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**Decision Maker:** Executive

**Date:** 17<sup>th</sup> September 2015

**Decision Type:** Non-Urgent Executive Key

**Title:** CIVIC CENTRE DEVELOPMENT STRATEGY

**Contact Officer:** Catherine Pimm, Head of Asset Management and Strategic Projects  
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**Chief Officer:** Director of Regeneration & Transformation

**Ward:** Bromley Town;

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1. Reason for report

- 1.1 To inform members that a Development Strategy has been prepared for the Civic Centre site, which includes options for the future accommodation of staff, including on or off site options. The Strategy identifies the potential uses, opportunities and values of the site based on these options. The report also recommends Option 3, the on-site option for selection and outlines the further work that the Council will have to undertake to decide whether or not to proceed with that option and deliver it successfully.
- 1.2 To seek members' approval to carry out the additional work required to produce a more detailed Business Case for Option 3, which will enable the Executive to decide whether or not to proceed with its implementation.

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2. **RECOMMENDATIONS**

2.1 **Members are asked:**

- i) to approve the additional work necessary to produce a Business Case for Option 3 as outlined in paragraph 3.42
- ii) a) to reappoint Montagu Evans LLP to provide additional consultancy services in the preparation of the second stage Business Case work and to prepare the planning representations as detailed in Section 5 of this report. In addition a desktop archaeological survey and condition survey will be required.

**b) to agree that the planning representations will show an area of land for proposed disposal and aspirations for the uses and development based on Option 3, and that the representations be agreed by the Civic Centre Project Board in consultation with Ward Councillors prior to submission.**

**iii) to approve funding in the sum of £57,500 for additional consultancy services**

**iv) to note the comments regarding the multi-storey car park**

**v) to agree to the selection of a single development partner**

**vi) to agree that the Old Palace will not be retained but will be included within the disposal.**

## Corporate Policy

1. Policy Status: Existing Policy
  2. BBB Priority: Excellent Council
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## Financial

1. Cost of proposal: Estimated Cost: £57,500 for Consultancy Services
  2. Ongoing costs: Non-Recurring Cost
  3. Budget head/performance centre: Admin Buildings
  4. Total current budget for this head: £1.7million
  5. Source of funding: Contained within existing resources if possible or the Central Contingency if that is not possible.
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## Staff

1. Number of staff (current and additional): Not applicable
  2. If from existing staff resources, number of staff hours: Not applicable
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## Legal

1. Legal Requirement: None
  2. Call-in: Applicable
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## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Borough wide
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## Ward Councillor Views

1. Have Ward Councillors been asked for comments? Yes
2. Summary of Ward Councillors comments:

Ward Members have advised that they support the principles outlined in Option 3 of the report, including the release of the Bishop's Palace, subject to any redevelopment of the surplus land being high quality, low density residential units of no greater height than the existing Civic Centre buildings. Any scheme should be predominantly houses. They consider that it is important to recognise the sensitivity of this site, its setting in an area of predominantly family housing and the need for careful consideration of appropriate access into the site.

### **3. COMMENTARY**

- 3.1 The Council has a number of dedicated office buildings at various locations in the borough. The majority of office staff is located at the Civic Centre, with smaller numbers of staff at Central Library, Yeoman House and The Walnuts Office. Some staff are also located close to the operational activities they manage, such as at Central Depot.
- 3.2 The Council has decided to review its office accommodation with particular focus on the occupation of the Civic Centre site. The reasons for this are:
- The Council must identify significant budget savings and seek opportunities to reduce revenue expenditure on operational buildings and to dispose of surplus property
  - The transformation of the Council into a Commissioning Authority will further reduce staff numbers and this will impact on future office requirements
  - The Local Plan process is being undertaken at the moment and the Council, in its capacity as landowner, should seek to optimise the development opportunities of the Civic Centre by attempting to align the site's planning designation with its potential development opportunities
- 3.3 A report was submitted to the Executive on 25 March 2015 to inform members that a review of the Council's office estate was being undertaken and to seek funding to appoint a consultant to produce a Development Strategy for the Civic Centre site identifying potential uses, opportunities and value.
- 3.4 The Executive approved the funding and Montagu Evans LLP was appointed.
- 3.5 The consultant has proposed three options for the future accommodation of staff and has considered their costs and benefits and the potential value of any surplus land that would be available for disposal as a consequence of each of the options.
- 3.6 In preparing the Development Strategy, the consultant has had to take into account a number of planning and other constraints at the Civic Centre. They are outlined below.
- 3.7 The consultant has also had to make a number of assumptions about the Council's future office requirements. The assumptions, which have been agreed with officers, have included identifying a range of future staff numbers, setting a staff to desk ratio of 70%, agreeing a space per workstation of 8m<sup>2</sup> and the adoption of agile working practices.
- 3.8 As part of their commission, the consultant consulted Chief Officers and Councillors and during this process one of the options was identified for further investigation. The Stakeholder Engagement section in this report explains the consultation process in more detail. The consultant then focussed on the preferred option and the actions required to deliver it.

