

Scrutiny Committee	
Meeting Date	23 March 2022
Report Title	Greening of Swale House
Cabinet Member	Cllr Monique Bonney, Cabinet Member for Economy & Property
SMT Lead	Emma Wiggins, Director of Regeneration & Neighbourhoods
Head of Service	Joanne Johnson, Head of Regeneration & Economic Development
Lead Officer	Jeremy Pilgrim, Interim Property Manager

1 Purpose of Report and Executive Summary

- 1.1** The purpose of this report is to advise Swale Borough Council Scrutiny Committee regarding the works, progress and the financial propriety of the Greening of Swale House project and the related Cabinet report and approval, dated 17th March 2021 allocating capital funds to the Low Carbon Refurbishment of Swale House encompassing **renewal of the roof, provision of new double glazing and insulation to the under-croft.**

2 Background

- 2.1** A progress report that was presented to Cabinet on 9 December 2020 provided the background to the project, detailed the appointment of the project/consultancy team and set out the key objectives for the project The key objects of the project were
- To contribute towards the delivery of the Climate and Ecological Emergency Action Plan by creating a low carbon building
 - To create a modern and efficient working environment for the organisation and
 - To support the Council's Economic Improvement Plan and Recovery Plan by providing opportunities for businesses to locate at Swale House.
- 2.2.1** A detailed feasibility study, proposals and costing for this extensive project concluded that the cost circa £6 million could not be afforded partly due to the fact that the anticipated grant funding under the Public Sector Decarbonisation Scheme awarded was substantially less than expected. (A cap was placed on applications due to high application numbers. The cap being based upon a formula of the amount of carbon that would be saved each year).

2.2.2 It was recommended and agreed at Cabinet meeting dated 17th March 2021 to:- *Authorise the Chief Finance Officer to borrow either internally or externally up to £1.9 million and allocate the funding to installing double glazed windows, LED lighting, repairing and insulating the roof, insulating the under-croft and carrying out minor internal alterations.* These works were considered necessary to bring the building up to a reasonable standard of repair and condition, as a priority over any decarbonisation benefits. As proposed the necessary wholesale re-roofing incorporates insulation to the roof and the double-glazing and as specified will provide significant improvements to the reduction of heating costs within the building.

2.3 ***Public Sector Decarbonisation Scheme***

2.4 In the previous report dated 9th December 2020 it was explained that the scope of the project and amount of funding to be recommended would be dependent upon whether the grant application had been successful. The very short timescales were also set out.

2.5 The amount of funding that the Council was able to apply for was considerably less than at first envisaged due to the cap that was placed on applications. The cap was based on the amount of carbon that would be saved each year and, in our case, that resulted in a maximum grant of £1.1m.

2.6 The grant funding also had other criteria that proved impossible to meet with the amount of match funding available. The installation of an air source heat pump was an essential requirement of the grant and for this to be an effective method of heating Swale House, it would require high levels of thermal insulation to the fabric of the building. The level of the necessary work to meet the grant criteria has been estimated as £6m excluding fees. This is without consideration of the refurbishment programme originally proposed.

2.7 At the same time as submitting the grant bid for Swale House, we also submitted a bid for the refurbishment of Master's House, Sheerness. As the committee is aware, the funding application for Master's House bid was successful. The Grant funding the bid for Swale House was subsequently withdrawn.

2.8 ***BREEAM accreditation***

2.9 In the previous report, it was recommended that the BREEAM accreditation be used to measure the success of the low carbon measures due to it being a widely recognised accreditation scheme which allows comparisons to be made against other buildings. The reduced scope of the proposed work now means that it will not be possible to meet the criteria required for the accreditation. Other options for measuring the success of the low carbon measures are being investigated.

2.10 The nature of the proposed work, which is primarily essential maintenance work, does not require a BREEAM accreditation.

