

Cabinet Meeting	
Meeting Date	18 March 2020
Report Title	Swale House
Cabinet Member	Cllr Monique Bonney, Cabinet Member for Economy and Property
SMT Lead	Nick Vickers, Chief Financial Officer
Head of Service	Nick Vickers, Chief Financial Officer
Lead Officer	Nick Vickers, Chief Financial Officer
Key Decision	Yes
Classification	Open
Recommendations	<ol style="list-style-type: none"> 1. To note the report. 2. To authorise an initial capital allocation of a <u>maximum</u> of £200,000 for the initial options appraisal, feasibility work and procurement of detailed design to achieve a modern office space which is carbon neutral.

1 Purpose of Report and Executive Summary

- 1.1 This report sets out the options for the Council's main office location, currently Swale House. It is essential to get this early work right for a successful refurbishment project.
- 1.2 The report seeks agreement for preliminary work to build up a business case for a refurbishment of the building. The refurbishment would have the objectives of making the building a modern fit for purpose workspace, to become a beacon carbon neutral workspace in the borough and to create new income streams from commercial and/or public sector tenants.

2 Background

Swale House

- 2.1 Swale House was constructed in the late 1970's/early 1980's. It is a concrete framed building with elevations of brickwork. The building is a part three storey, part four storey building with some undercroft parking at ground floor level. The access to the parking areas is from street level at the North West corner of the building. The building is built around a central open courtyard, which has parking at ground level. The buildings to the North and West sides of the courtyard extend to the higher third floor level with the buildings on the other two sides being one floor lower with the roof at third floor level.

- 2.2 As members will be aware the layout of the main floors for staff offices is very traditional with sub divisions into sectional offices and a large number of offices which have single occupation. The partitions take up a lot of space and are of little purpose for sound proofing. The ground floor is largely used for a large reception space, but also a large print room, post room and strong room for civic regalia and legal files. The third floor has some office accommodation but is also the focus for the civic functions, with the Council Chamber, Committee room and Assembly room as large meeting rooms, and offices for the political groups.
- 2.3 The building has quite a large number of meeting rooms, 9 on the first and second floors and 19 dedicated storage rooms. The usage of the storage space is not efficient. There is a first aid room and server room on the first floor.
- 2.4 Over the last 20 years the Council has significantly contracted its workforce and greater use of technology has increased home and flexible working so its need for space has reduced. However, given the lack of alternative uses the workforce has spread out to use the space. By any measure the Council has significantly more space than it needs.
- 2.5 There are four external clients who pay rent and/or a service charge, the Citizens Advice Service, National Probation Service, Sateda and SFM. Their aggregate rent is £27,200 per annum. Space is also provided free of charge to Apcoa (as part of the parking management contract) and Kent Police and Optivo (within the Community Safety Unit). The tenants are spread across three of the floors which is not helpful.
- 2.6 As will be examined further below the expectation going back some 10 years has been that the Council would move to a different office. Maintenance of the building as a result of this has been largely reactive. The main areas of spend in recent years have been on the boilers, lifts and the toilets.
- 2.7 Resource constraints mean that expenditure on public buildings is always going to be a difficult issue. But there are some real drivers of change. The building is highly inefficient from an energy perspective with combined electricity and gas costs of around £145,000. This issue will be examined further.

Spirit of Sittingbourne Development Agreement

- 2.8 In 2012 the Council entered into a Development Agreement with Spirit of Sittingbourne. The plan was for two phases of development:
- Phase 1- a retail development on a site owned by the Council, a Leisure development again primarily on Council owned sites (Cinema/Travelodge/restaurants) and 212 apartments on three Council owned sites.
 - Phase 2- a new civic building. Part of the building would be leased to Kent County Council for a Gateway and Library.

- 2.9 So effectively under this agreement the Council lost control of the Swale House site. As part of the arrangement for a new Civic Office, Spirit would take ownership of the Swale House site for primarily residential development. So since 2012 effectively this was the solution to the problem of what to do with Swale House.
- 2.10 In late December 2019 following a Cabinet decision the development agreement was terminated. The Council now retains ownership of Swale House and can proceed with alternative arrangements as set out in this report.