#### **Planning and Other Constraints**

- 3.9 The Civic Centre site is subject to a number of planning policies and designations and other constraints. Any future redevelopment of the site will be led by and impacted by these policies and constraints and the Development Strategy considers their impact and recommends actions to deal with or mitigate their risks.

## **Planning Constraints**

- 3.10 The Council as the Local Planning Authority (LPA) is preparing a new Local Plan. This will set out the planning policies for any redevelopment of the Civic Centre and is an important opportunity to ensure that a high quality scheme is delivered. To help develop and deliver the Local Plan, the Council considers if there are appropriate sites within the Borough that might be suitable for future development or a change in use in line with its Vision and Objectives.
- 3.11 The Civic Centre site is identified as Opportunity Site F in the Bromley Town Centre Area Action Plan (BTCAAP). This identifies its use for a mixed use development comprising elements of:
- Reconfigured civic offices and parking
  - Low density residential development including the conversion of the listed building – 20 units
  - Leisure Centre – 5,000m<sup>2</sup> relocated and reconfigured from The Glades (The Pavilion)
- 3.12 In the Draft Policies and Designations stage of the Local Plan preparation last year, 'retail' was added to the BTCAAP policy as set out above.
- 3.13 The consultant has identified a tension between the adopted site allocation and the emerging outcomes of the Development Strategy. Land owners and developers are able to make submissions to the Local Plan process to influence changes to a site's allocation. The Council in its capacity as landowner has already requested a review of the Civic Centre site. As part of the Local Plan process, the landowner submissions on the site will be assessed by the Council as the LPA following public consultation. For consultation purposes the Development Control Committee and Executive agreed in July to put forward the use of the Civic Centre site as "mixed use with potential education use, housing, civic centre uses and other town centre uses". If Members decide to pursue Option 3 as outlined in this report representations will have to be made to the LPA with a view to changing the present uses on the site.
- 3.14 A further planning constraint is that the Old Palace and other structures on the site are listed and any redevelopment would have to be sensitive to this designation.

## **Other Constraints**

- 3.15 Public access is available to the park land and the area around the lake and would have to be retained in any future redevelopment. Officers have not been able to find any documentation that delineates the park. It is recommended that the boundary of the park and the access arrangements are agreed prior to any disposal. This could be achieved by seeking to appropriate a delineated area to such use.
- 3.16 Officers are investigating whether there are any legal constraints that need to be taken into account.

## **Office Accommodation Assumptions**

- 3.17 The consultant, in agreement with officers, has made a number of assumptions about future office accommodation requirements in order to provide a baseline against which to test the options.

- 3.18 The transformation of the Council into a commissioning organisation will reduce staff numbers, although the number of staff likely to be employed by the Council will not be clear until the current commissioning programme has been completed. In order to provide a baseline against which possible scenarios could be tested, it was agreed for the purposes of the Development Strategy that a range of staff numbers would be assumed. The agreed range was from 300 to 800 FTEs.
- 3.19 Additionally it was assumed that the Council would introduce more agile working practices and operate at 70% desk occupancy. An area in m<sup>2</sup> has been assumed for support spaces such as storage and meeting rooms. The Council will have to decide at a future date how much ancillary space will be required and which of its non-standard spaces/ services will continue to be located at the Civic Centre.

