. Organisations currently operating out of the Gateway include the Borough and County Councils, Citizens Advice Bureau, the local volunteer bureau, the local FE College, the local Pathways to Work and Flexible New Deal contractors, Business Link, a firm of solicitors who provide legal aid advice and a range of local voluntary sector organisations. Gateway (which has also been a 'Tell Us Once' pilot) has dramatically improved the way in which we can deal with complex cross-organisational issues and inquiries. It has proved to be particularly effective in helping local residents and businesses cope with the economic downturn by providing a coherent response to inquiries relating to housing, benefits, education, debt advice and volunteering. Its town centre presence has also meant that a number of organisations are now willing to consider relocating their back office functions.

### KCC Office Rationalisation

Kent County Council is currently in the process of rationalising their office accommodation. The proposals would see three separate buildings in South West Kent being combined into one building.

### Land Registry Building

On 22 October, the Land Registry announced a five-year programme of reorganisation and transformation aimed at cutting costs. The first phase of this proposal was to see the closure of a number of offices including Tunbridge Wells. The Land Registry Building is located at Forest Road, Hawkenbury, just outside Tunbridge Wells Town Centre. It was constructed in 1998 and occupies a site of approximately 5.5 acres. The structure comprises a main three-storey office building constructed around a central courtyard with two linked single storey annexes

currently providing a reception and staff facilities building. The total floor area is 4,970Sq M NIA (6,210 Sq M GIA). There are three outbuildings and considerable external parking

The accommodation offers modern, flexible, accessible working space and from the information provided it would appear that the structure is generally in good repair.

The current space configuration is indicated in the plans attached at the end of this document.

From information provided by the Land Registry it would appear that the building has a condition survey and maintenance programme which identifies minor areas of disrepair but generally implies that the building has been adequately maintained.

### Tunbridge Wells Regeneration Company and the Town Hall Site

In 2008, Tunbridge Wells Borough Council set up a joint venture company with a private sector company – one of the first Local Asset Backed Vehicles in the country. The company is exploring redevelopment opportunities for 38 Council-owned sites in the Borough's four main towns. One site which is actively being considered is the Town Hall site in the centre of Royal Tunbridge Wells. In addition to the Town Hall, the site wider civic site also includes a Police Station, Assembly Hall Theatre, Adult Education Centre, Library and Museum and other Council-owned property including two car parks. Whilst many of the buildings are listed, they are no longer fit for purpose and they also offer a significant opportunity to improve the economic vitality of the Town, to increase employment opportunities and to join the two halves of Tunbridge Wells town centre. The Regeneration Company has appointed architects to draw up a scheme for the site and the Council is working with a consultant to identify alternative sites for its office accommodation.

## **The Proposal**

Our proposal would be to co-locate a range of national and local public sector bodies and/or functions:

- Front-facing service would be delivered from the Gateway<sup>1</sup>. As well as providing a more effective, coherent and efficient service to the public, this would also enable us to promote new ways of working and 'channel migration' as outlined in the report of the Gateway strand of the Kent Total Place Pilot.
- Back-office staff would be co-located in the current Land Registry building. This again would present very considerable opportunities to reduce cost (see Appendix 2), increase flexibility and improve the coherence of public sector services in Tunbridge Wells (see Appendix 3).

Work with partners to date (see below) has suggested that there is an appetite not merely to co-locate staff but to integrate staff from according to function/service rather than organisation. This provides exciting and interesting opportunities to

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<sup>1</sup> With the potential, in time, to relocate the Gateway to another, larger, town-centre site through the Regeneration Company if further space were to be required

improve coherence in policy areas which overlap organisational boundaries – for example, adult social care or community safety.

### Associated Opportunities

Government departments and agencies are actively exploring opportunities to rationalise their estate and to deliver efficiencies. The proposal from the Land Registry published on 22 October is one such example, but we have also had discussions with HMRC who are looking to dispose of their offices in Tunbridge Wells and to relocate front-facing and back-office staff to another town-centre site. Such proposals are met with two principal concerns: the loss of service locally and the loss of employment opportunities. Our proposal would help address both of these concerns: The redevelopment of the Town Hall and a number of other sites in Tunbridge Wells will generate a number of new employment opportunities; and services can continue to be delivered locally (either by departments/agencies themselves or by us on their behalf) through Gateway and the back office 'hub'. We have already had discussions with both the Land Registry and HMRC which has revealed an interest in locating front-facing staff in Gateway to retain local service whilst relocating back-office staff to regional service centres to deliver the economies of scale. Kent has recently upgraded its Public Service Network (which is fully GSX compliant) which should enable front-office staff to access back-office systems.

