

Maidstone House and the Link Decarbonisation

Timetable	
Meeting	Meeting
Climate Transition, Resources and Environmental Services Policy Advisory Committee	8 July 2024
Cabinet	24 July 2024

Will this be a Key Decision?	Yes
Urgency	Not applicable
Final Decision-Maker	Cabinet
Lead Head of Service	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	James Wilderspin, Biodiversity and Climate Change Manager
Classification	Public
Wards affected	High Street

Executive Summary

This report seeks updated approval for a project to carry out the decarbonisation and energy savings measures at Maidstone House and the Link, including a replacement low carbon heating system, replacement glazing, full external insulation of the building, upgrading of the lights to LED, installation of solar PV on the Link / Business Terrace roof and refurbishment of the 4th Floor. The project is a key component of the Council's Biodiversity and Climate Change Programme.

Purpose of Report

Recommendation to Cabinet.

This report makes the following recommendation to the Cabinet: That

1. Capital expenditure of £5.85 million for the decarbonisation project, comprising Salix grant funding of £3.13 million and a Council contribution of £2.72 million be approved;
2. £300,000 to complete 4th floor refit works, funded by the South East Local Enterprise Partnership be approved;
3. Further reports be received as the project progresses; and
4. The Director of Finance, Resources and Business Improvement be delegated authority to select and appoint contractors for applicable services as necessary.

MAIDSTONE HOUSE AND THE LINK DECARBONISATION

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	This project is a key component of our Biodiversity and Climate Change Strategy.	Director of Finance, Resources & Business Improvement
Cross Cutting Objectives	The project helps achieve the cross-cutting objectives of respecting Biodiversity and Environmental Sustainability.	Director of Finance, Resources & Business Improvement
Risk Management	Already covered in the risk section.	Director of Finance, Resources & Business Improvement
Financial	The project forms part of the proposed capital programme for 2024/25 – 2033/34. Over half of the cost is covered by external funding. The works proposed are projected to deliver an ongoing saving of £51,875 per annum.	Director of Finance, Resources & Business Improvement
Staffing	The project will be delivered by an in-house project team, supplemented by external consultants and contractors as necessary.	Director of Finance, Resources & Business Improvement
Legal	Acting on the recommendations is within the Council's powers as set out in local authority legislation. All necessary contractual documentation will be approved by Mid-Kent Legal Services before completion.	Team Leader (Contentious and Corporate Governance)
Information Governance	No specific implications.	Director of Finance, Resources & Business Improvement
Equalities	In delivering the project all necessary steps will be taken to ensure that the building remains accessible and all legal requirements relating to equalities are met. An EqIA will be carried out.	Equalities and Communities Officer

Public Health	Better control of the working environment in our offices will be beneficial to members of staff and visitors.	Director of Finance, Resources & Business Improvement
Crime and Disorder	No specific implications.	Director of Finance, Resources & Business Improvement
Procurement	The Council will follow its usual procurement processes in selecting contractor(s).	Director of Finance, Resources & Business Improvement
Biodiversity and Climate Change	This report fully aligns with Action 7.1 to "Deliver Maidstone Borough Council 2030 Net Zero Commitment" of the Council's Biodiversity and Climate Change Action Plan.	Biodiversity and Climate Change Manager

2. INTRODUCTION AND BACKGROUND

- 2.1 As part of the Council's Biodiversity and Climate Change Action Plan, officers have sought external funding for decarbonisation works at the Council's own properties. Of these, Maidstone House and the Link Building is the second largest emissions source for the council, accounting for 17.6% of total emissions in 2022-23.
- 2.2 The Government has supported initiatives by the public sector to reduce carbon emissions, in line with the strategy set out in the Energy White Paper 2020 (see <https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future>). It has done this through the Public Sector Decarbonisation Scheme (PSDS). Details of recent schemes funded by the PSDS can be found at: <https://assets.publishing.service.gov.uk/media/656451ce0c7ec8001195be5a/psds-phase-3b-summary-report.pdf>.
- 2.3 In November 2023 officers submitted a bid for Phase 3c of the PSDS amounting to £3,126,536 to retrofit Maidstone House. It was estimated that this project would generate annual savings to the council of £51,875 and a carbon reduction of 361.8 tCO₂e per year, reducing the Council's total carbon footprint by a 5th and being a role model for commercial buildings in the town centre of Maidstone. The successful completion of this proposed project would set the standard for many more grant funded building improvements across the council's portfolio.
- 2.4 We received confirmation in February 2024 that this bid was successful. Approval was obtained from the Leader for council funding of £648,664 to complement the external grant funding and to ensure eligibility for the funding, based on an estimate by our consultants APSE of total project costs of £3,775,200.

2.5 Note that it is a condition of the PSDS Salix grant that the money be spent by 31st March 2025.

2.6 The main elements of the project are as follows:

- Heating: Designs/tendering and ordering air source heat pumps that are capable of simultaneous heating and cooling all 6 floors of Maidstone House and 4 floors of the Link Building. To be housed in a new plant room installed in the roof with upgraded venting to distribute fresh air throughout the buildings.
- Insulation: Architectural detailed drawings and planning permission, for insulating the external walls, insulation under the floors and the undercroft. Appointing contractors to insulate the building in conjunction with glazing being replaced.
- Glazing: Upgrading the glazing across the full building (except reception area which has already been re-fitted) to ensure better heat retention in winter and a cooler environment in summer- particularly on the south facing side.
- Solar PV: Design and structural appraisal of the Link building roof, and installation for a 55kWp solar PV panel array comprising 122 no. 385W panels, while maintaining and enhancing the existing green roof on the Business Terrace.