One Public Estate

- 2.11 One Public Estate (OPE) is a Government funded initiative where public bodies work together to seek to efficiencies in their use of property assets by working collaboratively. The Council, Kent County Council and Kent Police were successful in bidding for £80,000 in 2018 for a project to “carry out a strategic definition exercise for a number of sites in Sittingbourne to set out different options for delivering the first steps in the design and implementation of the Sittingbourne Civic Quarter”.
- 2.12 It needs to be emphasized that it was felt from the beginning that this was quite speculative in terms of delivering a viable outcome and also it assumed that the Spirit tie up fell. It was entirely free to the Council as it was fully funded from the OPE funding.
- 2.13 The sites taken into consideration were KCC and Kent Police offices in the Avenue of Remembrance, the Swallows, the KCC library, Phoenix House, Swale House, the ex Mormon land and Central Park Stadium.
- 2.14 A detailed report was received in July 2019. Whilst 8 options were initially considered these were reduced down to 4 options which were costed. The cost shortfalls on the options ranged from a minimum of £18.1m to a maximum of £28.3m. The fundamental weakness of all of the options was that none of the options for residential development showed a surplus even without developer’s risk profit and land values being applied.
- 2.15 Once it became apparent that the original brief was not deliverable, the availability of the OPE funding allowed the brief to be revised and further work commissioned. A detailed measured survey of Swale House was then undertaken together with a full structural survey. The latter was undertaken in November 2019 by Gledsdale Associates Consulting Structural Engineers. Gledsdale’s report is caveated, understandably, by the nature of the brief which was to undertake a non-destructive building survey in an occupied building. This was carried out externally from ground level, internally where access was available and externally at roof level again where access was available. Their conclusions were:

- “Generally the buildings are in reasonable condition commensurate with their age and use and appear to have been regularly maintained.
 - There is no evidence of any major structural movement or settlement within the buildings.
 - The concrete frame appears sound and where concrete surfaces are exposed they do not show any evidence of deterioration.
 - There are some local defects in the brickwork to the parapets but these can be repaired with the use of helical reinforcement within the bed joints.
 - The roof coverings require repair or replacement to prevent further water ingress.
 - Other defects noted are none structural and can be addressed as part of the refurbishment of finishes and decorations.”
- 2.16 At this stage the main conclusion for the Council is that no significant defects were identified that would rule out a refurbishment of the building. Unfortunately any refurbishment of an existing building carries the risk of further defects being found after work commences and it is impossible to eliminate all risk. It is good practice to allow a contingency sum within the contract for this purpose.

Climate Change and Ecological Emergency

- 2.17 The Council agreed the Climate Change and Ecological Emergency at full Council on 26 June. It was one of the first actions of the new administration, which is a demonstration of their commitment to the issue. Swale has the most ambitious targets of any council in Kent – to be carbon neutral by 2025 as an organisation and 2030 as a borough.
- 2.18 The work necessary to achieve these objectives is being led by a cross party member and officer group chaired by the Cabinet Member for the Environment. One of the first actions of the group was to commission the Carbon Trust funded from the Special Projects Fund. The core brief was to determine the emissions produced directly by the Council and indirectly in the Borough.
- 2.19 The report was received in late 2019. The report identifies that:
- Electricity- 76% of electricity emissions are from Swale House.
 - Gas- 98% of gas consumption is from Swale House heating and hot water.
- 2.20 All non-domestic property in the UK for sale or rent requires a Non-Domestic Energy Performance Certificate and there are 6 classifications ranging from A (most efficient-our target) to G (least efficient). Swale would be in category D, it is

better than the national average on both electricity and gas, but markedly better on gas.

- 2.21 To put the Swale House position in a wider context, Swale House accounts for 13% of total Council emissions, Transport (our fleet, business travel and staff commuting) 7% and contracts 78%.
- 2.22 A Council wide action plan is being prepared but there will be workstreams within this. The Swale House refurbishment will make a major contribution to reducing our emissions as a Council.

Modern Work Spaces

- 2.23 The changes in the building will require other changes, particularly in relation to the use of ICT and culture.
- 2.24 Through the Mid Kent ICT service there is an ongoing IT refresh programme. It will be essential to ensure that the IT in the building can fully support flexible ways of working.
- 2.25 Given the existing spare capacity within the building there is a large amount of paper storage. Some of this is justified but much of it isn't and we are storing massive amount of unnecessary material. This will have to be addressed for the space allocations to work.
- 2.26 The potential change to a more open plan basis is going to be challenging for many staff who are used to working in small offices. The current approach in many ways helps teams build up their identities but it doesn't help cross team working. So there is a need for culture change and ensuring that staff are actively involved in decision making.