## **Options**

- 3.20 The Civic Centre site comprises a number of buildings of various ages and condition, car parks, parkland, a lake and a multi storey car park. The Palace and its wings and several other structures within the grounds are listed. The site has pedestrian and vehicular access at several points. There are already vacant buildings on the site and pockets of surplus accommodation are appearing within the buildings that are still occupied.
- 3.21 Taking into account the constraints and assumptions, the consultant identified three options and reviewed their financial implications, benefits and risks:

### **Option 1: Do nothing**

- 3.22 In this scenario the Council continues to occupy the existing buildings and continues to incur the current property related overheads (utilities, maintenance, rates and cleaning) in the region of £1.72m per annum.

### **Option 2: Move off site to new/refurbished accommodation and sell the site**

- 3.23 This option means moving off the Civic Centre site and selling it with the exception of the multi storey car park and park land. New office accommodation would have to be constructed, purchased or leased elsewhere. The property related overheads for this option are estimated to be in the region of £1.2m (excluding finance costs) per annum. Capital costs of £30-35m will be incurred for new accommodation.

### **Option 3: Stay on site in 2 or 3 buildings and sell the remainder**

- 3.24 This option involves occupying a smaller number of the existing buildings and selling the remainder of the site. This option also assumes that the Council will retain the multi-storey car park and park land. The buildings that could be retained are North Block, Stockwell Building and Adventure Kingdom. In order to maximise the occupation of Stockwell Building, refurbishment works will be required. Adventure Kingdom would also have to be refurbished or rebuilt to provide the facilities that would no longer be available in the Old Palace or West Wing. A sub option of retaining the Old Palace and/or West Wing was considered but rejected for the financial reasons outlined in the Development Strategy. It is recommended that the Old Palace is not retained, but is included in any disposal. The property related overheads for this option are in the region of £820k - £920k per annum. Capital costs of £5-12.5m will be incurred for refurbishment of existing buildings

## **Multi-Storey Car Park**

3.25 The consultant was asked to review the multi-storey car park as part of their Development Strategy. The consultant has recommended retention of the car park as it is an important amenity and a significant revenue stream for the Council. The cost of adding another deck to the car park and its likely income stream was briefly considered. The consultant indicates that further consideration of this option could be undertaken. However it is suggested that if further feasibility work is required, it should be dealt with separately and outside of the scope of this project. The benefit of adding an extra deck would have to be assessed in the context of future demand and likely retail expansion in the Town Centre and be led by officers in Transport and Highways.

## **Stakeholder Engagement**

3.26 After the consultant had carried out some preliminary work and identified the options and costs, a number of workshops, presentations and briefings were arranged for Cabinet, Ward Councillors, the Conservative Group and Chief Officers. Their purpose was to give these key stakeholders an opportunity to comment on the consultant's work as it progressed and to steer the consultant towards a preferred option, which was then subject to more detailed assessment.

3.27 The capital and revenue costs of each option and the potential site value resulting from them is summarised in the Financial Implications section of this report.

3.28 Option 3, staying on site in 2 or 3 buildings emerged as the preferred option. Although this option would only release part of the site for disposal with a consequently lower capital receipt potential, it does not expose the Council to the significant costs and risks of acquiring or constructing a new Civic Centre. By occupying fewer buildings, the Council could reduce its revenue costs and by staying on the site, it would also have a greater element of control and flexibility.

3.29 During the consultation, members also expressed a clear preference for a lower density, high quality redevelopment, which would be in keeping with the surrounding area and the listed building and structures. Councillors expressed a strong inclination to exercise control over any redevelopment of the site, either through the disposal and procurement of a developer or through the planning process.

## **Control through Disposal Options**

3.30 The consultant has included several disposal options in the Development Strategy report ranging from freehold disposal to joint venture. The consultant is aware that the Council would like to ensure that any redevelopment of the site is sympathetic and appropriate for the area and has considered the control and financial risk of each disposal option. The Public Procurement Rules that apply to development agreements have been reviewed and it is clear that the more control that the Council seeks to exercise through the disposal by being prescriptive, the more likely that complex OJEU Procurement Rules will apply.

