



# REDDITCH COMMUNITY HUB: BUSINESS CASE

DRAGONGATE MARKET INTELLIGENCE  
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## **BUSINESS CASE SUMMARY**

***“A clear preferred option has emerged – build a new Hub and retain the existing Town Hall which can be sold or let”***

In November 2018 Redditch Borough Council commissioned DragonGate Market Intelligence (DGMI) to develop a business case for moving forward with town centre public service hub with the local authority as anchor. The commission has required DGMI to engage adjacent local partners in the public sector and establish the strength of the case for a project to meet the twin objectives of the regeneration of Redditch town centre and the Council-led transformation of public services delivered collaboratively in the town. The context was to develop a proposition that could be delivered at lower collective cost and within the strategy set out in the Council Plan 2017-2020.

The strategic case for change presented in this paper is compelling at all levels of analysis; all the options considered are preferable to the ‘as is’ position, whether on the current Town Hall site or somewhere adjacent to that site. Moreover, evaluation of the alternative options identified an increasing financial return to the Council based upon inefficiency of the existing Town Hall and a range of transformational savings and income opportunities in the alternative options. This is balanced against a small number of significant risks that can be managed early on in the pre-development process through effective third party engagement. All these are set out in what follows, with relevant and effective mitigating actions.

DGMI engaged with twelve other partner organisations, all of whom were very positive about the initiative and willing to pursue it further, subject to their own wider objectives and initiatives. Third party indicative commitment was very strong, such that, if it all translated into formal firm commitments, any new building – as proposed in the Business Case – would be at least twice the size of the current Town Hall.

A clear preferred option has emerged - **Build a new Hub and retain the existing Town Hall which can be sold or let** – and a number of viable funding opportunities have been explored, with the preference established and modelled within this business case being delivered directly by the Council using Public Works Loans Board (PWLB) borrowing.

The Business Case concludes that what is proposed meets all five aspects of the HM Treasury Green Book Project Appraisal and will:

- Unlock significant Town Centre regeneration and sustain local public service transformation into the 2050s
- Enable public sector integration, with strong support from all local partners
- Employ a straightforward delivery vehicle, using Council land and PWLB, to deliver in 2022
- Be affordable and improve on the 'As Is' position
- Be deliverable within the Council's control, subject to levels of formal third party commitments

It is DragonGate's considered and independent conclusion that the preferred option is the most appropriate, given the Council's constraints on time and budget, having regard to the risks associated with the various options, as outlined in the report, and within the parameters agreed with the Council at the inception meeting (see: 'Project Initiation and Scope' below).

The Business Case concludes with a set of critical next steps, which are essential to ensure that the project maintains momentum and embeds the third party support now received, so that delivery is achieved by 2022.





## **STRATEGIC CASE FOR CHANGE AND THIRD PARTY INTEREST**

# **1 THE CASE FOR CHANGE**

- 1.1 Redditch Borough is a Council looking to deliver the most ambitious town centre regeneration since its formation as a New Town in 1964. As a consequence of its New Town heritage, a significant number of town centre assets are maturing at the same time, meaning this will be a significant, wholesale modernisation. The needs of businesses and the wider community in and around the town means that this regeneration must consider wider economic and social requirements, addressing the changing role of town centres in modern society.
- 1.2 The Council serves a population of around 80,000. The main industries are: manufacturing, wholesale and retail and real estate, and related business activities. It is one of six district councils in Worcestershire. Since 2008, the Council has shared its services and its senior management team with neighbouring Bromsgrove District Council. A Peer Challenge in 2018 concluded that the joint services were 'good and valued' and that the Councils were 'well regarded by partners'. Shared service arrangements are in place also – Worcestershire Regulatory Services, North Worcestershire Economic Development Regeneration and North Worcestershire Building Control.
- 1.3 In addition, the Council is facing the competing pressures of increased demand for services from residents and smaller resources to deliver these following a decade of reduced funding from Central Government. For example, between 2010-2020, local authorities will have lost 60p out of every £1 the Government previously provided for services and by 2019/2020 a further 36% is to be cut nationally. For Redditch, this means they need to find an additional £2.6 million worth of savings over the next four years. Similar challenges are faced across the spectrum of public services, including third sector providers, within Redditch. The Council takes its community leadership responsibilities very seriously and views the provision of effective, efficient services, designed around longer-term local needs, as at the heart of what it is seeking to achieve. To secure maximum effect, however, this must be allied to the development of the town centre as an attractive and vibrant location driving footfall for businesses and growing business rates income.
- 1.4 The Council cannot achieve these objectives alone; nor can any single organisation. The Council, therefore, is looking to design and deliver a plan of action with its many partners on this dual stream approach, to transform both the town centre as a place and the way services are provided and supported for the people who live in Redditch.

- 1.5 The development of a Community Hub will be the foundation stone for these objectives, by being the place dedicated to community business, thereby attracting significant footfall to a single area of the town, and within which services are delivered in a much more collaborative way than now. More effective services, delivered in a more integrated and efficient way – all in one place, with the customer at the centre.
- 1.6 The council plan indicates how the council intends to operate to meet the challenges it faces:
- Built around customers and residents;
  - Innovate to ensure best use of resources, efficient and effective service delivery;
  - Encourage and support change amongst partners and other agencies;
  - Push departmental and organisational boundaries;
  - Help people help themselves;
  - Work with partners (private, public and voluntary) to serve residents' needs.
- 1.7 The project to create a new Community Hub and move the Council to a new, modern working environment must align fully with these principles in order to secure the greatest benefit to the Council and the residents it serves.



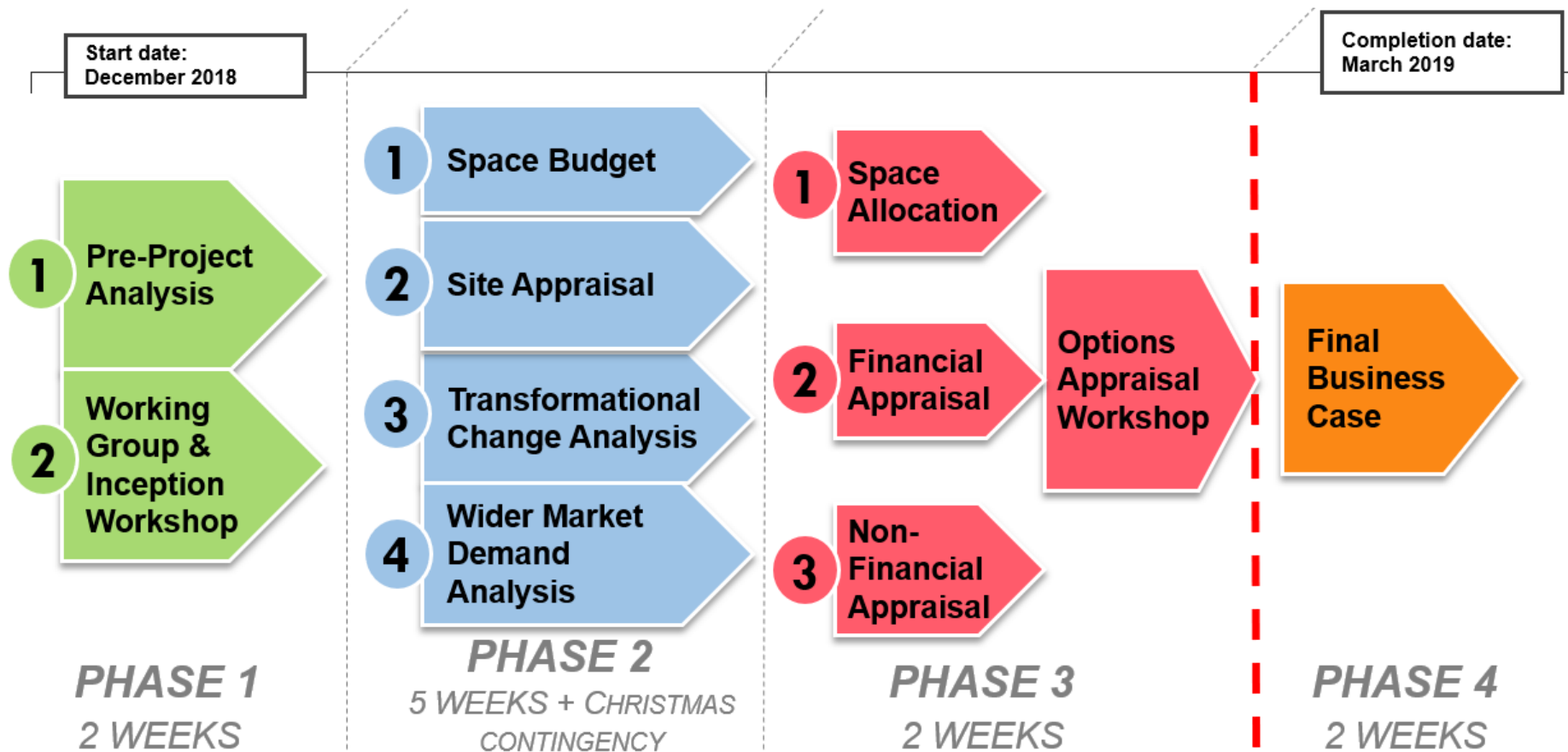
## **2 PROJECT INITIATION AND SCOPE**

- 2.1 Redditch Borough Council commissioned DragonGate (DGMI) to examine the initial business case for developing a Public Service Hub (entitled the Redditch Community Hub reflective of its core focus) as the principle catalyst for the delivering the twin objectives of town centre regeneration and the collaborative transformation of local public services.
- 2.2 An important element in the commission was to engage with other public services providers operating in Redditch to identify and encourage their interest in the transformational potential of the Community Hub and to gather information about both the the level of collaboration possible and its extent in terms of numbers of staff who might be located in the Community Hub.
- 2.3 Utilising this information in parallel, the Outline Business Case was to review all reasonable options for the Community Hub. These options were to include: refurbishment of the existing Town Hall in Walter Stranz Square, the wholesale redevelopment of the existing site and the relocation of a new build Hub into other town centre locations.
- 2.4 The commercial appraisal of these and other options is set out in section 6, taking into account the provisional interests and requirements of third parties, the service transformation potential, the socio-economic implications and the regenerative ramifications. The financial bases and implications for the development are set out in sections 6 and 7 of this Business Case.