2.11 ***Workplace planning***

- 2.12 Our consultant Spacelab has carried out an extensive engagement exercise to establish the needs of the organisation post-Covid. This has demonstrated that around one third of the building could potentially be freed up for third party occupiers.
- 2.13 The extensive refurbishment works were quoted at approximately £5 million, in addition to the repair works and it was agreed in light of the reduced specification for carbon reduction works and the uncertainty of the outcome of the demands for space post Covid pandemic both for the Council's own use and that of third parties to review options.

3 Proposals

- 3.1 In light of that decision the Council is currently reviewing future opportunities taking account of its programme of New Ways of Working (NWoW)
- New ways of working, e.g., greater home and flexible working,
 - Improved social experience between teams, e.g., More open plan office areas, use of break out spaces away from the desk,
 - Delivering services digitally whilst continuing to be accessible, approachable and customer centred.
 - Focusing on opportunities: opening up part of the building for external paying tenants to generate rental income.

The council is currently reviewing options to rationalise Swale House office space over the longer term to ensure NWOW is effective

- 3.2 Due principally to the Covid Pandemic the repair and refurbishment proposals were delayed and following unprecedented rise in construction costs it was agreed that formal tenders be sought to an agreed revised specification as listed above.
- 3.3 It was further agreed that whilst the report dated 17th March 2021 authorized the Chief Officer to borrow up to £1.9m and allocate funding accordingly, due to the variation to the proposed specification and increased costs a further report will be submitted to Cabinet in March 2022 confirming the results of tender submissions, currently being evaluated by Officers and seeking additional resources if required to undertake these necessary works of repair.

4 Financial Implications

- 4.1 The table below sets out the proposed work that is recommended to be carried out during 2022/23, subject to confirmation of costs, lead-in times and construction periods. The proposed works will be undertaken to cause as little disturbance to occupiers as possible, but it may be necessary to vary office working during works. A full consultation will take place with Members, staff and third party occupiers to allow for continuity of occupation.

Element	Justification	Estimated Capital cost	Running cost implications
Replace window with double-glazed units	Anticipated annual carbon reductions Improved comfort conditions for staff	£1,000,000	Reduction in heating costs
Roof repair and insulation (including provisional sum for strengthening roof slab)	Essential repairs due to poor condition of roof structure and coverings. Anticipated annual carbon reductions	£850,000	Reduction to heating costs and making building wind and water tight
Insulation of under-croft	Anticipated annual carbon reductions (tbc) Improved comfort conditions for staff	£233,000	TBC
Minor internal alterations to free up space for tenants	Supporting the Council's Economic Improvement Plan and Recovery Plan by providing opportunities for businesses	£200,000	TBC but tenants would contribute towards running costs (service charges) as well as paying rent.
LED lighting (excluding cables and controls)	Anticipated annual carbon reductions of 16 tonnes	£75,000	£9,500 (cost of electricity savings)

4.2 Due to increases in costs once tenders are evaluated the further report and recommendations will be sought from Cabinet.

4.3 The Estimated Capital costs are budget costs provided by the Project Manager and professional advisers.

5.0 Project Delivery

5.1 The timescale for delivery of the work will be dependent upon the extent of work carried out. It is anticipated that the work to the windows, roof and under-croft would be carried out late summer.

5.2 The essential repairs and the internal alterations work are all potentially disruptive to staff, members and tenants so careful planning will be required and work carried out on a phased basis if possible, to accommodate continuing use of the building for normal office working and in particular for the holding of Member meetings which are required to take place in person.

6 Conclusion

- 6.1 Officers have considered the options and re-evaluated the proposals outlined in the report to Cabinet dated 17th March 2021. Due to the Covid Pandemic and the uncertainty in the economy, it has been necessary to re-evaluate the proposed works and reduce the specification to only provide a building which will provide a better working environment, still reduce energy costs and keep the building in a wind and water-tight condition for the foreseeable future.
- 6.2 The proposed works will provide an opportunity for the Council to provide an environmentally improved building that will be able to encourage staff to return to the office environment and encourage third party users to consider accommodation in Swale House.
- 6.3 Subject to financing and demand, further low-cost open plan refurbishment can be evaluated upon a phased basis subject to funding and income.

7 Background Papers

Cabinet report 17th March 2021