3.31 The consultant is not recommending a specific disposal route at this stage, but has advised that the Council should seek to simplify the disposal as much as possible by carrying out the refurbishment work to the retained buildings itself in advance of, or concurrent with the disposal of the surplus area. The Council should seek a single developer via open tender having first de-risked the constraints of the site by:

- Delineating the boundary of the park land and access to it
- Agreeing and implementing a means of dealing with any legal constraints on the site
- Attempting to align the Local Plan with the potential development opportunities
- Establishing whether the use of the site for an educational facility is required and seeking its removal from the site designation if it is not

### **Control through Planning**

3.32 The planning designation of the site has been outlined in paragraph 3.11.

3.33 The Council has submitted a request for the site designation to be reviewed. The consultant has recommended that the Council submits a formal representation as part of the Local Plan consultation process, which is likely to commence in September and last approximately 6 weeks. It is proposed that a planning consultant is appointed to prepare and submit the necessary representations, which are estimated to cost in the region of £7500. As the consultation period for making representations is quite short, it is recommended that approval of the planning representation is delegated to the Civic Centre Project Board, whose membership includes the Resources Portfolio Holder and the Director of Regeneration and Transformation, in consultation with Ward Councillors.

3.34 The representations and consequent decisions of the Development Control Committee and the Executive on the Local Plan policies and designations could form the basis of a landowner development brief, which would become part of the tender documentation for disposal. In this way the Council could potentially exercise the control it desires without complicating the disposal.

### **Programme**

3.35 The consultant has provided an indicative programme for the accommodation rationalisation and disposal. If the Council decides to proceed with the recommendations in this report, a further consultancy period of approximately 4-6 months is required to produce the detailed information that the Executive will need to decide whether or not to proceed with the preferred option. If the Executive makes the decision to implement Option 3, the programme indicates the likely timetable for its delivery. The programme shows three concurrent workstreams, which are:

- Refurbishment/ Construction work to Stockwell Building and Adventure Kingdom
- Marketing and Disposal
- Local Plan process

3.36 The programme indicates that the above activities could potentially be delivered by the end of 2018. This programme will have to be tested and refined during further consultancy work.

### **Document Management**

3.37 In order to ensure that office space is occupied efficiently and to its maximum capacity, it is essential to implement a document management work stream that reduces paper files to a minimum and encourages electronic filing. If the Council decides to proceed with Option 3, it will be necessary to carry out this project in two phases. Phase 1 will be prior to decanting staff out of the buildings to be refurbished and phase 2 will be before the reoccupation of the refurbished buildings. A similar project was undertaken as part of the North Block project.



- 3.38. Individual departments will have to lead on decisions about their documents, but in order to ensure that this work is carried out in a timely and coherent way with sufficient financial and staff resources, it is recommended that it is corporately led and funded.
- 3.39 Further scoping work would have to be undertaken to verify costs and determine the best way to deliver this work stream. It is recommended that officers undertake further investigation in to the best way to deliver this work.

## **Conclusions**

- 3.40 The key outcome of the Civic Centre Site Development Strategy is to identify an affordable and implementable strategy that meets the Council's objectives. The Strategy proposes three options for the future accommodation of staff, including on or off site options. The Strategy identifies the potential uses, opportunities and values of the site based on those options. Option 3, the on-site option is recommended for selection. This option has several advantages for the Council. It does not expose it to the significant costs and risks of acquiring or constructing a new Civic Centre and, by occupying fewer buildings, will reduce the Council's revenue costs. By staying on the site, the Council will also have a greater element of control over redevelopment and flexibility for the future. Option 3 emerged as the preferred option during the workshops and presentations with Councillors and Chief Officers. The consultant was asked to focus on this option and consider how it can be delivered.
- 3.41 Additional work will have to be undertaken to produce a more detailed Business Case for Option 3, which will enable the Executive to decide whether or not to proceed with its implementation. Further consultancy services will be required to complete the Business Case.
- 3.42 The additional work required to produce a detailed Business Case is:
- To clarify the Council's accommodation space needs and consider the location/ demand for ancillary and support space
  - To agree the extent and estimated cost of the capital works to Stockwell Building and Adventure Kingdom
  - To carry out financial modelling to identify refurbishment, decant, IT and other costs and to assess anticipated receipts for disposal
  - To investigate the options for delivering the Document Management work stream
  - To prepare and submit landowner representations to the Consultation on the Draft Local Plan
  - To establish a landowner development brief, endorsed through the Local Plan
  - To carry out a condition survey to inform further business plan work
  - To carry out a desktop archaeological survey
  - To agree the basis on which surplus land will be sold
  - To establish clarity regarding any legal constraints and decide the appropriate action to be taken
  - To establish clarity regarding the boundary and access arrangements for the park land
- 3.43 It is recommended that Montagu Evans LLP is reappointed to continue the next phase of the consultancy work and prepare the planning representations. The archaeological desktop survey and the condition survey will be tendered separately.
- 3.44 If the Executive approves the recommendations in this report, then the additional work required can be carried out over the next 4-6 months and a further report can be brought to the Executive

in early 2016, at which time the Council could either approve the project and the capital finance required to deliver it or decide not proceed any further.