### **3 METHODOLOGY**

- 3.1 DGMI undertook a rigorous four stage methodology in the completion of this business case. Starting in December 2018 and finishing on 20 March 2019. Phase 1, a pre-project analysis, lasted two weeks. Phase two, which included an initial space budget, site appraisal, transformation change analysis and wider demand analysis was conducted over five weeks. During phase 3, DGMI conducted more sophisticated space allocation exercises, a financial appraisal, and strategic appraisal, this was done over two weeks. DGMI finally put together a business case for Redditch Council's consideration.
- 3.2 DGMI formed a multi-disciplinary team from across various interlinked sectors including strategy and transformation, design and workspace, and financial modelling. This team was split into three sub-teams; core project team, sector expertise, and project support panel. The team was led by Steve Atkinson, DGMI's Head of Local Government and former Chief Executive of Hinkley and Bosworth Council which, under his leadership, also created a public service hub.
- 3.3 Crucial to the methodology was consistent engagement with the working group (first established in December 2018). The working group was made up of at least one DGMI representative from the aforementioned sub-teams and senior representation from property, finance, and HR within Redditch Council, including the involvement of Chief Executive, Kevin Dicks, on two occasions. The purpose of this group was to test assumptions DGMI had devised throughout the previous phase. These sessions concluded on 6 March 2019.

Table 1 Indicating DGMI's four phase methodology



The working group agreed the outputs of each phase. These were:

### **3.3.1 Phase 1:**

- Agreed working group composition
- Early 'options dashboard' of strategic sites under consideration deciding that hub should be within the public sector and culture quarter
- Captured early tenant profile for hub

### **3.3.2 Phase 2:**

- Indicative space budget based on the AS IS compare to the suggested space requirement, resulting in a 45% space saving
- Stack plans of AS is space compared to the suggest requirement, resulting in a building that promotes – not prohibits – collaboration
- A short list of 12 organisations engaged with, including obtaining an understanding of their property and operational drivers
- Senior management consultation session and partner executive group engagement

### **3.3.3 Phase 3:**

- Specific understanding of external partners' requirements, including space requirement, FTEs, and unique needs
- A detailed analysis of all five site options being considered, resulting in the preferred option being selected as a result of the working group's decision
- Three funding options being considered and a preferred option being selected as a result of the working group's decision
- Financial modelling of five options (including AS IS) with an additional five sub-options reviews to consider variables

### 3.3.4 Phase 4:

- A detailed business case based on the five stage Green Book Methodology
  - Strategic - *The intervention is supported by a compelling case for change that provides holistic fit*
  - Economic - *The intervention represents best public value*
  - Commercial - *The proposed option is attractive to the market place, can be procured and is commercially viable*
  - Financial - *The proposed spend is affordable*
  - Management - *That what is required from all parties is achievable*

## 4 THE 'AS IS' POSITION

4.1 The existing Town Hall is in an area of the town which the Council considers as one of its four priority areas for regeneration (see graphic below). However, the building itself is an active barrier to developing operations and services in line with the council strategy. The ageing and inflexible layout makes it hard to change the organisation of teams and works against the increasing need for collaboration and innovation across departments. Fundamentally, the building isolates and separates teams and does not feel like the home of the kind of modern enterprise the council aspires to be. There is a demonstrable link between culture and environment and there is no doubt that changing the physical space will help catalyse positive new behaviours.



Figure 1: Picture showing the four areas of Redditch town centre as defined in the Town Centre Regeneration Prospectus

4.2 The building is significantly larger than necessary for the needs of the Council, thus adding to operational cost, whilst being a barrier to improved efficiency in joint service delivery. In addition, there is a significant backlog in maintenance work, which

has an impact on the structural integrity and ‘feel’ of the building, whilst being a negative factor in any consideration of using the existing building as the base for more collaborative working, in addition to the poor energy efficiencies inherent in the current building (see Financing evaluation at section 7 below).

- 4.3 In the initial phase of this work, moreover, it was established the wider public services in Redditch (Healthcare, Central Government and the Voluntary sector) are often working in isolated, old fashioned and inefficient offices and are spread across multiple sites. For example, the NHS in particular cited the poor quality space they occupy as an immediate reason to occupier a new Hub. Moreover, the CCG – who DGMI have engaged with regarding the GP surgeries – correctly point to five surgeries occupying a small area of land in the town centre. Poor quality, disparate space is a barrier to effective collaboration for those who need to access services, as many residents have complex needs, requiring support from more than one organisation, all of which operate from different sites.
- 4.4 The prima facie case for change is strong, therefore, but, given the funding reductions noted above, any business case must be affordable. What follows is the product of the analysis of the DGMI investigation and focused inquiry and the product of options considered at the Redditch working group, which comprised senior staff and management representatives from the Borough Council.
- 4.5 A workplace study of the Town Hall was conducted by DGMI, which concluded that the workspace was not only under-utilised, but was inefficient in a number of areas.
- Overall peak desk utilisation was estimated at 41% physical occupation (52% if “signs of life<sup>1</sup>” are included); Meaning there were 181 vacant desks from a total of 375 desks.
  - Additionally, it is considered that the space per desk for the office could be reduced significantly without affecting comfort and/or productivity, given the requirements in a modern office. <sup>2</sup>

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<sup>1</sup> ‘Signs of life’ refer to a desk that may have a laptop, coat, or note pad on, but does not have a physical person occupying

<sup>2</sup> It should be noted, however, that this was a snapshot survey and a more detailed survey will be required before finalising the workplace strategy. Nevertheless, it is typical of many surveys DGMI has undertaken for non-agile work spaces, especially in the public sector.

- This, along with opportunities to share facilities with other building users in the ground floor customer areas and office areas, leads to an estimate of a potential reduction (including contingencies) of 45% in the space the Council requires to approximately 28,000 sq. ft. (Gross Internal Area).

The comparison between the present and the potential usage is shown below.

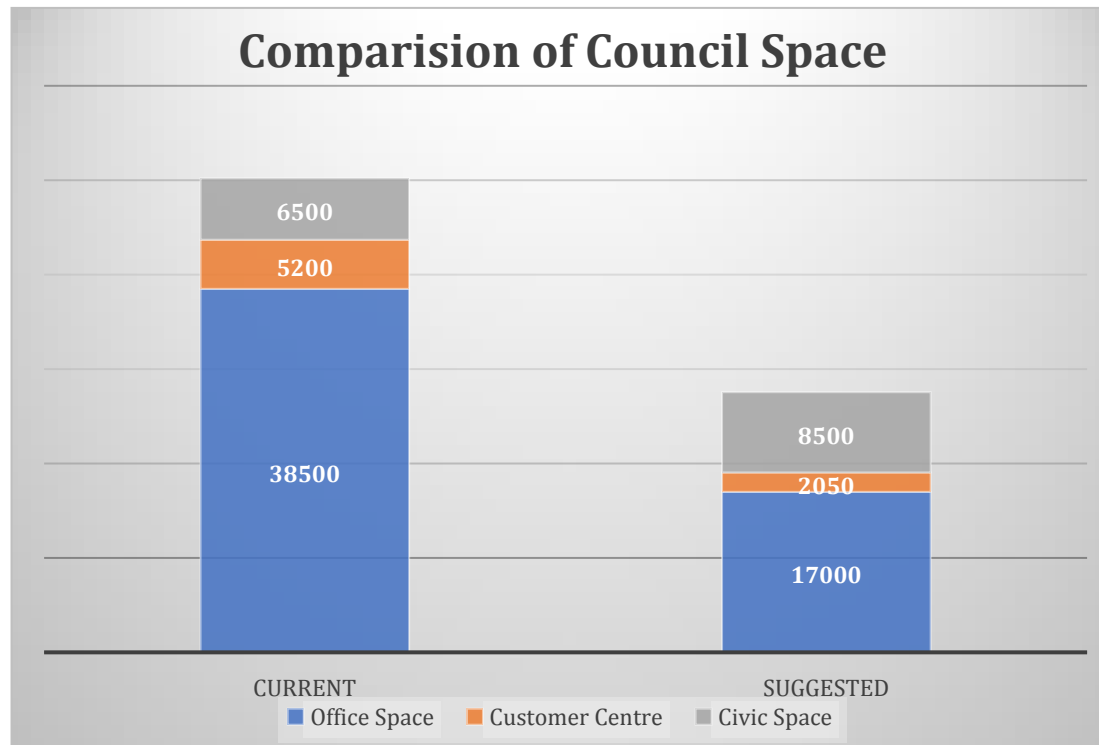


Figure 2: Comparison of current Council space (left) and suggested (right)



4.6 A staff survey undertaken by DGMI, reinforced the negative 'feel' of the Town Hall building, but showed also that staff generally had a positive outlook, which bodes well both for a new building/site and transformation which will require strong staff support throughout

- DGMI received 149 full responses and 117 part responses - a total of 266 responses
- Generally, the scores indicated that just under half of employees were either satisfied or very satisfied about their current working environment.
- 49% of respondents were very satisfied or satisfied with the working environment – this is a reasonable score when compared with the average from participating organisations and is higher than our benchmark of 41%.
- Just under a fifth of respondents (19%) were either dissatisfied or very dissatisfied with the workspace.
- Younger staff (aged 30 and under) and colleagues who have been with the Council between 1 and 2 years tended to be the most satisfied.
- Staff who spent on average of 3 days a week in the office were most satisfied

## 5 STRATEGIC CASE FOR CHANGE

- 5.1 The Community Hub, as proposed in this Outline Business Case, has the potential to have a transformational impact on Redditch with the full scope being felt across all of the major stakeholder groups:
- 5.2 Redditch Borough Council is facing the competing pressures of increased demand for services from its communities, reduced central funding and the need to regenerate its locality – socially and economically. Without collaborative action across multiple public service providers, including and led by the council, the competing pressures and interdependent challenges will become unsustainable.
- 5.3 The provision of effective and efficient services designed around longer term local needs, and the development of the town centre as an attractive and vibrant location, is at the heart of what the Council is seeking to achieve. The council has established 6 strategic objectives which serve as a focus for the provision and development of services to Redditch in the coming years. These are laid out in the Council Plan 2017-2020, as follows:
- Keep my place safe and looking good
  - Help me run a successful business
  - Help me to be financially independent
  - Help me to live my life independently
  - Help me find somewhere to live in my locality
  - Provide good things for me to see, do and visit
- 5.4 The development of a Community Hub will become a foundation stone to these objectives by being the place dedicated to community business, thereby attracting significant footfall to a single area of the town, and within which services are delivered in a much more collaborative way than now. More effective services, delivered in a more integrated and efficient way – all in one place, with the customer at the centre.
- 5.5 In addition to the impact a dedicated Community Hub can have on the Council and the town centre, there is a strategic imperative when considering multiple, interlinked policy drivers from across the public sector.