Financial Position

- 2.27 The Council has effectively been putting off the time when it needs to address the future of Swale House. The aspiration to have a new Civic Centre through the Spirit of Sittingbourne arrangement never addressed how it was going to be financially viable. In signing the original Development Agreement the expectation was that Phase 2 would never happen. Given that Phase 1 was only delivered by the Council becoming the owner and funder of the project it made Phase 2 look even less likely.
- 2.28 The refurbishment of Swale House will have to be funded by borrowing. There may be scope for a degree of internal borrowing but some external borrowing will be required. This will mean the Council incurs debt interest costs and will have to make Minimum Revenue Provision to provide for principal repayment.
- 2.29 There seems to be 2 main sources of revenue to fund these borrowing costs:
 - Savings on electricity and gas costs, and

- Rental income from renting out space in the building.
- 2.30 If these sources of funding are not sufficient then the borrowing costs will be a charge on the revenue budget which is already highly constrained.

3 Proposals

- 3.1 At this stage we do not know that a full refurbishment will be financially viable. Therefore, it is recommended that a number of different options are explored and fully costed to allow members to decide on the scope of work to be carried out and the budget to be allocated. The other 3 options are set out in section 4.
- 3.2 The first stage of this project will be a feasibility study to establish that there is a viable project. Under the Royal Institute of British Architects (RIBA) Plan of Work the scope would cover the first three stages; Strategic definition, Preparation and brief and Concept design. It would be accompanied by a detailed costing of the project to give budget estimates for each option. This plan and cost estimates would then be subject to a separate Cabinet decision on which option to proceed with.
- 3.3 To ensure continuity of the project team and to avoid having to carry out a further procurement exercise, it is proposed that the initial procurement of the feasibility work will include the procurement of RIBA Plan of Work Stages 3 – 6 (Developed design through to Handover). These phases would not be commissioned until after Cabinet has received a further report.
- 3.4 As part of the feasibility work it will be necessary to consider document storage and how this can be modernised and the amount of space currently needed reduced. Options such as document imaging and off-site archiving will be explored and costed.
- 3.5 There is no internal capacity to project manage this project. If there is a viable project then there will also be a need to procure a project manager.
- 3.6 The report has focussed on Swale House but there is also a similar issue in relation to the Masters House in Sheerness, which is to be refurbished for community use. As the projects are similar but the size of the project much smaller it is proposed to carry out a joint procurement exercise for Swale House and the Masters House.

4 Alternative Options

- 4.1 Do nothing- the Council will then remain in an office it uses inefficiently and it will not achieve its objectives on reducing carbon emissions. It is likely that maintenance costs will increase but there is a large building maintenance

reserve. It could also be said that the poor condition of the building adversely impacts on staff morale, it has been occupied for 30 years without any significant refurbishment.

- 4.2 Hybrid- until the costings are received we will not know whether the full refurbishment is financially viable. An alternative option is to focus any spend on the energy efficiency of the building and meeting the carbon emissions target.
- 4.3 New build- in undertaking the detailed work set out above the consultants will be asked to make an estimate of the cost of a new building for comparative purposes.

5 Consultation Undertaken or Proposed

- 5.1 Communication of the options and the possibility of a refurbishment has been commenced with staff.

6 Implications

Issue	Implications
Corporate Plan	The proposal is supportive of emerging Corporate Plan objectives.
Financial, Resource and Property	As set out in the report there is an initial requirement for project feasibility costs of up to £200,000. These will be charged to a capital cost code and initially will be funded by internal borrowing.
Legal, Statutory and Procurement	Officers will seek to contract through an established framework arrangement.
Crime and Disorder	Not applicable.
Environment and Sustainability	The project is heavily driven by the requirement to become carbon neutral.
Health and Wellbeing	Not applicable.
Risk Management and Health and Safety	There are important health and safety issues from occupying a not fit for purpose building. But actually the implications in the medium term are even bigger if we undertake a phased refurbishment and continue to occupy the building during that phase.
Equality and Diversity	Not applicable.
Privacy and Data Protection	New office layouts will need to ensure the secure storage of sensitive information.

7 Appendices

None

8 Background Papers

None