

Cabinet

13 February 2024

Capital Additions Report - Gun Wharf

Portfolio Holder: Councillor Naushabah Khan, Portfolio Holder for Housing and Property

Report from: Adam Bryan, Director of Place

Author: Sunny Ee, Assistant Director, Regeneration

Summary

This report seeks Cabinet approval to recommend to Full Council the addition of £20,000,000 to the Council's Capital Programme, funded through prudential borrowing, to deliver a programme of essential repairs and improvements to Gun Wharf.

The scope of the required works includes a replacement roof due to the presence of Reinforced Autoclaved Aerated Concrete (RAAC), planned maintenance, and improvement works to improve building efficiency and occupation levels that includes the delivery of a Monitoring Hub.

1. Recommendations

1.1 Cabinet is requested to approve Option One, as set out in paragraph 7.1 of the report and recommend Full Council to approve the addition of £20,000,000 to the Council's Capital Programme, funded through prudential borrowing to deliver a programme of essential and critical repairs and improvements to Gun Wharf.

1.2 Cabinet is requested to delegate authority to the Director of Place in consultation with the Portfolio Holder for Housing and Property, to deliver the programme of works as detailed in section 6 of the report.

2. Suggested reasons for decision(s)

2.1 To ensure that Gun Wharf can continue to be used as the Council's main Office Headquarters to deliver its statutory and discretionary functions.

3. Budget and policy framework

- 3.1 Full Council is responsible for agreeing additions to the Capital Programme and Cabinet is responsible for ensuring effective Capital Programme Delivery through Quarterly Capital Budget Monitoring Reports.
- 3.2 Subject to Full Council funding approval there will be further Procurement Gateway Reports to Cabinet in 2024-2025 for the work packages to be delivered.

4. Background

- 4.1 Following a structural inspection in October 2023 Reinforced Autoclaved Aerated Concrete (RAAC) planks were identified within the Gun Wharf roof. The weakness and unsuitability of RAAC as a building material that was used during the 1950's to 1990's are well documented and were subject to Central Government advice in the Summer of this financial year.
- 4.2 The overall condition of these planks required the Council to trigger its Business Continuity Management Plan(s) that has resulted in a reduction in use of Gun Wharf to circa 10% of its total occupancy levels. This reduced occupancy footprint has also resulted in the temporary closure of the Family Courts on Level 2 that are operated on a commercial lease by the Ministry of Justice.
- 4.3 The current reduced occupancy levels are subject to management protocols to ensure critical service delivery that can't be accommodated offsite or through remote working. In addition, control measures have been put in place to prevent unauthorised access to those areas of Gun Wharf that are currently closed due to the presence of RAAC.
- 4.4 Post the Council's Business Continuity Management Plan(s) response stage, options for recovery, led by the Assistant Director, Regeneration, have been developed and tested by the Corporate Management Team.
- 4.5 The scope of this work has not just considered the most cost-effective solution but the merits of operating a main Head Office in respect of service delivery, integration benefits, resilience management, co-location opportunities (one public estate) and customer expectations (customer contact model).
- 4.6 In parallel the needs of staff as key stakeholders have been tested through a Pulse Survey in December 2023 that showed out of a total of 779 responses, 86% of staff mainly worked at Gun Wharf prior to the closure of parts of the building and 60% say that there should be 'a fit for purpose central council office that would support all our work styles'.
- 4.7 The option of investing into Gun Wharf to enable its continued use as the main Head Office is the recommended option due to the Investment Outcomes it can deliver, as set out in Section 5 of this Cabinet Report.

5. Investment Outcomes

5.1 Investment Outcomes to be delivered through the proposed programme of works for Gun Wharf include:

- Most cost-effective option to ensure the Council maintains a Central Office Headquarters to effectively deliver and future proof its statutory and non-statutory functions.
- Supports future capital cost savings through delivery of an accelerated programme of work rather than phased over a longer time frame avoiding increased costs due to indexation and inflation.
- Realises a capital receipt opportunity by relocating the Kyndi Bunker at the former civic centre site through creating a Monitoring Hub at Gun Wharf.
- Delivers opportunities to improve building efficiencies aligned to the Council's climate change ambitions.
- Supports delivery of future revenue savings through estate rationalisation of leased office accommodation sites as part of the wider Integrated Hub Programme.
- Safeguards the continued use of Gun Wharf by the Ministry of Justice for Family Court Hearings.
- Mitigates the loss of commercial rent that reduces the Council's expenditure obligations for Gun Wharf running costs.

6. Programme of Works

6.1 The main phases of the work are the replacement of RAAC with a safe and suitable material, thermal insulation of the external building fabric and essential internal repairs and improvements to ensure the continued delivery of Council services. A Programme Delivery Team will be established to lead on the project.

6.2 Due to the scope of works required and compliance stages for work delivery, a detailed programme duration cannot be quantified at this stage, but it is expected to be within the time range of two-three years from securing funding approval.

6.3 Opportunities to compress programme delivery will be explored at the Lead Contractor Appointment Stage and will be reported to Cabinet as part of future Cabinet procurement reports in 2024-2025.

7. Options

7.1 Option One- Gun Wharf Investment

Cabinet recommends to Full Council the addition of £20,000,000 to the Council's Capital Programme, funded through prudential borrowing, to deliver a programme of essential repairs and improvements to Gun Wharf.

7.2 Option Two – Purchase new Council Office Headquarters
Cabinet does not recommend to Full Council the addition of £20,000,000 to the Council's Capital Programme and instructs the Director of Place to explore options for the disposal of Gun Wharf and identify for Cabinet approval purchase options for new Council Office Headquarters.