5.6 R  
 eddit ch  
 Town Centr e  
 Rege nerati on  
 Pros pectu s:  
 The town centre regen eratio n prosp ectus sets the

Figure 3: Transformational business case from organisational starting point to objectives and the enabling intervention of the Redditch Hub for public services

local context upon which major public sector transformation ought to be based. In addition to summarising the local position of Redditch at the moment, it also sets out a Visioning Statement based around growth, future need, continuous improvement and regeneration. The prospectus also builds on previous recommendations and takes forward an ambitious four quarter approach for town centre regeneration. The Community Hub will be central to the public sector and culture quarter, not only providing brand new office space for multiple organisations, but also increasing footfall throughout the town centre. It is the blueprint which has inspired the Community Hub ambition.

5.7 **NHS Long Term Plan:** The NHS Long Term Plan is the latest health service strategy published earlier this year (2019). In summary it can be broken down in five key points.

- Encouraging change in the way health services are delivered
- Focus on prevention and tackling health inequalities
- Workforce transformation
- Better use of data and digital technology
- Economic efficiency

A significant aspect of the Plan is the proportionate increased funding directed towards community and primary care. The goal is to transfer the balance away from acute and into either residential or non- hospital settings.

5.8 The Redditch Community Hub can support the delivery of the local Long Term Plan in four strategic ways;

- Facilitate intra GP coordination. The Plan is supporting the development of “Primary Care Networks” which enable multiple GPs to join service and therefore have a larger scale to increase the range of interventions and quality of service. This will be attractive to the CCG.
- Enable system coordination. The Community Hub can facilitate triage approaches from across the voluntary sector, NHS and local government to support coordinated interventions for individuals for complex challenges; individuals who in the ‘as is’ may have to visit multiple locations. The Community Hub brings services together to provide a one stop shop for residents.
- Support prevention not treatment. Coordinate preventive and social prescribing activity across a range of service providers, avoiding duplication and reducing missed opportunities for early intervention for individuals.
- The working environment designed around the workforce transformation needs of NHS. The Community Hub can incorporate training rooms, informal/formal break out rooms and agile working environments that reflect the new needs of the health and social care workforce.

5.9 **Social Care Plan:** The Government is due to publish a Green Paper looking at social care with the aim to ‘ensure that the care and support system is sustainable in the long term’. Both adults and children’s social care are areas of huge importance

for local authorities as they are placed under financial pressures and the demand simulations grow. As part of the plan, central government wants to focus on integration with health, workforce and technological developments and career paths for social workers – all central tenants of the Redditch Community Hub.

- 5.10 **Universal Credit:** The transition from ‘legacy’ benefits to Universal Credit (UC) has been a desire of the Government for some years. However, as of 2016, the Department for Work and Pensions (DWP) began rolling out their ‘full service’ – the final digital version of Universal Credit. Coming from a large central government department, the policy is wide in its scope and ambition, whilst relying on crucial relationships with other organisations, specifically the local authority which delivers the benefits, but also from across the entire public sector; from education providers, to healthcare, to small and large third sector providers. One significant area where Universal Credit delivery aligns with the Community Hub is the transition to digital. As UC is rolled out and the entirety of benefits move to an online only model, the Community Hub’s digital connectivity is vital; providing a one-stop shop for users, with dedicated complementary support from staff in the Hub.
  
- 5.11 **Blue Light Amalgamation:** There need for blue light services to collaborate has been government policy since 2013 when they issued a report stating as such. Throughout the follow years, a number of policies were developed in an attempt to achieve this. In 2017, the Policing and Crime Act stipulated that Fire & Rescue services should work to amalgamate their provisions. While early reform was tested via the Police and Crime Commissioners, later examples of Blue Light Hubs emerged or are in the process of being built. For example, in Milton Keynes and south Cumbria. While DGMI have engaged with both the Fire & Rescue teams and the Police teams in Redditch, it is specifically the Police Community Safety Teams who have expressed the most interest in occupancy at this stage, not least due to their need to work closely with the local authority and other supporting services.
  
- 5.12 **Impact on/of Redditch Borough Council:** The Council will benefit from the transition from an old, largely segregated building to a new, modern working environment, which removes the physical barriers to collaborative working. With many of the Council’s key partners also moving into the building, closer collaboration and coordination in serving residents will be easier to achieve. The open working environment will create a very different feel, making leadership much more visible to staff and enabling far more flexibility in the ways teams work together, adapting and responding to future service delivery change. Additionally, a reduction in the space directly used by the Council will reduce its running costs and, with the Council subleasing space to partners, create the potential of generating additional income

- 5.13 **Impact on the customer:** The direct impact of the Hub for customers will be the improved access to services; bringing together a full complement of provision in one location and improving the ease of hand-offs and referrals between partners. With the additional potential to include and grow the presence of the third sector, this will enable customers more effectively to find and access the most appropriate support for their needs.
- 5.14 **Impact on Partners:** Partners will also benefit from improved collaboration across services and the advantages of moving into modern facilities. Many of the buildings currently housing these organisations, particularly within the health sector, are old and in poor condition, with substantial backlogs of maintenance required. The Hub offers the prospect of avoiding that capital spend and providing right-sized, tailored space, ready to meet their needs going forward – with savings on their running costs also.
- 5.15 **Impact on the Town Centre:** As part of the regeneration of the town centre, the Hub provides a very visible indicator of investment and enables regeneration of other footprints by freeing up other sites such as Smallwood House and the library. The Hub gives clear purpose to the area around the existing Walter Stranz square and, particularly with the inclusion of health services currently outside the town centre, will help generate significant additional footfall to the centre of Redditch, which will have a multiplier impact on other services and businesses in the town.
- 5.16 The proposed Hub will meet and facilitate the more effective and coordinated delivery of a number of socio-economic policy areas, including: Universal Credit, NHS operational integration, social care strategy and more. It will secure wider public value for customers, ratepayers and businesses.

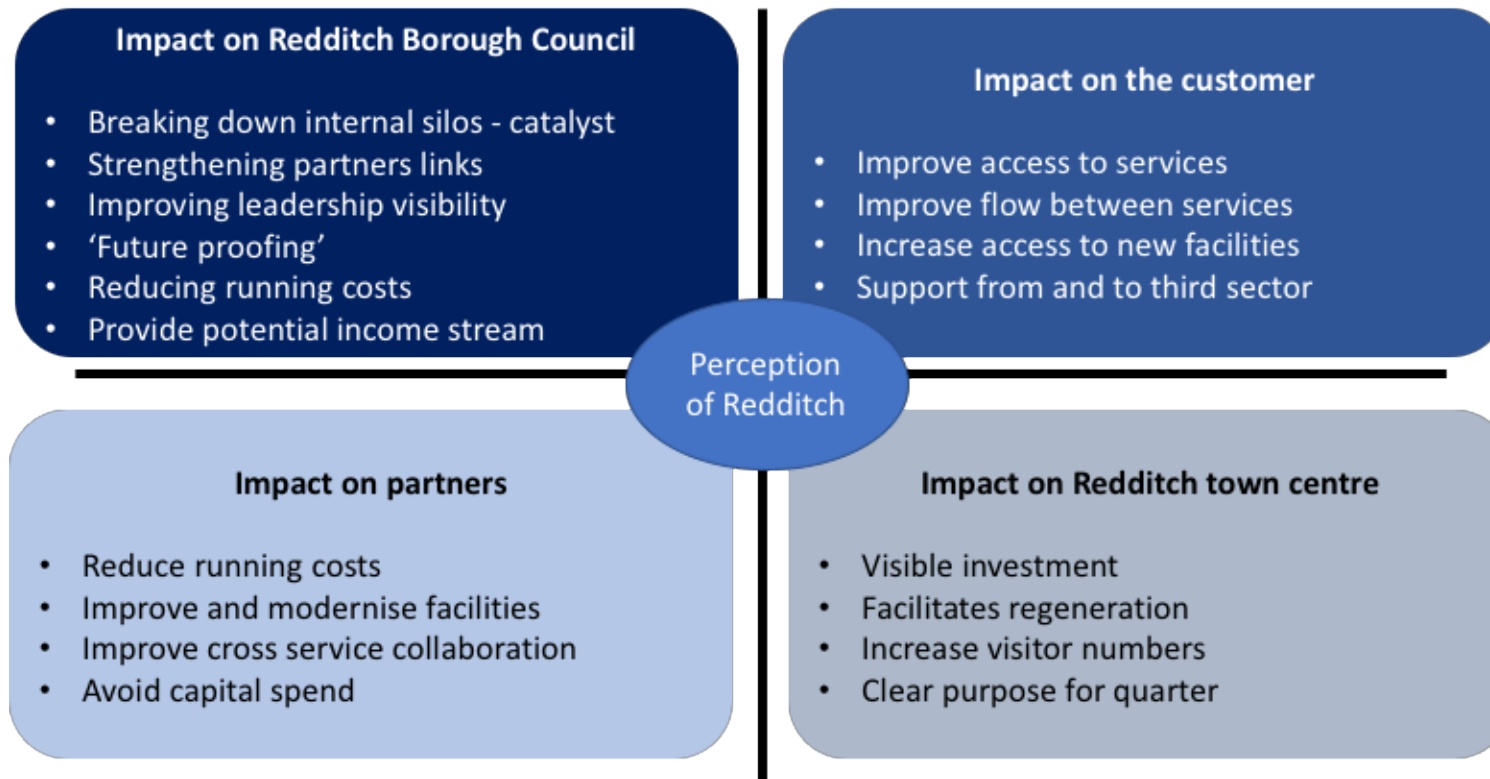


Figure 4: Transformational business case impact on council, customer, partners, and the town centre