The 'hub' idea would also provide an opportunity to accommodate voluntary sector organisations who (as the Gateway have demonstrated) can make use of serviced accommodation on a flexible basis.

### Delivering Savings and Value for Money

Cashable savings would be delivered in two ways:

- The proposal would help deliver a number of asset disposals including the Land Registry itself, but also buildings on the civic site and HMRC's building Longford House.
- The proposal would also enable organisations to make considerable revenue savings in running costs by shrinking their space requirements (through more flexible accommodation and working patterns) and by sharing space in respect of meeting rooms, training rooms, break-out and refreshment areas and reception areas. Further staff savings could be delivered by sharing reception and facilities management arrangements and possibly ICT infrastructure.

Non-cashable savings would be delivered by co-locating services and delivering them in a more effective, coherent manner – both face-to-face through the Gateway and back-office functions.

The concentration from a number of dated, inefficient, carbon intensive properties to combining services and resources in one structure, will help to deliver reductions in the carbon footprints of the organisations involved.

The proposal will help to achieve a sustainable approach to growth that understands, invests in and combines to maintain human, social and environmental resources as well as financial resources.

## Steps Taken to Date

### Disposal of the Town Hall and other buildings on the 'civic site'

Architects have been appointed to draw up a scheme for the civic site. A wide range of uses are being explored but it is anticipated that the scheme would be suitable for mixed use including retail and office accommodation as well as exploring opportunities to develop a 'cultural quarter' on or around the site. A report is expected in July 2010.

### Mapping Accommodation Requirements

Both Tunbridge Wells Borough Council and Kent County Council have completed an initial scoping exercise on their office accommodation needs. These are summarised in Appendix 1.

Kent County Council have a break clause in their existing lease of 17 KHA in 2012. Tunbridge Wells Borough Council have more flexibility in deciding when to move but would probably look to move some time in 2011 or 2012 (depending on the development of proposals for the Town Hall site by the Regeneration Company). Other public sector bodies have expressed a strong interest in the proposal but it has not been possible to complete a detailed needs assessment within the time available. There is ongoing engagement with these organisations to explore possibilities and opportunities open to us.

Discussions have also taken place with some Government agencies. HMRC have announced a proposal to close their offices in Tunbridge Wells but are looking to retain a counter service and some back office staff. They are keen to explore co-locating with TWBC and KCC in the Gateway or elsewhere. Similarly, the Land Registry have indicated that they would be interested in leasing back some space if the building were to be sold in advance of the current proposed closure date of 2012 and that they may have an interest in retaining a counter service at the Gateway. The Probation Service have also indicated an interest in co-locating with the Borough and County Council.

Accommodation needs are as follows:

Organisation	Commentary
Tunbridge Wells Borough Council	2,586 Sq M (including civic space, meeting rooms and break out areas which would be available for joint use with other occupiers)
Kent County Council	1,200Sq M as part of their office rationalisation programme. They would be seeking to decant Croft House, Montague House and Tricorn

	House into one building in the South West of the County. Break clauses in 2012. There may be scope for other County Council activities to be located here as well bringing an additional floor space requirement.
West Kent Primary Care Trust	730 Sq M - there may be some issues separating operational and back-office functions but these are being looked at.
Police	Currently examining the options available and are aware of the need to examine asset management issues
HMRC	Have indicated that they would be looking to dispose of Longford House and to relocate front-office staff into the Gateway. Would require some (albeit minimal) back-office accommodation.
Land Registry	Have indicated that if the building is sold in advance of the proposed closure date (late 2012), they would wish to lease back some space up until 2012. They have also indicated a willingness to explore whether a residual front-office function could be run out of the Gateway.
Kent Probation	405 Sq M required. Break in 2014
<b>Total gross space requirement</b>	4,800 - 5,500 Sq M plus whatever is required by Police, HMRC, Land Registry and other partners (including the voluntary sector)

We are also confident that other public and voluntary sector bodies would be interested in the proposition but it has not been possible to identify their exact accommodation requirements within the timescales available.