#### 4. POLICY IMPLICATIONS

4.1 The Council is facing challenging economic times and has to make significant savings from the budget over the next few years. It is also seeking to achieve the rejuvenation of its Town Centres. Two of the strategies that will contribute to meeting these key challenges are:

- The Council's vision for delivering services as expressed in its Corporate Operating Principles
- A robust property review process accompanied by an active acquisition and disposal programme.

4.2 The Council has outlined its future vision for the delivery of its services in Building a Better Bromley's Corporate Operating Principles. The Corporate Operating Principles describe the Council as a commissioning organisation and states its intention "to deliver services by testing the benefits of:

- Having our services delivered by others
- Commissioning in partnership with others
- Delivering services in partnership with others
- Delivering services on behalf of others"

4.3 The commissioning process is underway with many services being soft market tested or tendered at the moment. The commissioning of services will impact on the Council's future office requirements, particularly at the Civic Centre as it is anticipated that the number of staff will reduce significantly.

#### 5. FINANCIAL IMPLICATIONS

5.1 The Development Strategy outlines the financial implications of each option, a comparison of which is shown in the table below:

Option	Capital Costs	Estimated Property Related Overheads per annum
1 <b>Do Nothing</b>	£0	£1.72m
2 <b>Move off site to:</b> <b>new build accommodation</b> <b>Refurbished Accommodation</b>	£34.8m £30.6m	£1.2m* £1.2m*
3 <b>Stay on site in 2 or 3 buildings</b>	£5 - 12.5m**	£820 - 920k

\* Excludes financing costs

\*\* Excludes costs for IT, furniture and decanting staff

- 5.2 Given the current financial climate and the need to find significant savings in the next four years, it is important that the Council's operating costs are as cost effective as possible. Option 3 should enable revenue savings to be made, which have been estimated by Montagu Evans to be in the region of £0.8m. If the Executive approves the recommendations in this report, then these figures will be explored in more depth and more cost certainty will be provided in the second stage Business Case.
- 5.3 A rental income is received from 3<sup>rd</sup> party providers and non LBB occupiers. The second stage of the consultancy work will establish the Council's space requirements in more detail and will establish whether there will be enough space to allow 3<sup>rd</sup> party occupation to continue. If not, then there will a potential loss of income to the Council.
- 5.4 The additional fees for consultancy services for the next phase of the work will be in the region of £57,500. This includes the services provided by Montagu Evans LLP for the work required to produce the Business Case and for the planning representations, the desktop archaeological survey to be procured separately and a contingency of £5k. The condition survey will be funded from the budget approved by the Executive on 16 July 2014 for condition surveys on the operational property portfolio.
- 5.5 Officers will try to ensure that the one-off costs of £57,500 are funded from within existing budgets. However, if this is not possible this sum will be drawn down from the Council's Central Contingency Fund. Given the potential revenue savings that could be achieved from this proposal, it is recommended that this approach be approved, as a one-off investment could secure long term revenue savings.

## 6 LEGAL IMPLICATIONS

- 6.1 The Legal Department is investigating whether there are any legal constraints that need to be taken into account.
- 6.2 There are also a number of 3<sup>rd</sup> parties, who occupy parts of the site on leases or licences. If the Council is no longer able to accommodate them, then their occupation will have to be terminated in accordance with the terms of their leases or licences.

## 7. PERSONNEL IMPLICATIONS

- 7.1 The personnel implications will depend on the proposal/ decision to relocate staff to a different site in which case staff and their representatives will be properly consulted on the general and individual specific implications including disability related reasonable adjustments.
- 7.2 Additional temporary staff may be required to deliver the project but the number and cost cannot be quantified at this stage.

<b>Non-Applicable Sections:</b>	
Background Documents: (Access via Contact Officer)	Civic Centre for the Future, Report to Executive, 25 March 2015 Civic Centre Site Development Strategy, July 2015