## 6 THIRD PARTY REQUIREMENTS

- 6.1 In order to fully exploit and maximise the social and the economic opportunities, DGMI engaged with the full range of local partners of the Council and other public service organisations.
- 6.2 The level of third party occupancy in the Community Hub drives many of the potential benefits for the Borough Council:
- Financial – Creates possibility of a profit rent to make a long term contribution to council finances.
  - Service Delivery – Maximises the opportunity to improve collaboration and information-sharing across different organisations serving residents, with the potential to facilitate improvements in the efficiency and effectiveness of the services delivered.
  - Town Centre – With the inclusion of health partners, in particular, a significant impact can be expected on the number of residents travelling to the town centre on a regular basis. This increase in footfall will benefit the economy more broadly in the town centre.
- 6.3 Whilst these interests are only at an early stage, they indicate a strong appetite to participate in the Hub and to benefit from the new facilities. As part of the next phase of work further and early discussion will be needed with potential occupiers to firm up these commitments, alongside the development of specific plans for the new assets. If that interest is followed through, it could lead to the development of a Hub around twice the size of the existing Council requirements. This would accrue all the benefits of bringing together the many and diverse organisations serving the same customers and will facilitate development and delivery of services for the longer term.
- 6.4 The interests from third parties are summarised in the table below and in more detail in subsequent paragraphs. They are ranked in relation to a combination of: overt strength of commitment, scale of potential input and strategic importance to local operation. The overall impact is summarised in 3.5 above – the requirement would be for a building of around 80,000 sq.ft.



Table 2: Showing third party interest

Organisation	Primary AS IS location	Possible services in Hub	Closely liked organisations	Likelihood of move (%)	Estimated requirement
Worcestershire County Council	Spechley Road, Worcester	Social care (adults and children), relevant senior management, library	Local authority, health, DWP, Environment Agency, GPs, community safety	80	Adult care: 20 desks Children's care: 25 desks Highways: 2.5 desks Library
Department for Work and Pensions (DWP)	Market Place, Redditch	As current	Local authority, health services, College	90	6500 sqf
CCG (GPs)	5-8 surgeries	GP surgeries and support services	NHS Trust, social services, DWP	70	23500 sqf
NHS Trust	Smallwood House	Mental health services, extended primary care, dental, family	CCG, housing options, community safety, social services	75	18500 sqf
Probation Service	Clive Road, Redditch	Minimal, occasional meeting rooms	Safeguarding, third sector, police	25	1-3 rooms
CRC	Kingfisher Shopping Centre	Whole sale move	Childrens services, DWP, mental health, housing	65	5 interview rooms
CVC BARN	Easemore Road, Redditch	Office, access to meeting and function rooms	Benefits, DWP, housing, social care	65	300 sqf
Fire and Rescue	Police HQ	Very occasional meeting rooms	Community safety	0	-
Police	Archer Road, Redditch	Town Centre Presence	Social care and safeguarding, Environment Agency, DWP	75	4 desks
Heart of Worcester College	Redditch Campus	Minimal – visible drop in only	Learning online, DWP, children's services	0	-

### Worcestershire County Council

In addition to relocating the library from its current building, the County Council sees significant benefit in co-locating certain services, whose work is focused on the population in Redditch. This would be primarily focused on adult and children’s social care, which would benefit from closer collaboration across the range of other services to be located within the Hub: housing, healthcare, benefits and community safety. A flexible space able also to accommodate other teams on an ad hoc basis would be seen as beneficial. It should be noted that Social Care workers and their Business Support teams for both Adult and Children’s Services work from different locations, including the Bromsgrove District Council office.

### Department for Work and Pensions (DWP) – Jobcentre Plus

The DWP is currently located within the library and would anticipate relocating to the Hub, which would address some of the compromises which have been necessary to work from the library floorplate. Providing lease terms for the hub are comparable with their current arrangements, the relocation raises no concerns and the DWP recognises the benefits of co-locating with other services, both in the back office (2,067 sq.ft. required) and front of house (3,498 sq.ft.) It would be of particular importance to the DWP that the front of house facilities are located on the ground floor.

### Clinical Commissioning Groups (GPs)

There has been little or no strategic planning on surgeries and there is potentially a significant opportunity looking across the 8 surgeries within the Redditch area. The surgeries are currently capacity constrained



and generally facing significant issues with the quality of the buildings and facilities they are using. Additionally, the anticipated population growth in the region needs to be accommodated and at the moment there are no clear solutions to address this.

Although no engagement has taken place with individual surgeries at this point, the CCG has indicated that a reasonable assumption would be to include the 5 closest surgeries to the town centre and allow for the anticipated growth in the region.

- Elgar House Surgery
- Hillview Medical Centre
- The Bridge Surgery
- The Dow Surgery
- St Stephens Surgery

As plans for the Hub are firmed up, engagement will be needed with surgeries to solidify commitments. Given the challenges facing these surgeries, there is potentially capital available to contribute to the build of the Hub, which could be deployed to significantly de-risk the project for RBC. Parking and accessibility will be key to making a Health-focused Hub a success.

### **Worcestershire Health and Care NHS Trust**

Focusing on services provided from Smallwood house, there is a pressing need to relocate, given the quality of the existing building and significant backlog maintenance. The diverse range of services provided from Smallwood House means there will be significant work needed with stakeholders to determine exactly which services fit best with a Health-focused Hub and whether any should relocate to a hospital setting. There is the possibility also that other services (e.g. minor surgery / ultrasound scanning) could form part of the new Community Hub; so, the current Smallwood footprint has been used as a working assumption of footprint for the new Hub.

There are particular advantages for these services in locating alongside GP facilities, but benefits also in having close proximity to other services – especially social services and the voluntary sector. If included in the final scope for the Hub, the healthcare services will have a significant impact in driving footfall to the town centre; thus contributing to more sustainable regeneration. Unlike the other potential occupiers, healthcare facilities will be largely cellular in nature, with an emphasis on privacy and acoustic separation. Nevertheless, there is potential for sharing of supporting spaces, such as meeting / training rooms and for improvements in inter-agency communications.

### **Probation Service**

The probation service highlighted real operational benefits in co-locating with other services (especially housing and social services). However, there are practical reasons relating to the type of users with whom the probation service deals, which makes co-location in a public space challenging. In particular, higher risk offenders who must, by law, be kept away from children and/or victims. As a compromise measure to achieve some of the benefits, the service has suggested that access to interview rooms with some supporting office facilities would be valuable and help improve cross service working and facilitating joint meetings with low to medium risk offenders. This would likely be at the scale of two staff (PO and PSO), two to three days per week.

### **Community Regeneration Company (CRC)**

The CRC see similar benefits to probation, but without the same restrictions, and would be interested in re-locating from their current base in the Kingfisher Centre. The requirement would extend to space for 10 staff with access to up to 5 interview rooms with CCTV, secure escape routes etc. Their current location costs approximately £15,000 per annum. They are particularly keen to forge closer links with children’s services as well as DWP, mental health and housing. It should be noted that the CRC service is facing significant organisational change in the near term and, therefore, will need closer engagement to understand how their needs may change.

### **Environment Agency (EA)**

The regional office of the EA has no current base in Redditch, but they do operate within and outside the Borough, extending even into Warwickshire, where also they have no office base. Their current base in Solihull is soon to close. So, they have identified real benefits in having touchdown space for up to 10 staff at a cost of up to £10,000 per annum. Their requirement would be for shared “backroom” office space only, with access to meeting rooms. It has been identified that some of the enforcement work of both the EA and the Police do overlap; so, synergies will be positively affected.

### **Citizens Advice**

Already based in the Town Hall, Citizens Advice have given a strong indication that they wish to remain in a new Hub. They expect to benefit from improved facilities (meeting rooms) and a larger number of interview facilities, as they expect demand for the service to increase and be sustained in the future. In addition, they have expressed a need for dedicated lockable / access restricted space. This requires further exploration to build requirements into the new Hub layout, without compromising principles on flexible use of space and facilities. They appreciate that additional/larger facilities will be at a cost.

### **CVC (Bromsgrove and Redditch Network: BARN) & Wider Voluntary Sector**

Coordinating the voluntary sector in Redditch, BARN sees benefit in relocating to the Community Hub, provided the terms are acceptable. This might be financially challenging as their current rent is c. £6,000 annually. Access to shared rooms for meetings and training would be beneficial. In addition to their own requirements they see benefit in the availability of drop-in facilities in the Hub for other voluntary organisations to use and are willing to help explore any other potential co-locations from the voluntary sector.

### **Fire and Rescue Service**

The fire and rescue service had already committed to plans for a blue light hub with the Police in Redditch before DGMI's engagement began. These plans are at an advanced stage at the time of writing. Nevertheless, the service does acknowledge some potential for community engagement in the Community Hub, perhaps alongside a police community presence. This is small scale, but the service may wish to take advantage of meeting space in the hub and it will enhance the fundamental 'community' element of the Hub.

### **Police**

Outside of the blue light hub being developed elsewhere within Redditch (see Fire and Rescue Service above), the Police are keen to maintain a visible town centre presence. Although again small scale in nature (4+ desks), this does serve a useful role in maintaining a public face to the service, focusing on community policing. The potential for the relocation of Children' Social Care services into the Hub may prove attractive to an additional Police presence, because of their necessary working relationships with the Children's Safeguarding function.

