

From: **Rebecca Spore, Director of Infrastructure**

To: **Gary Cooke, Cabinet Member for Corporate and Democratic Services**

Decision No: 16/00044a(2) and 16/00044b(2)

Subject: **New Ways of Working Programme – Refurbishment of Avenue of Remembrance, Sittingbourne, and St Peter’s House, Broadstairs**

Key decision

Classification: **Unrestricted**

Past Pathway of Paper: Property Sub-Committee, 12 April 2016 and 8 July 2016

Future Pathway of Paper: Cabinet Member Decision

Electoral Division: Swale Central and Broadstairs and Sir Moses Montefiore

Summary: This report updates on the New Ways of Working Programme implementation in respect of recent and updated tendered construction costs and proposes that two building contracts to undertake the New Ways of Working Programme at the Avenue of Remembrance and St Peter’s be awarded.

Recommendation(s):

The Cabinet Member for Corporate and Democratic Services is asked to agree to award two building contracts to undertake the New Ways of Working Programme at the Avenue of Remembrance, Sittingbourne, and St Peter’s House, Broadstairs, and delegate authority to the Director of Infrastructure, in consultation with the Cabinet Member for Corporate and Democratic Services, to finalise terms and enter into the necessary agreements.

1. Introduction

1.1 A report was presented to the Property Sub-Committee in April 2016 for consideration and approval for the New Ways of Working (NWW) Programme to implement and progress two projects in the East Kent region.

1.2 The immediate refurbishment projects currently planned to be progressed are at the Avenue of Remembrance (Sittingbourne) and at St Peter’s House (Broadstairs).

1.3 These hub office facilities in the East Kent region provide critical key front-line social care operational delivery to some of the most disadvantaged in the County. The buildings already contain office space for social care staff, together with client

contact space and essential Case Conference space. However, the existing space is very cellular, thus preventing the open-plan office environments that are required for different work styles, and the facilities have generally suffered from minimal maintenance regimes over the last several years and currently require significant improvement to the building services infrastructure, fabric and staff security to ensure that the buildings are warm, dry and safe, in addition to creating the NWW environment that the Programme seeks to deliver.

- 1.4 At the time of the last report it was noted that, subject to detailed investigative surveys, final competitive dialogue and elemental cost build-up it was hoped that the project costs would be contained within the estimated budget values. However, the detailed intrusive surveys have since unfortunately revealed that more significant and unexpected remedial works and improvements are necessary to the mechanical & electrical systems infrastructure of both buildings, whilst extensive adaptations are required to the structural configurations of the buildings in order to allow floor space to be opened up to create NWW working environments.
- 1.5 The development costs for these critical hub buildings, which have been cross-checked and ratified by competitive elemental tendering, have as a result significantly increased. The Property Sub-Committee is therefore requested to re-confirm its approval for the contracts to be awarded.
- 1.6 The Programme commenced delivery of individual projects in the west of the County in late 2013 and has since gradually progressed towards the east of the region. During this time, several leasehold facilities have been relinquished, thus contributing to a property revenue saving of over £1m in the current financial year and an overall £5.3m saving delivery by the Programme implementation, whilst key freehold hub facilities have been refurbished and upgraded to a good standard to support Operational delivery.
- 1.7 The tendering for the building work packages is currently in progress, but unlikely to be fully concluded until the end of April 2016.

2. Financial Implications

- 2.1 The Programme has an approved capital expenditure value of £34.7m and expended and committed approximately £32.9m on implementations to date, with the most recent significant costs incurred as a result of the completion of the acquisition of Brook House in Whitstable.
- 2.2 The updated inclusive costs for the building refurbishment projects for Avenue of Remembrance and St Peters House are now indicated at be £1.85m and £2.30m respectively.
- 2.3 As a result, the current situation is that the Programme requires an additional capital funding input of £2.4m to offset the increased construction costs and additional works associated with previous incorporation of Case Conference facilities at hub locations across the county and in order to complete the planned upgrade works, particularly in the East Kent area.