2.7 At the same time as the council bid for decarbonisation funding, it also bid successfully for £300,000 of funding from the South East Local Enterprise Partnership (SELEP) under the government's 'Getting Building Funding' to provide grow-on business space for new businesses on the 4th floor of Maidstone House. This would complement space that has already been refurbished at the council's own expense on the 2nd floor and is designed to provide suitable accommodation for businesses graduating from the council's Business Terrace for new start-ups (although it would be available to other growing businesses as well).

2.8 It is intended to take advantage of the decarbonisation work to carry out refurbishment of the 4th floor as part of the same overall project, thereby minimising procurement and project management overheads.

2.9 The Council has instructed Calford Seaden, under an existing framework contract, to provide project support. This has allowed the initial APSE Energy cost estimates for the project to be refined, based on current prices, and for key design decisions to be addressed.

2.10 Calford Seaden's initial cost estimate was for a project cost of £5.32 million, as compared to the APSE estimate of £3.775 million. The increased budget is due to changes in materials specification and costs and is based on more detailed technical advice. At this stage cost estimates are based on updated assessments of the pricing used by APSE. In order to obtain a more accurate estimate, detailed survey work is required and estimates of materials costs based on the preferred design options. Accordingly, it is

considered prudent to add a 10% contingency to the £5.32 million, giving an updated cost for the decarbonisation project of £5.85 million. This would increase the council's contribution from £648,664 to £2,723,000.

Salix Grant (Decarbonisation scheme)	Council Contribution (Decarbonisation scheme)	SELEP Grant (4 th floor refit)	Total Project Spend (including 4 th floor refit)
£3,126,536	£2,723,464	£300,000	£6,150,000
51%	44%	5%	100%

- 2.11 An investment of £2,723,000 would give a notional return, assuming the savings quoted of £51,875, of 1.9%. This is less than the council's current target rate of return in its capital strategy of 5%. However, members may conclude that the project offers strategic benefits to the council that justify the implicit revenue subsidy arising for the project.
- 2.12 Calford Seaden have also highlighted different potential approaches to insulating the building, broadly internal wall insulation (IWI) versus external wall insulation (EWI). Costs of the two alternatives are judged to be broadly similar, but the options appraisal highlights strong practical and aesthetic arguments in favour of EWI.
- 2.13 A number of options are available for EWI. The initial proposals from APSE envisaged rendering the exterior. However, on further investigation it has been concluded that a sheet cladding system would be preferable. Cladding is lighter, quicker to install and requires less maintenance year-on-year and has a better whole-life cycle. Rendering is cheaper but presents issues with water and bird strike staining, meaning more maintenance would be required. This is reflected in the Calford Seaden cost estimate above.

3. AVAILABLE OPTIONS

- 3.1 Option 1: Do not proceed with the decarbonisation project at this time, do not utilise Salix grant funding of £3.1m and reconsider the project from possible future Public Sector Decarbonisation funding schemes.
- 3.2 Option 2: Proceed with the project, utilising £3.1m grant funding and making a significant contribution to Maidstone Borough Council's Net Zero 2030 target and Biodiversity & Climate Change Strategy.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The preferred option is option 2. There are overriding strategic benefits from pursuing the decarbonisation project which offset the sub-optimal financial return.

4.2 Further work is required to obtain definitive costs for the project and it is therefore proposed that the Cabinet receives details when these are available.

5. RISK

5.1 There are a number of risks associated with this proposal.

- Project risk – This could take the form (inter alia) of office operational interruptions, tenancy disruptions, and health and safety. Different elements of the project will be phased to minimise disruption as part of the project programme. Staff and stakeholders will be engaged and updated through the programme. All risk assessments will be reviewed and updated.
- Delay risks – Timings to design, procure and deliver the project could be lengthy and a hold up in one area which could impact the overall completion date. Lead time for equipment orders has been impacted by shortages of microchips, solar panels, supply chain and logistics disruptions, and other economic factors.
- Funding risks – Costs are higher than expected and amendments during project development stages could result in increased costs and programme delays.
- Site specific risks – 1) Electrical capacity feasibility studies have shown the incoming supply is large enough, however a DNO application is needed to check there is sufficient capacity in the area 2) Link Building roof weight allowance for PV exceeded. Building weight allowances have been checked as part of scoping for the array quoted. Full structural calculations are required prior to commissioning any works.

5.2 The above risks, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the Policy.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 The proposal described in this report formed part of the Capital Programme for 2024/25 onwards, which was approved by Council on 21 February 2024.

6.2 The matter was considered by the Climate Transition, Corporate and Environmental Services Policy Advisory Committee on 24 July 2024, with it recommended that the Cabinet approve the report recommendations.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The proposed next steps are set out below.

Project Stage	Anticipated Start Date	Anticipated End Date
Detailed Design Stage	May 24	July 24
Client Review Period	July 24	July 24
Submit Planning Application	July 24	July 24
Tender Stage	Aug 24	Sept 24
Obtain Planning Consent	Oct 24	Oct 24
Tender Analysis	Oct 24	Oct 24
Order Placed	Oct 24	Oct 24
Contractor lead-in	Nov 24	Dec 24
Construction Stage	Jan 25	June 25
Practical Completion	June 25	June 25
Defects Liability Period and Post Completion Energy Performance Monitoring	June 25	June 26
Final Completion	July 26	July 26

8. REPORT APPENDICES

None.