### **Heart of Worcester College**

Whilst the college is strongly supportive of the Council's plans, it does not see significant benefit in participating directly in the Hub. It does, however, support the idea of bringing services together under one roof and sees real benefit to its students, many of whom are referred to council services for support with housing and care matters.

There would be interest in having visibility of the college offerings to users of the Hub, particularly through the DWP, where strong links exist already. The excess of parking available at the college should also be considered in the redevelopment plans, if the parking provision around the current Town Hall is adversely affected by the final plans. Additionally, there is the potential for the College to form an important partner in the development of the Education and Enterprise Quarter/Hub, in which the existing Police Station site could be a significant element.





## **APPRAISAL FOR HUB LOCATION**

## **7 APPRAISAL OF THE OPTIONS FOR HUB LOCATION**

This section considers in detail the options agreed with the Council in the Working Group and sets out the rationale for the preferred option. It goes on to consider the next steps in the design work and potential funding options.

### **7.1 Site Options - including Regeneration Benefits and Net Present Values**

The strict brief provided to DGMI at the project inception meeting in December 2018 was to consider locations for a Hub only in the immediate environs of the existing Town Hall in the Public Sector and Culture Quarter. Locations in the Education & Enterprise Quarter, including the site of the Police Station, were not to be considered. That instruction has been validated by the options review which follows, not least because the site is further from the twin centre, but also because of site/building limitations such as asbestos in the building fabric.

In addition to the “Do Nothing” option, a number of site locations have been considered which could potentially accommodate a Hub of approximately 80,000 sq.ft. (Gross Internal Area). This is following the identification of potential partner floor space requirements in addition to those of the Council as outlined above.

These options can be summarised as follows:-

#### **7.1.1 Do Nothing**

##### *Opportunities*

- There are no advantages to retaining the status quo in terms of the existing Town Hall occupation, other than there will be no disruption whatsoever to the on-going operation of the Council’s day to day business.

##### *Challenges*

- Doing Nothing is not an option. It is already acknowledged by the Council that the Town Hall is an inefficient building, which is costly to run, and means that productivity and staff performance is compromised. There is also an acknowledgement that partner interaction in the public sector can be far more efficient and productive through co-location.



- DGMI research has identified that the building's footprint is 45% larger than is required and that the building layout encourages siloed working and is a barrier to collaboration.

### **7.1.2 Wholesale Redevelopment of the Town Hall site**

#### *Opportunities*

- Would enable a comprehensive, masterplanned scheme to be delivered in this part of the town centre, incorporating a potential mix of a new Hub, additional Grade A offices for other occupiers, a hotel, new residential development, improved public spaces and linkages and greater clarity and efficiency of movement for pedestrians and vehicles.
- The opportunity to bring forward public realm and movement (vehicular and pedestrian) improvements as part of a town centre-wide approach.
- A new range of private investors would likely be attracted to the town.

#### *Challenges*

- The requirement to demolish the Town Hall and to clear the site to create a platform for development would mean a significant upfront cost would be incurred affecting the overall viability of the new Hub as the first phase of development.
- The Council would need to secure temporary office facilities during the demolition and construction period, estimated to be 30 to 36 months. This may mean a split operation depending upon availability of offices in the town centre.
- MBNL Ltd have a 20 year lease on rooftop masts from May 2006 at a current rent of £8,250 p.a. If this option were pursued, the Council would need to serve notice in May 2019, the date of a break option, in order to achieve vacant possession of the Town Hall. Specialist legal advice would be required in this respect.
- The tenant operating the crèche in the basement of the Town Hall will need to be either relocated or re-provided with space in the new Hub. The tenant has a 15 year lease from July 2014 at a current rent of £20,000 p.a. The Council can serve 12 months' notice on the Tenant at any time to obtain possession in the event of demolition or redevelopment of the Town Hall and the Tenant can serve not less than 6 months' notice on the Council to determine the lease at the 6th anniversary of the Term of Lease i.e. 28 July 2020.
- A master developer would likely be appointed to manage the redevelopment of the area. This will be a lengthy exercise due to the appointment process and preparation of a masterplan and a costly process due to the layering of profit between the master developer and sub-developers.

- In order to achieve a comprehensive redevelopment of the area between the existing Town Hall and the Kingfisher Shopping Centre, all buildings and infrastructure would ideally be in the control of the Council. Threadneedle House is in third party private ownership and unless a Compulsory Purchase Order (CPO) was made, an acquisition by negotiation would be either unlikely or expensive. A CPO also adds cost and time as well as risk to a delivery process.
- Securing Agreements for Lease with potential occupiers would be a pre-requisite for proceeding with this option.
- This approach would utilise the highest carbon footprint.

### **7.1.3 Conversion of the existing Town Hall**

#### *Opportunities*

- This would enable the re-use of an existing Council-owned, prominent and well-known asset with opportunities for sharing space and costs, including business rates, with public and/or private occupiers for office use and other potential uses including a hotel or residential.
- There would be an opportunity to improve public spaces and linkages, providing greater clarity and efficiency of movement for pedestrians and vehicles. In particular, links and signage to the covered market area and the Kingfisher Shopping Centre could be strengthened.
- Following selective demolition, e.g. the Committee rooms and the café in Walter Stranz Square, the Council could dispose of land in the Square and in the existing car park area for private sector development of new housing and/or a hotel, subject to viability testing. Receipts generated could offset the cost of refurbishment.
- A conversion would represent the lowest carbon footprint option apart from the Do Nothing option.

#### *Challenges*

- The refurbishment would be expensive in order to deliver Grade A office accommodation and to accommodate other uses e.g. residential and hotel. Separate entrances and security systems may need to be created.
- A refurbishment of an existing building when compared to a new build will always provide a compromise solution. Energy performance will be less due to retro-fitted systems and the re-use of the existing structure and materials.
- A conversion would visibly contradict the Council's expressed intent to physically transform and regenerate the town centre.
- The Council staff and Members would need to temporarily relocate during the conversion works, either en masse or in phases. This would be expensive and disruptive to the day to day Council operations.

#### **7.1.4 Locate in the Shopping Centre**

##### *Opportunities*

- The Council's commitment to the Kingfisher Shopping Centre would strengthen the relationship between the Council and the owners of the Centre.
- The Hub would drive footfall in the Centre, helping to underpin its financial performance and longevity.

##### *Challenges*

- The Hub would suffer in terms of an identity and would not be customer facing.
- The potential partners in the Hub have expressed reservations about a location in a shopping centre.
- Operational flexibility may be compromised due to the Centre's own management policy e.g. opening and closing times.
- The service charge payable may be high relative to other independent locations.
- A Hub may only be accommodated subject to existing retailers relocating or ceasing to trade. This introduces risk on the delivery programme.
- This option would do little to enhance and regenerate the Public Sector & Cultural Quarter.

#### **7.1.5 Build a New Hub and retain existing Town Hall which can be sold or let – the preferred option**

##### *Opportunities*

- Enables a bespoke solution to suit all occupier requirements, encouraging agile and efficient working, with greater interaction between the public sector occupiers.
- Energy efficient and cheaper to operate per sq.ft. than the existing Town Hall
- Provides a strong statement of the Council's intent to physically transform and regenerate the town centre.
- Enables a capital receipt or revenue to be generated from the existing Town Hall, which can offset the costs of the new build.
- Grant funding is likely to be attracted for a purely residential scheme from Homes England.
- Enables public realm improvements and provides an opportunity for a strong urban design form to frame Alcester Street and/or the ring road, as well as stronger pedestrian links across the ring road.
- Provides an opportunity to establish a new rental tone for Grade A offices in the town centre, which will give confidence to private investors and developers to invest in other commercial schemes.

- Can act as a catalyst for changing attitudes towards car-borne travel and a desire for parking close to the Hub through the introduction of a Travel Plan, including dedicated parking areas for essential users only.

### *Challenges*

- Partial demolition of the Committee rooms and the café in the centre of Walter Stranz Square may be necessary to accommodate a new Hub in Walter Stranz Square. The cafe will need to be offered premises elsewhere, possibly in the new Hub. Their lease is for 8 years from June 2015 at a current rent of £4,700 p.a.
- There would be a loss of dedicated parking if the new Hub was constructed on the existing Council car park.
- The Council may need to absorb the void costs or assist with the viability of a conversion scheme for the retained Town Hall.
- There may prove to be little market appetite for a purchase of the Town Hall or little demand from prospective tenants for office space. A full market testing and viability appraisal will be required.
- Securing Agreements for Lease with potential occupiers would be a pre-requisite for proceeding with this option.

The table below presents the **net present values** of the options - highest benefit last - allied to relevant payback periods. These relate solely to the preferred and 'As Is' options, as the other three have not been proposed for the reasons stated above.

Option	Details	NIA Building size m2	NIA Building size ft2	Total 35 Year NPV costs	(Income) / Cost per annum	RBC Cost / Benefit p.a.
As Is	No change - current running costs + maintenance backlog + future maintenance	7,250	78,040	£15,215	£435	£0
Option 1	New Town Hall only, current usage, Agile working	2,304	24,800	£11,834	£338	£97
Option 2	Option 1 + capital receipt for old property	2,304	24,800	£10,385	£297	£138
Option 3	Option 2 + Tenant space + profit rents	7,433	80,010	£6,833	£195	£240
Option 4	Option 3 + grant aid	7,433	80,010	£4,901	£140	£295

Table 3 Net Present Value benefits (lowest first)

## 7.2 The Preferred Option/Next Steps

The Working and Steering Groups comprising senior officers, and latterly the Leader of the Council and the relevant Portfolio Holder, have been clear that their preferred option is to construct a new Hub and retain the existing Town Hall for sale or to rent for a variety of uses, to be explored through market testing.

It is important to note that the Council is recommended to avoid constructing a single building as this would prove less flexible in the event that the Council wished to dispose of its interest and less desirable to third party investors.

Having identified the preferred option, the next stage in design would be to undertake some conceptual layouts in either Walter Stranz Square and/or in the area of the Council car park to explore how two office buildings, each of circa 46,000 sq.ft. (Gross External Area) could be positioned together. The rationale supporting two buildings is to enable the Council to retain flexibility for the disposal for one of both of the buildings at a future date. The opportunity for public realm improvements including the “breaking down” of the ring road collar, the forging of strong pedestrian linkages between the town centre, the Hub and the residential and commercial areas to the south and west of the town centre and the remodelling of the Council’s retained areas around the existing Town Hall needs to be optimised as part of the Hub project.