### The Land Registry Building

The Land Registry Building is 4,970 Sq M (NIA) so very closely matches our accommodation needs. Clearly, the proposal to close the building is still subject to consultation and this proposal is contingent upon a decision being taken to close the building and in no way pre-judges the outcome of the consultation. However, were the closure to proceed, we would propose that we would purchase the building from the Land Registry enabling them to release an early capital receipt. We would be looking to do this sometime in 2011 with the potential to lease back part of the building to the Land Registry until their closure programme is completed in 2012. If a decision is made to proceed, we would undertake a more detailed business case.

In particular, we would look to explore how we could develop innovative management arrangements for the building that would enable us to ensure that services and support arrangements (including facilities management) were shared and that space in the building is planned and apportioned to support effective service delivery. This will maximise the use of the operational space in the building, providing economies of scale in rent and operational cost.

The acquisition, refurbishment and relocation of the various organisations involved would be project managed according to PRINCE2 principles with regular status and, where necessary, exception reports. We would establish a project management team with representatives of the various organisations involved. Local agencies are well versed in managing such projects and KCC and TWBC (who would be leading on the project) have a very strong track record in performance, project management and innovation.

### **Supporting Total Place and other Government Objectives**

In addition to supporting all three strands of the Kent Total Place Pilot (see page 1), the report also supports many of the objectives set out in *“Putting the Frontline First: smarter government”*. The report states that:

*“This diffusion of power is the next stage of public service reform ... we will merge back office functions; relocate staff and reduce Civil Service overhead costs; and sell off or mutualise assets that the Government does not need to own”*. The report also states that *“we will support local authorities that wish to use their trading powers to create further commercial opportunities, set out guidance on effective use of joint ventures by local authorities and their partners in February 2010”*. Our proposal very much supports these objectives.

### **Next Steps**

We hope that this important project will be considered as a ‘proof of concept’ that will demonstrate how some of the key issues relating to asset rationalisation, customer service, cost-reduction and long term sustainable efficiency gains can be delivered.

The whole project, however, is contingent upon the Land Registry Building being available for purchase at a reasonable price. We have not identified any other similar building in the Borough that would be suitable for our needs and a new build would not be deliverable within the timescales. We would also like to explore whether the sale of the building could be exempted from Stamp Duty given that its ownership is being transferred within the public sector. A similar arrangement already exists for the sale and acquisition of property within the health sector.

We propose:

- 1) That a dialogue should be opened up on whether and how we could acquire the building through private negotiation;-
- 2) That further discussions should take place on possible models for acquiring, holding and managing the building;
- 3) That more detailed work should be undertaken to identify a complete list of possible partners, to understand their accommodation needs and how they might fit into the service model that has been described above.

## Needs Analysis – Current and Projected

Current Position				
Organisation	Property	Current space requirements Sq m	Existing cost (rental) per annum	Other costs per annum
TWBC	Town Hall	2747sq m	£389k	£448k
	Calverley Terrace	700sq m	£65K	£114k
KCC	Montague House	754 sq m	£165k	£95.5k
	17 KHA (part)	1400 sq m	£288k	£172k
NHS West Kent	Alan Gardiner Cottage			
	Landsdowne Road			
HMRC				
<b>Total</b>		<b>5601 sq m</b>	<b>£907K</b>	<b>£829.5K</b>

Future Space Requirement – Self Contained (within Land Registry)				
Organisation	Future space requirements (enabled by flexible working)		Projected future cost of office accommodation (rental @ £150 psm NIA)	Projected future costs (other @£114 psm GIA)
	NIA	GIA		
TWBC	2586 sq m	3230sq m	£388k	£368k
KCC	1200 sq m	1500 sq m	£180k	£171k
<b>Sub Total</b>	<b>3786 sq m</b>	<b>4730 sq m</b>	<b>£568K</b>	<b>£539K</b>
Vacant	1184 sq m	1480 sq m		
NHS West Kent	?	?		
HMRC	?	?		
<b>Total</b>	<b>4970 sq m</b>	<b>6210 sq m</b>		