7.3 Discounted Option(s)

7.3.1 Option Three – Build new Council Office Headquarters
The option of building a new Council Headquarters has been discounted due to construction costs and suitable third-party land availability. Using the Council's own assets has an adverse impact on capital receipts and negatively impacts Housing Growth Targets.

7.3.2 Option Four – Lease new Council Office Headquarters
The option of leasing accommodation has also been discounted as it would not present long-term value or security of tenure and there would still be significant costs associated with relocation.

7.3.3 Option Five – Do Nothing
The option of permanently operating Gun Wharf on a reduced footprint or closure has been discounted as not being viable due to future increased cost risks around building fabric failure (specifically roof), commercial income, partnership income and service delivery effectiveness.

8. Advice and analysis

8.1 Option One – Gun Wharf Investment
This is the recommended option as it is the most cost-effective solution.

8.2 Option Two – Purchase new Council Office Headquarters
This is not the recommended option as it is not the most cost-effective solution along with commercial risks around disposal of Gun Wharf and associated third-party lease agreements.

8.3 The Exempt Appendix provides a financial summary of the two options that support the recommendation of Option One.

8.4 A Diversity Impact Assessment (DIA) is not required at this stage as this report is just seeking a Cabinet recommendation to Full Council for Funding Approval. Subject to that approval being secured a DIA will be produced as part of the future report to Cabinet for the establishment of the Project Delivery Model in 2024-2025.

9. Risk management

9.1 Risk management is an integral part of good governance. The Council has a responsibility to identify and manage threats and risks to achieve its strategic objectives and enhance the value of services it provides to the community.

Risk	Description	Action to avoid or Mitigate Risk	Risk Rating
Additional Works Cost	Project costing more than anticipated from initial report.	Recruit a Full Project design team (Inc Architect/ Quantity Surveyor/ Mechanical & Electrical engineer) from our building's consultancy framework to scope out detailed specification, prior to tender.	C III
Health & Safety risk to Staff and work force. Involvement from the HSE	How we carry out the works including keeping everyone from our own staff to contractors safe.	Ensure procurement process is robust and clear on the responsibilities and need for a robust work methodology that keeps both staff and contractors safe during construction. Consistent monitoring of the work processes thereafter. Where possible keep services running from Gun Wharf but if necessary look at temporary relocations elsewhere within the Council's estate	C II
Programme, potential delays	Amount of time to carry out the works whilst maintaining "business as usual" for the Authority.	Within the scope, specification, and tender. Programming specific time and dates with Phasing within the contractors Contract	C III
Building Listing	Gun Wharf is a listed Building meaning works must be carried out in a particular way using the correct materials.	All requirements agreed with the LPA and Heritage England where appropriate beforehand and detailed within the specification.	C IV
Staff Retention Rates	Risk of increased staff turnover rates through reduced occupancy levels at Gun Wharf impacting on staff wellbeing (isolation /team working).	Flexible provision made for current staffing use of Gun Wharf that is subject to review/engagement with staff aligned to Business Needs. Phasing (subject to cost value) of proposed works to be considered to increase staffing occupation levels at Gun Wharf.	CII

For risk rating, please refer to the following table:

Likelihood	Impact:
A Very likely	I Catastrophic
B Likely	II Major
C Unlikely	III Moderate
D Rare	IV Minor

10. Consultation

- 10.1 Consultation with staff has already commenced as part of the Council's Corporate Business Management Plan being triggered and will continue through delivery of this programme via the adoption of a Consultation Plan. This Consultation Plan will also include the need for statutory consultation that the Council will be required to undertake around delivery of the work packages to reflect the fact that Gun Wharf is a Grade 2 Listed Building.

11. Climate Change Implications

- 11.1 Opportunities to support the Council's Climate Change Targets will be identified as part of the Procurement Gateway Reports (One and Three) that will be subject to Cabinet Approval in 2023-2024.

12. Financial Implications

- 12.1 Based on the expected Interest Rate (6.5%), borrowing £20 million would cost the Council £1,413,875 per annum making the total repayment £56,555,000 over the term including interest of £36,555,000. If approved, this represents a significant revenue pressure to service the capital prudential borrowing requirements for future cycles of Budget Setting.
- 12.2 If this Funding is approved by Full Council, it is programme critical that there is cost confidence delivered through the identified work packages, adequate allowances for indexation and construction risk along with opportunities to deliver Value Engineering during the lifecycle of the proposed works.
- 12.3 The costs for delivering the recommended option encompasses planned maintenance and works including the Council Chambers, lifts and other essential and critical work to support the safe and complete occupation of Gun Wharf. If approved this will include £1.27m of previously agreed funding in the Capital Programme.

13. Legal implications

- 13.1 As Gun Wharf is Grade 2 Listed the Programme Delivery Team will need to ensure statutory consultation and appropriate consents are secured along with any Planning (Building Control) consents required.
- 13.2 Consultation with English Heritage has taken place on the Grade 2 Listed status for Gun Wharf and a works scope is to be undertaken subject to

funding approval. English Heritage have indicated support in principle for the proposed works subject to the approvals process.

- 13.3 In addition, all Forms of Contract awarded will need to be compliant with the Council's Procurement Strategy and approved at the appropriate time by Cabinet being High Risk Contract Awards.

Lead Officer Contact

Sunny Ee Assistant Director, Regeneration
Email: sunny.ee@medway.gov.uk
Telephone: 01634 331030

Appendices

Exempt Appendix – Options Analysis.

Background papers

None.