

Regeneration and Property Committee	
Meeting Date	6 th July 2023
Report Title	Update on Swale House Refurbishment
EMT Lead	Emma Wiggins Director of Regeneration and Neighbourhoods
Head of Service	Joanne Johnson Head of Regeneration, Economic Development and Property and Interim Head of Planning
Lead Officers	David Johnson MRICS Interim Property Services Manager Debbie Hardy Buildings Operations and Maintenance Manager
Classification	Open
Recommendations	<ol style="list-style-type: none"> 1. To agree to lease the first and parts of the ground floor of Swale House to generate an income and mitigate the Council's costs in relation to provision of services and Business Rates. 2. That authority is delegated to the Head of Regeneration, Economic Development and Property and Interim Head of Planning in consultation with the Head of Mid Kent Legal Services to complete the necessary legal formalities to agree and effect leases within Swale House. 3. That officers continue to review the balance of operational requirements and surplus space and bring forward related recommendations as appropriate.

1. Purpose of Report and Executive Summary

- 1.1 This report sets out the background to the current occupational use of Swale House and updates on future occupation, and the works being undertaken to facilitate this. Future occupation has been based on business need and staff consultation with specific input from the officer New Ways of Working group (NWOW).
- 1.2 Following the programme of building works in 2022 and the result of the staff consultation, a proposed new occupational approach was presented to senior officers. This provides adequate desk and meeting space for members and officers while reducing floor plate requirements within the building.
- 1.3 Capital works to enable this occupational change have been tendered and are achievable within the remaining budget previously agreed for Swale House refurbishment works.

- 1.4 This recommendation provides an opportunity to generate additional income and reduce the Council's revenue liability in relation to Swale House.

2. Background

- 2.1 Due to the Council's hybrid working operation since the pandemic, significant amounts of Swale House remain underused with the majority of staff working remotely for parts of the working week.
- 2.2 It is government policy that local authorities should dispose of surplus and under-used land and property wherever possible. The Council needs to ensure that the management of its assets is aligned with this.
- 2.3 A space planning staff survey was undertaken in November 2022. The survey looked at the number of desks and the equipment required for each team within Swale House. All service areas submitted a response.
- 2.4 The results of this survey fed into a space planning project, resulting in a reduced floor area providing slightly more in terms of head count than needed for the peak occupancy indicated by the staff survey, with a desk count of 184. There is adequate space within the proposed second floor layout to accommodate between 15 and 20 additional desks if required. The maximum number of staff in Swale House in the last twelve months has been c.100.
- 2.5 The results of the survey on occupational figures may be impacted by the recent change to working hours or any future review of working patterns. It should also be noted that the Hybrid Working Policy and staff's current employment contracts are on the basis of employees working from Swale House.
- 2.6 In order to achieve the density required to accommodate the number of desks on the second and third floors of Swale House, and also to promote collaborative hot desking, the space plan removes partitioned offices from the second-floor to create an open plan layout.
- 2.7 The related works have been tendered with the resulting tender returns being within the existing approved budget for works in Swale House as agreed by Cabinet on 17 March 2021.
- 2.8 In parallel with this space planning project, the New Ways of Working officer group (NWOW) looked at the option of procuring a desk booking system currently in use at Maidstone Borough Council. This is a versatile system and could easily be used with Swale House's current or any future floor layout. This booking system is seen by NWOW as a way to mitigate staff concerns about occupying an open plan office and to allow flexibility for staff to book desks with team members. It was made available to staff in June 2023.
- 2.9 The implementation of a completely hot desking environment is a substantial departure from the fixed desk occupation under which the Council has historically operated. Recently however, due to the rolling closures of office space at Swale House to facilitate the window works, hot desking has been

trialled effectively. A Clear Desk/Hot Desking Policy will be developed to promote desks being maintained in a tidy, usable and available to all state.

- 2.10 The Council's revenue budget for the running of Swale House is currently £442,000 per annum. Whilst there have been savings achieved with the mothballing of the first floor since the return to Swale House post-window works, these have yet to be fully costed. Last year's expenditure on gas and electricity at Swale House was £104,000.
- 2.11 A fully let first and part sharing of the ground floor could potentially generate considerable income and reduce the Council's liability in relation to revenue running costs associated to those spaces.
- 2.12 The net internal floor area (NIA) of the (total) ground and first floor of Swale House is approximately 28,536sqft (2,657sqm) representing c. 40% of the total floor plate of the building. In terms of rental value the suggested open market value of comparable office space in Sittingbourne, [REDACTED] [REDACTED] is indicated in exempt Appendix I, depending on length of term and inclusion of services. The use of the ground floor will likely be on a shared basis as it still provides essential client-facing/operational uses for the Council but it nonetheless provides opportunity for similar organisations to lease space.
- 2.13 Depending on the size or type of any lettings there could be additional capital costs for enabling works and likely revenue costs in relation to managing the space. There does appear to be demand for office space in Sittingbourne with several enquiries for occupational space having been received by the Council in the past six months. Overall, lettings of a substantial amount of the available space within Swale House are expected to be revenue positive. The timescale for full occupation will be reliant on market demand and officer availability to support promotion and take-up.
- 2.14 The Council's business rates liability for the ground and first floor of Swale House is approximately £65,000 per annum. Disposing of a proportion of this space would reduce some this revenue cost to the Council.
- 2.15 Any letting of vacant space will need to be balanced against the requirement for the Council's operational property portfolio to be dynamic and therefore will be on flexible terms. This will impact negatively on the amount of rent obtainable but is necessary to ensure flexibility.
- 2.16 The vacant areas of the first and ground floors of Swale House, if let on a standard office basis could provide accommodation for up to approximately 250 individuals. The commercial use of this space would represent a significant positive economic impact for Sittingbourne town centre.