- 2.4 The ability to use significant elements of the Modernisation of Asset funding stream to offset this additional cost requirement is limited. The Property and Infrastructure Directorate has confirmed that a maximum of £500k of MoA monies already assigned to the East Kent buildings can be adopted by the NWW Programme to mitigate part of the current financial challenge in redeveloping the Avenue of Remembrance and St Peter's House buildings.
- 2.5 In addition, the Programme is planning to incorporate a number of sustainable energy design features into the East Kent hubs, for example LED lighting throughout the buildings, potential ground source heat pumps to replace expensive electrical heating systems at St Peter's House, integrated Building Management Control systems to coordinate the separate elements of new mechanical and electrical services infrastructure and potential roof-mounted photo-voltaic units at St Peter's House to allow free solar energy to further reduce energy consumption.

Whilst the detailed analysis of the various elemental costs and calculated carbon emission reduction is being assessed at present, the current best estimate is that approximately £300k of energy efficient design features will be installed at Avenue of Remembrance and St Peter's House as part of the NWW upgrade works with c.£37k p.a. energy savings being derived as a result. Based on this preliminary estimate, we anticipate that we will be able to secure a 100% interest-free capital loan from Salix for the c.£300k capital cost as part of their established public sector finance arrangements and which have previously been extensively adopted by KCC.

- 2.6 The full implementation of the NWW Programme will allow a further disposal of a number of freehold properties. Green Porch House in Sittingbourne, Apollo House in Ramsgate and part of the site area at The Willows in Swanley will all be able to be disposed of by KCC after conclusion of the Programme implementation. We anticipate that the net capital receipts generated by the disposal of each of these sites by virtue of the Programme implementation will be in the order of £1.5m at present values. This is currently unallocated and cannot be delivered without the completion of the Programme and it is proposed that the receipts from these disposals are used to mitigate the additional Programme costs.
- 2.7 In order to close the final funding gap, the Project team will collaborate with the building contractor and the design team to Value Engineer and endeavour to eliminate c.£100k of building costs and provisional sums, most likely within the fit-out elements shared between the two major schemes at Avenue of Remembrance and St Peter's House. This saving should be able to be achieved without significant detriment to the overall quality of the environment refurbishment or the provision of NWW accommodation.
- 2.8 The Programme was set a target to achieve an overall property revenue saving of £5.3m by 2017/18 and, at present, this is expected to be achieved with a modest increase to c.£5.46m. During 2016/17, the planned early relinquishing of leased space at Dartford Civic Centre will contribute to this target whilst the early acquisition of Brook House has enabled the leases for the building and car parking to be relinquished, thus adding c.£140k contribution to the revenue savings target.

- 2.9 The commitment to the contract award for both projects is currently outstanding, but if the contractor is now instructed to commence works during July 2016, we anticipate that the majority of construction works, essential fit out and occupation will be achieved during Q1/2017.
- 2.10 There are no legal implications stemming from the requested Delegated Authority or project delivery.
- 2.11 Full Equality Impact Assessments and any remedial activity will form part of the detailed project planning and delivery.
- 2.12 There are no Public Health implications stemming from the suggested Delegated Authority or project delivery.
- 2.13 The progression of these two projects aligns with the remainder of the delivery of the NWW Programme and will result in an improved estate profile and efficiencies.
- 2.14 The Director of Infrastructure, in consultation with the Cabinet Member for Corporate and Democratic Services, will be responsible for the Delegated Authority in awarding the required Design & Build contracts for these two schemes.

3. Conclusions

- 3.1 The progression of two office refurbishment projects in East Kent, namely Avenue of Remembrance in Sittingbourne and St Peter's House in Broadstairs, form a key part of the remaining elements of the New Ways of Working Programme.
- 3.2 The confirmed tendered detailed costs for both projects are unfortunately in excess of previous estimates and approved amounts, however the additional capital funding required to mitigate this is able to be provided by a combination of site disposal receipts, MoA funding and interim Salix loan, the latter being serviced by means of revenue savings from energy use reduction.

4. Recommendation(s):

The Cabinet Member for Corporate and Democratic Services is asked to agree to award two building contracts to undertake the New Ways of Working Programme at the Avenue of Remembrance, Sittingbourne, and St Peter's House, Broadstairs, and delegate authority to the Director of Infrastructure, in consultation with the Cabinet Member for Corporate and Democratic Services, to finalise terms and enter into the necessary agreements

5. Contact details

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Background documents: none