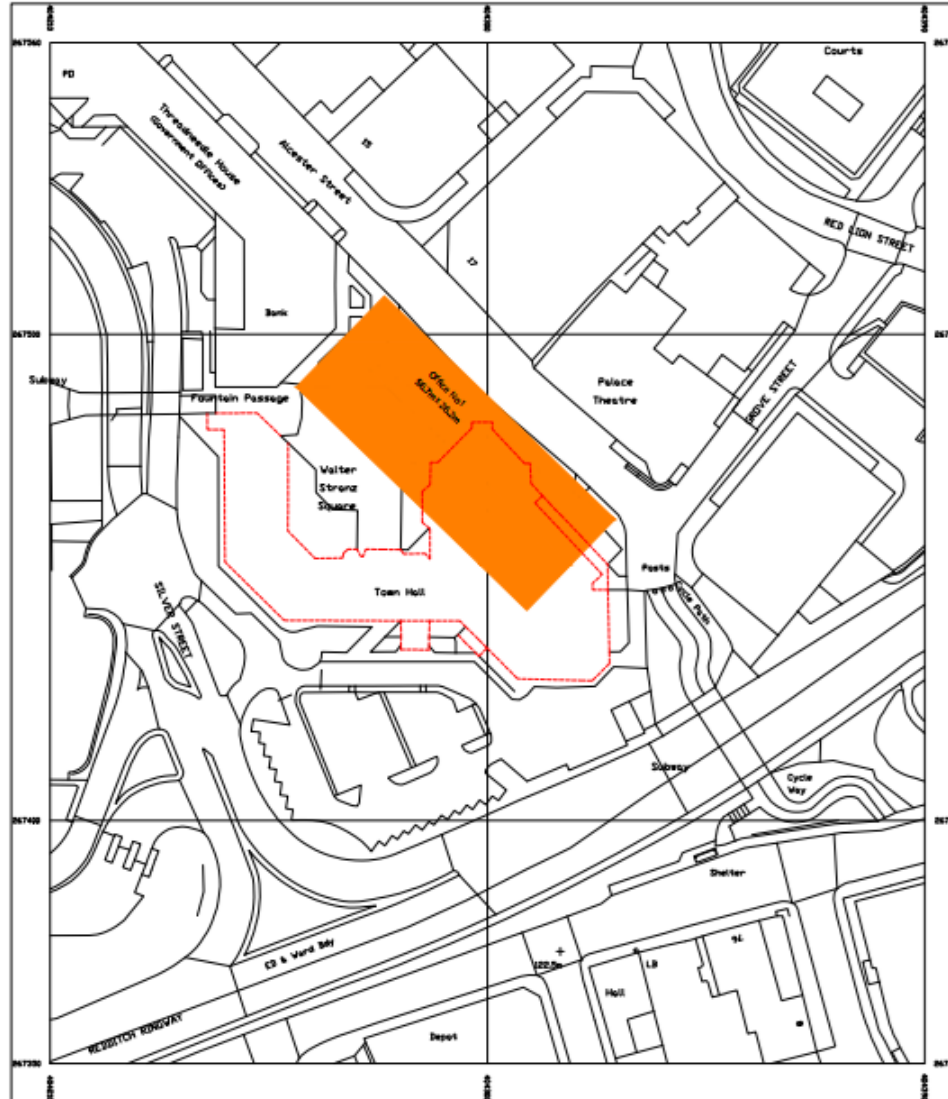
DragonGate can advise, on the basis of the professional opinion of our Chartered Surveyor and the information provided by the Council on the site, that a building or buildings as specified above, can be accommodated within the preferred site option. This would typically comprise five storeys (the same as the existing Town Hall) with floor plates, if two buildings are selected, of 46,000 sqft each GIA. The plans below are indicative exemplifications of that assurance, showing how a single building or two separate buildings (the recommended option) could ‘fit’ on the recommended site. However, detailed designs will be necessary to reflect the physical, legal, and planning limitations of the site.

In order to proceed with confidence and to reduce risk, the Council would need to have contractual commitments from third party occupiers by way of Agreements for Lease prior to either letting a construction contract or signing a long term lease for the new Hub. This work needs to be progressed in parallel to the design work, particularly as the potential occupiers will wish to see visualisations of the new Hub prior to committing to take space therein.

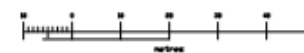
A period of 36 months should be assumed for delivery of a new 80,000 sq.ft. (GIA) Hub. This comprises 12 months for pre-planning work (surveys, legal due diligence, preparation of tender documents, preparation and submission of planning application etc.) and

24 months for the construction phase. The Council will need to shorten this delivery programme wherever possible in order to maximise the revenue savings identified in the Financial Case below.

# Redditch Town Hall Development Option 1



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**Client:**  
 Redditch Borough Council

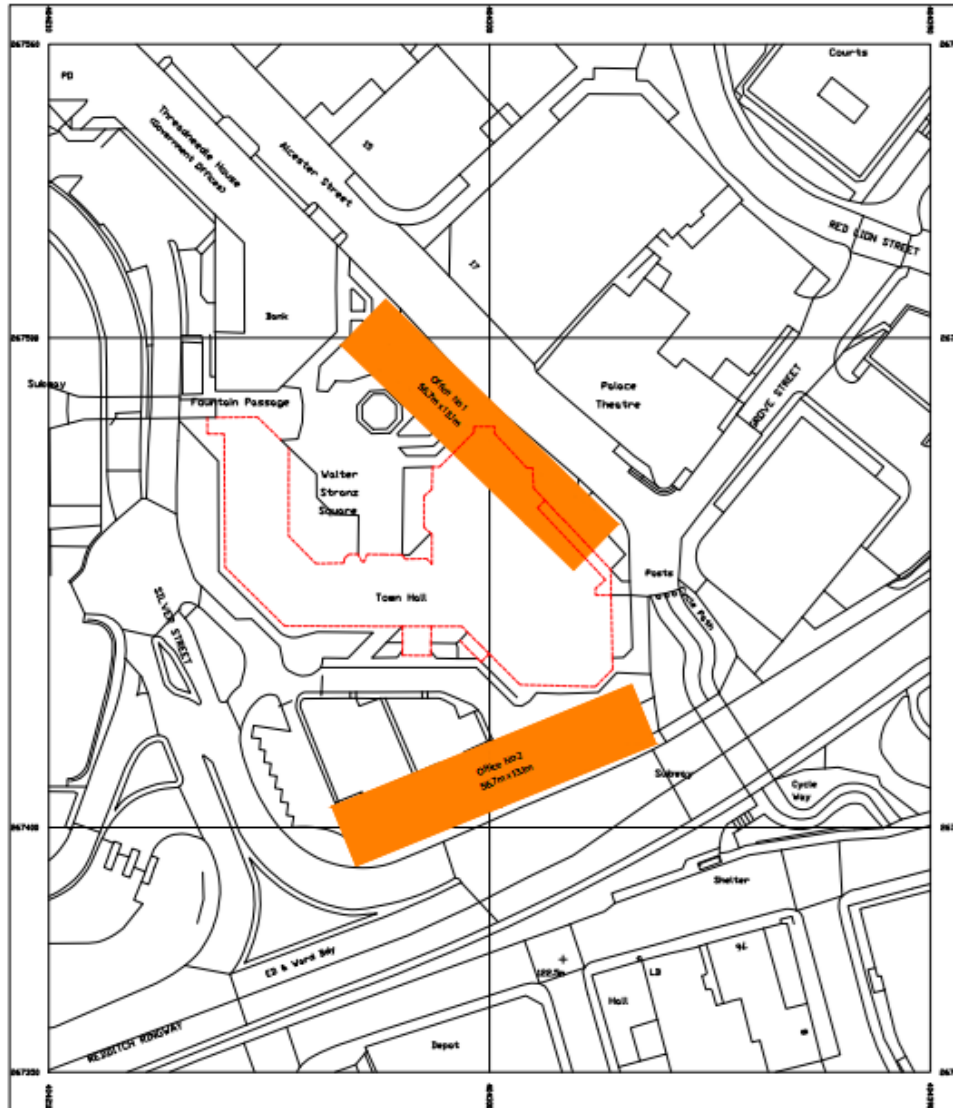
**Address:**  
 Walter Stranz Square,  
 Redditch B98 8AH



DragonGate Market Intelligence  
 76 Vincent Square, Westminster,  
 London SW1P 2PD



# Redditch Town Hall Development Option 2



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Client:  
**Redditch Borough Council**

Address:  
**Walter Stranz Square,  
 Redditch B98 8AH**



**DRAGONGATE**

DragonGate Market Intelligence  
 76 Vincent Square, Westminster,  
 London SW1P 2PD

### 7.3 Funding Options

There are three main funding options for the Council to enable delivery of a new Hub:- an occupational lease, say 15 years on institutional terms; an income strip lease, say minimum 30 years and direct delivery via a mix of PWLB borrowings and capital. There are various permutations of these; for example, the Council could build and then sell subject to a leaseback - either on a traditional occupational lease or an income strip lease.

The choice of funding option depends on the Council's attitude to capital and revenue exposure and appetite for risk, particularly in the construction phase. All three will require the Council to take responsibility for costs including business rates and service charges in respect of unoccupied areas. Rent will be payable also for void areas, if a leasehold funding route is taken.

#### **Option 1 - Occupational lease**

The Council would appoint a developer through open competition (probably OJEU). The developer would design the Hub to suit the occupational requirements of the various proposed occupiers and would procure the construction through an OJEU process and carry the development and construction risk.

In return, the Council would take a pre-let on institutionally acceptable lease terms for a minimum period of 15 years. The longer the lease term, the better the investment yield/higher value generated and the lower the rent the Council will pay.