Future Space Requirement – Total Place (within Land Registry)				
Organisation	Future space requirements (enabled by flexible working & shared space)		Projected future cost of office accommodation per annum (rental @ £150 psm NIA)	Projected future costs per annum (other @£114 psm GIA)
	NIA	GIA		
TWBC	2198 sq m	2745sq m	£330k	£313k
KCC	1020 sq m	1275 sq m	£153k	£145k
Combined Space	388 sq m	485 sq m	£58k	£55k
<b>Sub Total</b>	<b>3606 sq m</b>	<b>4505 sq m</b>	<b>£541k</b>	<b>£513k</b>
Vacant	1364 sq m	1705 sq m		
NHS West Kent	?	?		
HMRC	?	?		
<b>Total</b>	<b>4970 sq m</b>	<b>6210 sq m</b>		

### Notes:

- More detailed figures from HMRC, NHS West Kent and other partners will be added as and when they are received.
- Other costs per annum reflects maintenance, rates, utilities, etc and are taken as actual costs or based on cost per sq m GIA
- The projected future costs other have been based on information by the Land Registry and does not include refurbishment costs. Consultant advised a refurbishment cost of £400 psm
- The release of savings from 17 KHA will not be achieved immediately due to an existing leasehold commitment.
- NIA is calculate as 80% of GIA

**Capital Receipts**

Asset	Organisation	Asset Value	Comments
Land Registry Building (technically not a 'capital receipt'?)	Land Registry	£8.5m	Planned as part of consultation announced on 22 April. Proposal would enable earlier realisation of value and would allow flexibility for staff to remain in the building. Refurbishment costs approx £2.2m
Town Hall	TWBC	£3.125M	The buildings that collectively form the existing civic site offer considerable opportunities to regenerate the Town. No firm decisions have been taken on the Assembly Hall Theatre, Adult Education Building or Library, Museum and Art Gallery and any proposals would be contingent upon suitable alternative accommodation being found within the Town Centre as part of the Town Centre Area Action Plan. The buildings would be extremely difficult to redevelop without this coherent approach. Where such facilities will require replacement the Asset value at this stage and for the purposes of this exercise have been reflected as zero to indicate a replacement cost.
Calverley Terrace	TWBC	£625K	
Assembly Hall Theatre	TWBC	£0	
Adult Education Building	KCC	£727K	
Library, Museum and Art Gallery	KCC	£0	
Lansdowne Road	NHS West Kent	£280K	
<b>Total</b>		<b>£13.26M</b>	

Notes:

- The Town Hall and Calverley Terrace have been taken at the Fair Value given in the 2009 Asset Valuation.
- The Adult Education Building and Library, Museum and Art Gallery have been valued in accordance with the Asset valuation on a Depreciated replacement Cost basis 2008 Asset Valuation.
- Lansdowne Road has been taken as the asset value provided by NHS West Kent.
- The Total is a minimum figure reflecting at this point, the capital asset value of the assets from those partners who have indicated their commitment to occupying the LR building. Vacant Space remains in the LR building and it is assumed that further capital will be realised from the disposal of other assets by future partners who have yet to confirm their commitment to occupying the LR building.
- In addition to the capital receipts from the sale of surplus assets through rationalisation into the LR Building, the annual income from "notional" rent from the LR building can be capitalised to identify a financial benefit.

## Revenue Savings

Saving	Approx Saving (annual)	Comment
Reduced space requirements from more flexible working	£682K	By rationalising the current Estate holding through the concept of Total Place, space, rental and other costs will be saved as indicated. This reflects the figures for TWBC and KCC only at this stage but should show a far greater saving as the property information from other partners is confirmed.
Reduced space requirement from joint use of facilities	£70-100K	15 per cent of the largest space requirement has been assumed to comprise civic space, meeting space, training facilities, break-out and refreshment facilities and reception areas to be shared by all partners. At present the figures only represent the saving to KCC and TWBC and will show an increased saving as the benefit to other partners can be identified once their space requirements are confirmed.
Reduced staffing costs	£180K	Reception and facilities management costs
Other savings	£100K	e.g. ICT
<b>Total</b>	<b>£1.032M-£1.062M</b>	

**Appendix 3: Service Relationships**

The opportunity to undertake the business of each organisation within flexible, modern, seamless accommodation will enable each service to complement the other functions within the merged workplace and to develop the relationships to enable them to expand, develop and provide a comprehensive, total service to the client public. Co-location without physical boundaries will enable service relationships to blend and evolve, maximising the benefit of space, cost and fundamentally, service provision.