3 Proposals

- 3.1 To agree to lease the first and parts of the ground floor of Swale House to generate an income and mitigate the Council's costs in relation to provision of services and Business Rates.
- 3.2 That authority is delegated to the Head of Regeneration, Economic Development and Property and Interim Head of Planning in consultation with the Head of Mid Kent Legal Services to complete the necessary legal formalities to agree and effect leases within Swale House.
- 3.3 That officers continue to review the balance of operational requirements and surplus space and bring forward related recommendations as appropriate.

4 Alternative Options

- 4.1 Do nothing. The Council could continue to occupy as it has historically done with fixed desks throughout the whole of Swale House. This approach would be at conflict with the Council's hybrid working arrangements and would leave the vast majority of Swale House underused, and an opportunity to make revenue savings would be missed.
- 4.2 The Council could explore the possibility of relocating its office space requirement to one or more of its other assets and dispose of or redevelop Swale House. This option could provide significant revenue savings as there are other assets that the Council currently maintains that could be suitable thus enabling the whole revenue saving for Swale House. In addition, there would be the possibility of a significant capital receipt or redevelopment opportunity. While this option could be of great benefit and merits exploration, it has been discounted at this stage as it will require significant resource and time to explore. It potentially represents a longer-term solution, particularly since full exploration of the Council's occupation of Swale House would be in line with the requirement for the Council to continually review its assets with a view to rationalisation, financial governance and efficiencies.
- 4.3 The Council could look to rationalise the space in Swale House vertically around stair cores rather than on floor plates. While the costs would likely be similar, vertical occupation would lose the benefits and ability to occupy an open plan space. In addition if the Council is to let the vacant space within Swale House it would be significantly easier to achieve and manage over a single floor rather than multiple floors. On that basis this option has been discounted.

5 Consultation Undertaken or Proposed

- 5.1 A staff Space Planning survey has been undertaken and fed into the space planning process. Further consultation with regard to a Hot Desking/Clear Desk policy will be undertaken.
- 5.2 An All Staff Briefing in early 2022 asked staff to propose budget savings in support of the Medium Term Financial Strategy. More effective use of Swale House was a popular response.

- 5.3 The New Ways of Working Group has been a constant source of advice with regard to the future use of Swale House.
- 5.4 A Member Working Group has met on an ad-hoc basis to receive updates and act as a sounding board for proposals.

6 Implications

Issue	Implications
Corporate Plan	The refresh of how the Council occupies Swale House is a positive contribution to renewing local democracy and making the council fit for the future.
Financial, Resource and Property	<p>Letting the first and ground floor will create an additional resource drain on the Property team which currently cannot be met and may require additional capacity in the long term.</p> <p>The capital required for the refurbishment works to enable letting of the first and ground floor is currently not budgeted for. The budget requirement is an unknown as it relies on the market being tested and potential occupier requirements coming forward.</p> <p>The successful letting of vacant space on the first and ground floors of Swale House will generate additional revenue savings and income.</p> <p>The refurbishment works being planned for the second floor are within capital budgets previously agreed for works to Swale House.</p>
Legal, Statutory and Procurement	Letting the first and ground floor will require resource from Mid Kent Legal.
Crime and Disorder	None identified at this time.
Environment and Climate/Ecological Emergency	None identified at this time.
Health and Wellbeing	A more collaborative working environment is expected to provide staff health and wellbeing benefits.
Safeguarding of Children, Young People and Vulnerable Adults	None identified at this time.
Risk Management and Health and Safety	<p>A shift to hot desking will result in the Council needing to consider how it manages its obligations in terms of Fire Safety and First Aid and this is under review.</p> <p>Hot desking may present issues for staff with individual workstation needs which will be ascertained and managed.</p>

Equality and Diversity	None identified at this time.
Privacy and Data Protection	Hot desking may increase the risk of sensitive information being left unattended and this will be addressed in the Hot Desking/Clear Desk Policy. The ability to have private conversations or undertaken sensitive work has been addressed within the space planning exercise with the provision of quiet/private rooms.

7 Appendices

Appendix I: Indicative Rental income – exempt.

8 Background Papers

Cabinet Report – Swale House refurbishment project – 17th March 2021.

Cabinet Report - Procurement of Swale House Refurbishment Project – 16th March 2022