The Council, as head leaseholder, would then sub-let various parts of the building to other public sector partners, offsetting its head lease rental payments and ideally creating a profit rent, although the ability to do so can be restricted by the terms of lease.

The Council would pay an annual rental related to the cost of construction plus a developer's return on cost. This rent would be reviewed every 5 years, probably indexed to the CPI and typically subject to a capped increase of 4% and a minimum increase of 1%.

DGMI initial appraisals indicate that external grant funding support would likely be required in order to make the project viable for a developer seeking a minimum return on cost of 15% based on an investment yield of 5.25%. This is with no rent-free period assumed.

The Council would be responsible for costs including rent, business rates and service charges in respect of all unoccupied areas of the Hub.

### **Option 2 - Income strip lease**

The Council would appoint a developer and the design and specification would be progressed as under Option 1, with the developer taking the development and construction risk.

The main difference with this option is the duration and terms of the lease. Pension funds such as Aviva, Legal & General and Axa are attracted by contractual revenue streams from property or any other asset class which are underpinned by a local authority covenant. They will competitively bid against each other in order to secure that income stream to offset annuity payments to pension plan holders, thus driving up the price and compressing the yield.

The Council would be expected to take a minimum lease term of 30 years. The longer the term, the more attractive the yield and the greater value generated, being reflected in lower head lease rental levels.

The head lease is less flexible. For example, there would be no assignment permitted and it would be hugely expensive to exit the lease early. However, the Council has the opportunity to generate a significant profit rent, as the building is sub-let to other occupiers on the basis of pre-lets for a minimum floor area or to provide a minimum rental cover for the building. From an accounting perspective, this option may have balance sheet advantages as the Council will typically have an option to purchase the freehold of the building for £1 at the end of the lease. However, it is understood that HMRC is reviewing the local government accounting treatment of income strip leases. There is a view amongst procurement solicitors that the option to purchase the freehold for £1 may amount to a public works contract, as the local authority tenant is more inclined to become involved in the design and specification for the building.

On a 30-year lease, the Council would pay an annual rental for the building related to the construction cost including a developer's profit. This rent would be reviewed every 5 years, probably indexed to the CPI and typically subject to a capped increase of 4% and a minimum increase of 1%. It is likely there would be a rent-free period of three years. An investment yield of 3.5% would be achievable in this scenario, which would reflect the significant value generated by the local authority covenant strength.

If a 40-year lease is taken, an investment yield of 2.75% would be achievable, resulting in a lower rental payable under the head lease, thereby affording the Council an opportunity to generate a higher profit rent from third party sub-tenants.

The Council would be responsible for costs including rent, business rates and service charges in respect of all unoccupied areas of the Hub.

### **Option 3 - Direct delivery**

The Council would appoint a development manager and a design team to prepare detailed Employers' Requirements and tender documentation. That design team would typically novate to a design & build contractor appointed via an OJEU process, either as part of a single or two-stage process. In the latter case, the Contractor's tender would include a fee and preliminaries, overheads and profit. The contractor would then work up detailed drawings and plans in consultation with the Council as Client and would prepare and submit a detailed planning application on the Client's behalf prior to constructing the Hub for an agreed price.

There would be no developer's profit to pay (typically 15% on cost) but there would be a development management fee to pay. An experienced development manager would aim to transfer the cost risk on to the contractor and away from the Council as client but it is likely the Council would still be exposed to some cost risk.

The Treasury rate for PWLB borrowings would be competitive against the finance rate secured by third party developers and the Council would retain the freehold ownership of the asset, being free to exit the investment at any time, subject to market demand. The revenue from tenant occupiers should outweigh the revenue required to service the loan, thus creating an attractive profit rent based on pre-lets.

Under this option, the Council would have to cash-flow the construction costs and would be responsible for business rates and service charges in respect of all unoccupied areas of the Hub.



**FINANCIAL OPTIONS FOR  
REDDITCH COMMUNITY HUB**

## 8 FINANCING THE PREFERRED OPTION

### A) The Preferred Funding Model

The Working and Steering Groups have been clear that their preferred funding model is to deliver the new Hub directly using a loan from the PWLB. The Financial Case below includes financial modelling based on this approach and utilising stated assumptions, but the scheme will require detailed modelling using the Council’s own assumptions in terms of cash flow, Net Present Values and income from tenants. The Heads of Terms for an Agreement to Lease with each tenant will need to specify the minimum amount of rental cover required from pre-lets to tenants before the Council will commit to letting the construction contract and the PWLB borrowing.

### B) Approach

The Redditch Borough Council Community Hub business case is forecast over 35 years. This timescale is considered appropriate to a long-term property project that may be financed for a period of between 25 and 35 years.

### C) Variables

The main fixed variable is provided by HM Treasury Green Book: the discount rate (the future cost of money) is set at 3.5% p.a. This has the effect of discounting future cash flows to a lower value than if they were made today. Therefore £1000 spent or received today is a higher value than if spent or received in ten years’ time.

Variables specific to the Redditch Community Hub (RCH) financial business case include the following:

Variable	Value used	Notes
Plan and build time	3 years (2019 - 2021)	This has been estimated by DGMI as the time to bring the RCH to the point that occupancy can start.
Hub occupancy start	2022	The model presumes that Redditch Borough Council would occupy the Hub from the start of 2022

PWLB loan term	over 30 years at 2.59% p.a.	Varying terms are available from PWLB to finance the project. 25, 30 and 35 year periods have been considered. PWLB interest rates increase slightly for longer periods and change with markets. At this point interest rates vary from 2.41% p.a. to 2.68%. Equal half yearly repayments (mortgage style) are included in the forecast based on PWLB information.
Town Hall sale proceeds (option 2+)	£1.5M	DGMI has estimated that proceeds from the sale of the Town Hall could raise £1.5M.
Grant income (option 4)	£2.0M	DGMI has estimated that they may be potential grant aid for the RCH project (or spin offs) available to a total of £2.0M.
Tenant rent charge £/sq.ft.	£21.43	Tenant rents are derived from the cost of PWLB repayments divided by the area to be rented, with an additional mark up. Tenant rents must be commercially acceptable in the marketplace. The levers for adjusting the level of rents are: 1. Size of PWLB loan (total build cost less any receipts) 2. Length of PWLB loan term 3. Profit rent mark up (in this model 20% on costs) 4. Longer term tenancies reduce potential voids <i>NB: If the loan period is longer, projected rents would be lower.</i>
Rent profit mark up	20%	A mark up of 20% on the basic repayment rent has been applied.
Tenant rentals voids	10% throughout	Voids for 10% of available tenants space is assumed throughout the model.
FM (service) charge to tenants £/sq.ft.	£5.55	A service charge to cover running costs of the Hub is envisaged, payable by tenants. This is based at the same rate as existing Town Hall running costs, adjusted to account for the space occupied, BREEAM savings, and a mark-up.
FM (service) charge mark up	20%	A mark up of 20% on the basic running costs has been applied.
BREEAM excellence	£1.62	DGMI estimated running cost savings in a BREEAM excellent building versus a conventional building, per annum.

savings £pa/sq.ft.		
Town Hall maintenance backlog	£1,034,250	RBC provided an 2017 analysis of maintenance backlog for the town hall. A five year programme has been as part of the As Is costs.
Town Hall est future maintenance p.a.	£100,000	Similarly, a continuing town hall programme of running maintenance of £100K p.a. has been assumed for the remainder of the review period.

The following tables summarise the data used in the formulation of the above financial assessment. They set out respectively: the building and fit out costs, showing the split between building a new Town Hall only and the additional build necessary to accommodate interested third parties; and the NPV costs of the different options considered by the working group.

***From Table 5 it is clear that all the alternative options considered would improve on the 'As Is' position.***



**Building and fit out costs - RBC Community Hub**

Details	Building and fit out costs		PWLB costs				
	NIA Building size m2	GEA Building size ft2	Build cost	Fit out	Loan	Repayts p.a. (30 year loan)	
New Town Hall only	2,304	28,520	£6,674	£1,711	£8,385	£9,000	£140
Tenant space additional build	5,129	63,490	£14,854	£4,073	£18,927	£19,000	£295
<b>Total build</b>	<b>7,433</b>	<b>92,010</b>	<b>£21,528</b>	<b>£5,784</b>	<b>£27,312</b>	<b>£28,000</b>	<b>£435</b>
<b>Unit costs</b>	<b>Cost per sq foot (average / GEA)</b>		<b>£234</b>	<b>£63</b>	<b>£297</b>		

Table 4: Building and fit out costs – Redditch Community Hub

## PWLB and effect on rents - RBC Community Hub

PWLB Loan term options	25 years	30 years	35 years
PWLB interest rate	2.45%	<b>2.59%</b>	2.68%
PWLB annual repayments	£ 1,589	£ <b>1,429</b>	£ 1,315
Implied base rent psf (RBC)	£ 19.86	£ <b>17.86</b>	£ 16.44
Tenant profit rent (base + 20%)	£ 23.83	£ <b>21.43</b>	£ 19.73

Table 5:PWLB borrowing and effect on rents - Redditch Community Hub

Table 6: Business Case options analysis

35 Year NPV costs of options - RBC Community Hub						
£000s						
Option	Details	NIA Building size m2	NIA Building size ft2	Total 35 Year NPV costs	(Income) / Cost per annum	RBC Cost / Benefit p.a.
As Is	No change - current running costs + maintenance backlog + future maintenance	7,250	78,040	£15,215	£435	£0
Option 3a	Capital receipt at 50% value - 100% projected third party space, no grant	7,433	80,010	£7,558	£216	£219
Option 3b	Capital receipt & 100% of third party space - profit rent at 60% of nominal value, no grant	7,433	80,010	£20,132	£575	(£140)
Option 3c	Capital receipt at full value + 50% of projected third party space, no grant	4,868	52,400	£8,552	£244	£191
Option 3d	Capital receipt at 50% and 50% of third party space, no grant	4,868	52,400	£9,276	£265	£170
Option 3e	Option 3 with no capital receipt	7,433	80,010	£8,283	£237	£198



## **CONCLUSIONS AND NEXT STEPS**

## 9 CONCLUSIONS

8.1. Having considered the information and analyses above against the stated objectives of the Council – town centre regeneration and transformation of local public services, including those of the Council – and the five components of the Treasury Green Book Business Case - there is a compelling case both for a Community Hub and for its location on the preferred site employing a direct delivery model.