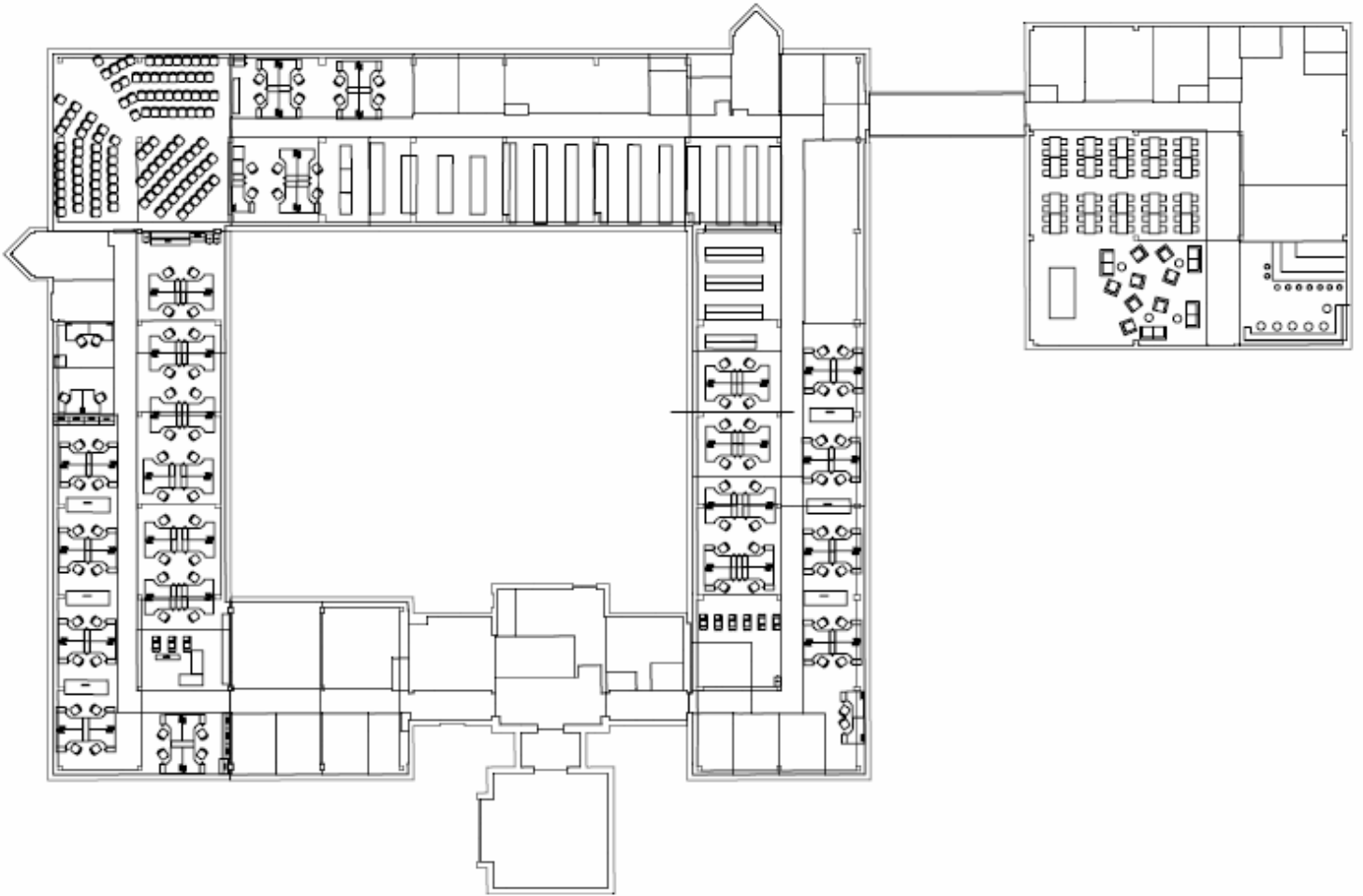
This has been demonstrated by the extremely successful provision of services through the Gateway concept where many different Public Service and charitable bodies have combined within shared, open workspaces to deliver each others’ services to the General Public.

Examples of possible ‘hubs’ are listed below. This concept has been developed as part of the Gateway workstream and will be further developed if the proof of concept is taken forward.

<b>\ Organisation Service \</b>	<b>TWBC</b>	<b>KCC</b>	<b>PCT</b>	<b>Police</b>	<b>Other</b>
<b>Healthy Living</b>	Housing (Aids and Adaptations) Healthy Living Youth Services	Adult Social Services Children’s Services			
<b>Community Safety (CSU)</b>	Community Safety Licensing Environmental Health Civil Enforcement Officers CCTV	Community Wardens	Drug and Alcohol abuse Hospital admissions		Probation NOMS
<b>Welfare Benefits</b>	Council Tax and Housing Benefits	Blue Badges School Meals			JCP HMRC DWP

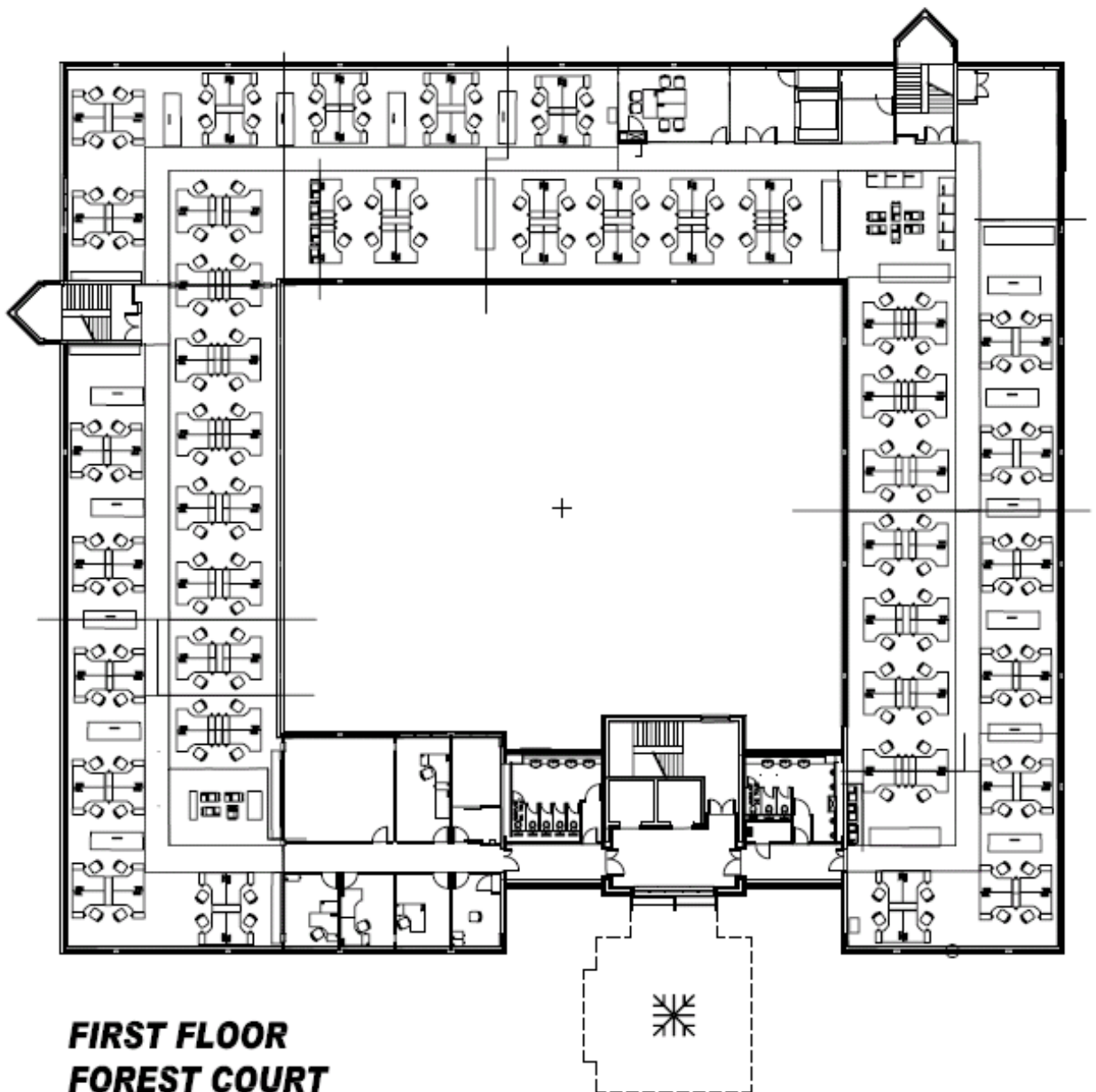
### Appendix 3: Service Relationships

Ground Floor



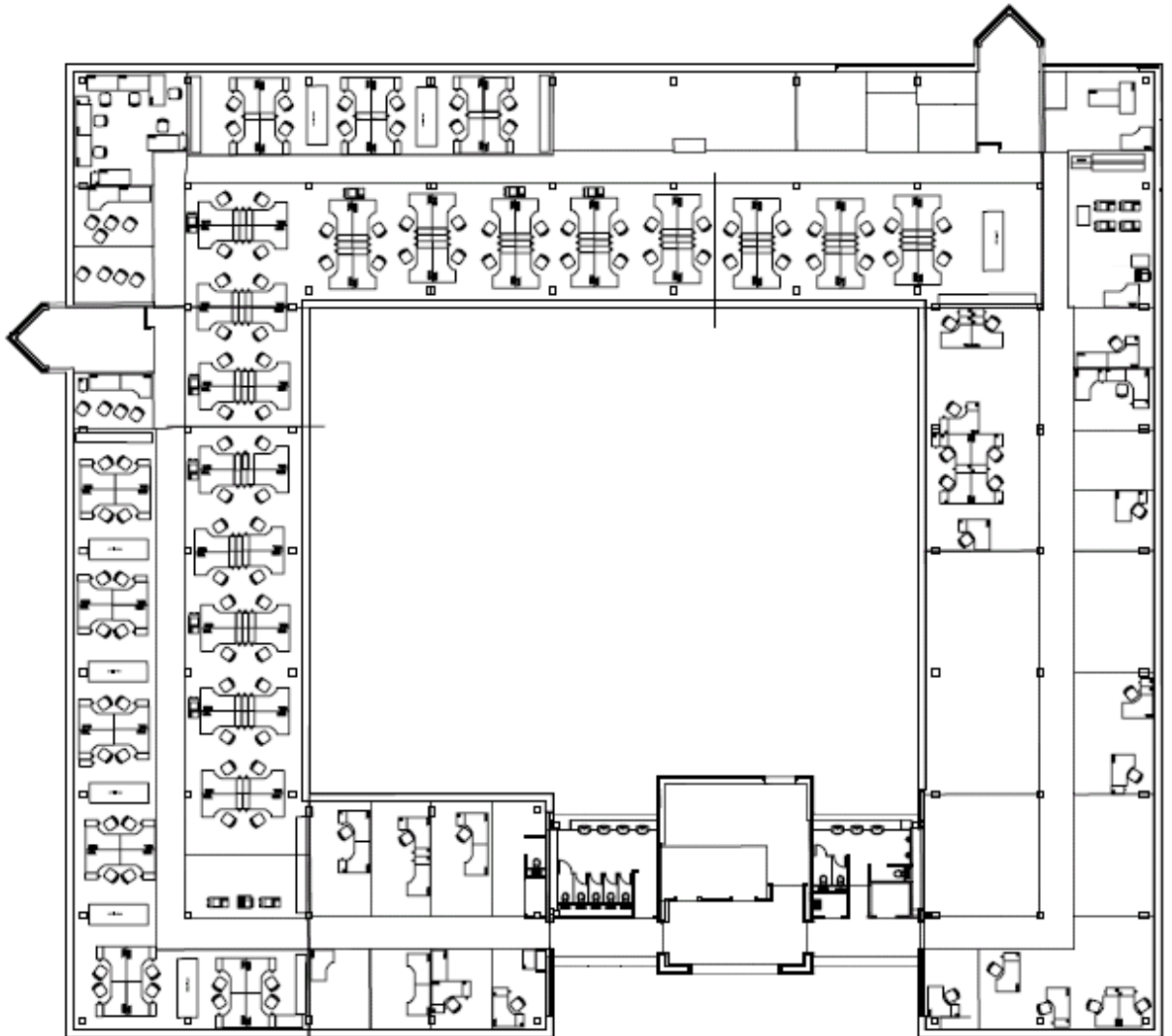
Appendix 3: Service Relationships

First Floor



## Appendix 3: Service Relationships

Second Floor



**SECOND FLOOR**