8.2. It is DragonGate’s considered and independent conclusion that the preferred option is the most appropriate, given the Council’s constraints on time and budget, having regard to the risks associated with the various options, as outlined in the report, and within the parameters agreed with the Council at the inception meeting.

8.3. Strategically, the Hub initiative will unlock significant town centre regeneration at three levels: increasing footfall arising from the co-location of a large number of public services in one space - public services which are in broad and increasing demand and which are generally complementary (e.g. Benefits, DWP (Jobcentre Plus), Citizens Advice, GPs in the longer term); the catalyst for more attractive rent levels arising from those contingent upon a new BREEAM Excellent building; and freeing up space for other development in the centre – housing and/or budget hotel.

8.4. It will also provide a modern Community Hub to encourage and support more effective collaboration and appropriate integration of those public services, including the third sector, which serve residents and businesses in Redditch. This benefits customers in two ways: they have to relate to one site only, physically and remotely, reducing the confusion about where and whom to contact; and, when they make contact, the responses to potentially multiple requirements will be coordinated more effectively. Indeed, a further benefit will be that, because of that more collaborative approach to delivery of services, issues can be addressed more swiftly and underlying, but not immediately apparent issues, can be identified and addressed before they become more difficult – a form of informal triage.

8.5. In terms of the economic case, the provision of a Hub, developed in consultation with and the full engagement and commitment of relevant and willing third parties, will promote and enhance integration and improved service collaboration. This has been the impact where such initiatives have been implemented elsewhere in the country. As above, this benefits customers in terms of quality of service and service providers in terms of cost and efficiency.

8.6. The commercial case is clear and strong. There are a number of options, all of which will generate different levels of benefit and risk and which can be delivered in their different ways. However, there is one stand-out option, using Council-owned land and borrowing from the Public Works Loans Board (PWLB), which is recommended to the Council.

8.7. The preferred and proposed solution is one which is affordable financially and which improves on the 'As Is' position. It is for the Council to decide on the balance of benefit (service and financial) it wishes to adopt against the level of risk. These latter are set out below, highest risk first.

- Securing commitment from a critical mass of appropriate and collaborative partners – the income and profit from third party tenants is critical to the long-term finances of the project. A shortfall of tenants occupying space for the long term will mean that RBC would be making PWLB loan repayments without the income to cover those payments. Because of the current level of indicative interest, the Council has a significant opportunity to determine which agencies will be the most relevant and appropriate with which to co-locate.
- Securing pre-lets for an acceptable take up which meets voids assumptions – there is an acknowledged risk that current verbal interests may not translate into firm commitments and that this will result in voids, the cost of which will have to be met by the Council and which are likely to have a negative impact on future occupier interest. This should be addressed as a priority before the final size and design of the building is completed and physical work commences. It is equally unrealistic, though, to assume that there will be an available scenario where no risk from additional space and tenancies is engendered.
- Availability of funding – the PWLB is a long-standing source of project finance with fixed term interest rates. If central government were to reduce the availability of funds in the near future, the Council would be forced to consider more expensive means of financing the project
- Availability of internal (Council) project capacity – the Council needs to determine what dedicated capacity it can allocate to the project; this will be necessary to ensure effective completion and within required timescales. Failure to plan and manage the project effectively could lead to delayed timetables, late tenant occupancies and cost overruns. Any and all of these would contribute to reduced profits from the project.
- Adequate capital receipts from the sale of the Town Hall – the Council should test the market and determine the balance of advantage between capital receipt and renting out space in the Town Hall for ongoing revenue.

From the financial and commercial appraisal, it is clear that the project remains viable, even without a capital receipt.

- Ability of Council to maintain BREEAM Excellent building – a new build should be more capable of maintenance, thus avoiding the maintenance backlog built up on the current Town Hall.
- Location of Social Care staff – again a decision for the Council, taking into account the impact on the Bromsgrove office of relocating Social Care staff currently located there.
- Further space/service sharing between partners – If similar quality office space is developed in the region, tenants may be persuaded to relocate from the Hub or potential rents could be suppressed due to competition.

8.8. The proposed preferred option will fulfil the major requirements (set out in 1.6) for the Council, its partners and the people of Redditch:

- **Built around customers and residents**
  - Creating new facilities aligned with modern service needs
  - Bringing together services to one location easily accessed
  - Strengthening links with partners through physical co-location
  - Opportunities to rethink delivery
- **Innovate to ensure best use of resources, efficient and effective service delivery**
  - Reducing space requirements for the council and partners
  - Sharing facilities and improving joint working – significantly improving customer access to single points of contact.
  - Stimulating change and creating flexibility for the future due to the open and highly configurable space provided in a modern activity-based working environment
- **Promote Regeneration**
  - A new Hub in the area of Walter Stranz Square and/or on the Council car park area – the ‘right’ part of the town

- **Push departmental and organisational boundaries**
  - Removing physical barriers between teams
  - Improving communication
  
- **Help people help themselves**
  - Easier collaboration and case information-sharing between teams
  - More accessible and inviting service environment
  
- **Work with partners (private, public and voluntary) to serve residents' needs**
  - Removing physical barriers between organisations
  - Facilitating joint working

8.9. In strict Business Case terms, the proposed preferred option:

- Strategically – unlocks a significant area for Town Centre Regeneration, whilst providing a modern Hub for integrated services
- Economically – enables and promotes that integration, with strong ‘in principle’ support from many public sector partners
- Commercially – benefits from straightforward delivery, using Council land and the PWLB
- Financially – is affordable and improves the ‘As Is’ position, the degree depending on the mix selected
- Managerially – the biggest risk but can be controlled by ensuring that third party commitments are contractually secured (see next steps below).



## 10 NEXT STEPS

10.1 This Business Case has identified significant benefits both for the Council and for its partners, but also for people who live and work in the Borough:

- Regeneration of the town centre
- Transformation of local public services into a far more collaborative approach to customer responses
- Deliverable by a straightforward process, within the Council's control
- Providing a much-improved position from the status quo.

10.2 Based upon similar local authority anchored Hubs, the business case assumes to fulfil delivery and physical occupation of the Community Hub as a three year programme, with a first 12 months pre-development phase to secure the financial business case.

10.3 The main risks and their mitigations are:

- Securing formal contractual commitment from a critical mass of appropriate and committed partner occupiers, to avoid an unsustainable building size and voids – to be achieved by continuing and focused work with potential partners. This is the main risk and the only scenario modelled where the Council loses money against the 'As Is' baseline.
- Loss of momentum, resulting in project drift and partners making alternative arrangements – to be addressed by the Council making an early decision, whilst maintaining the engagement with and between the third party interests.
- Availability of funding – the Council to make early approaches to the PWLB to ascertain rates and payback

- Availability of internal Council capacity to maintain and complete the project on time, to ensure the minimum cost and maximum benefits – the Council to identify the necessary and appropriate resource to fulfil the project effectively and on time

10.4 In order for the Council to be able to move successfully into a twelve month pre-development phase, leading to the effective delivery of the Hub project within the necessary timescale, a small number of effectively managed workstreams will be required. The council may want to explore seed funding options via One Public Estate for this process or may ask, as part of the process, for financial commitment for the workstreams from the other participants;

**Workstream 1 Securing Third Party Lock Out:** the critical factor of timing of decisions across a number of very diverse bodies, including potentially competing proposals and timescales.

**Action:** engage at Chief Executive and SMT level in all identified third parties to ascertain; governance routemap, timescales and non-binding commitment to exclude alternative property options during the timescale of the pre-development programme in lieu of the Council covering the early costs. Ensure all key decision making and makers are mapped and have early sight of the intentions, including Office of Government Property. Identify any capital investment opportunities from Government,

**Workstream 2 Formal Identification of Space Requirements and Related Matters (FM, digital);**

**Action:** information exchange of ‘as is’ property costs, staff and locations for third parties. The model must demonstrate savings and early paybacks for third party end users by using agile working savings, reduced backlog maintenance and shared space/ facilities management. Costs to be provided on an FTE saving basis (i.e.: the cost of space per FTE will be low although the costs per sq.ft. may be higher than the ‘as is’). Develop attractive CGIs of the Community Hub from the workstream to enable a wide audience to visualise the improved workplace benefits.

**Workstream 3 Capital Receipts:** a decision on the funding and cost model most appropriate for the Council

**Action:** market test the appetite, usages, likelihood and value range for the old Town Hall capital receipt. Also identify opportunities with central Government (DBEIS, MHCLG, Cabinet Office and DHSC) for grant in aid investment from existing transformation programmes.

**Workstream 4 Collaborative Services:** build the third-party business case around the resident and secure buy in from service directors and teams. Identify non-property savings through greater efficiency of early interventions

**Action:** Identify user journeys that are most inefficiently delivered across multiple services (focus on those requiring services from third parties already engaged upon the Hub). User journey mapping using a number of complex case scenarios to define where services would be optimally placed within the Hub.

10.5 It is strongly recommended that these steps begin immediately, targeting completion no later than June 2019 – the likely date of any formal decision by the Council. Continuing the engagement with potential occupiers, at a formal and informal level, will be a key element in maintaining momentum and building the commitments necessary to enable the Council to make decisions on the size, occupancy and financial base for the Community Hub to be made with confidence.

# **11 APPENDICES**

## **11.1.1 Appendix A: Redditch Community Hub Financial Options Appraisal**



Appendix A -  
Redditch Community I

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## **11.2 Appendix B: Redditch and Bromsgrove Council PeopleLOOK Survey Results**



Appendix B -  
Redditch and Bromsg

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## **11.3 Appendix C: Business Case Presentation**



Appendix C -  
Business Case Present

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## **11.4 Appendix D: Indicative Mapping of Site Options**



Redditch- Site Option  
1.pdf



Redditch-Site Option  
2.pdf

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