

EAST RENFREWSHIRE COUNCIL

11 December 2024

Report by Director of Environment

EASTWOOD HEADQUARTERS REFURBISHMENT – UPDATE REPORT

PURPOSE OF REPORT

1. This report provides an update on the Eastwood Headquarters (HQ) refurbishment project.

RECOMMENDATIONS

2. It is recommended that the Council:
- a) consider a request to increase the Eastwood Headquarters refurbishment budget allocation by £1.3m to £6.16m;
 - b) approve the reduced scope of the works as set out in option 4, and described in paragraphs 19, 20 and 21; and
 - c) approve that refurbishment works at Eastwood Headquarters proceed.

BACKGROUND

3. Eastwood HQ was built in 1980. The building has not benefited from any significant investment in or upgrades to much of its core infrastructure since its construction. Many of the building's original fittings remain, including windows, staff welfare facilities, internal finishes, ICT and electrical infrastructure. These fittings are beyond their design life, inadequate for today's workforce needs and digital requirements and require replacement.

4. The refurbishment of Eastwood HQ was approved at [Council in December 2023](#). A budget of £4.66m was approved for these works, encompassing modernisation works to the Headquarters Offices, the Council Chambers and Net Zero improvements. Subsequent to this, a further £0.20m was approved by Cabinet on 3 October 2024 to fund network cabling infrastructure at HQ. This created a total budgetary provision of £4.86m.

5. The Eastwood HQ refurbishment aligns with the decision taken by the Council in June 2023 not to renew the lease on the Spiersbridge office when it expires in February 2026. This will allow significant long-term savings in our revenue budgets, in the order of £450k per annum recurrent before offsetting any borrowing or other costs, derived from the closure of the Spiersbridge office. The project also extends the life of Eastwood HQ for a further 20 plus years.

6. In addition to upgrading the core infrastructure, there remains a desire to repurpose Eastwood HQ to be a modern, fit-for-purpose office accommodation. It is recognised that the way we use our office space has changed in recent years. Technology has transformed the way we work and deliver services. The use of technology such as Microsoft Teams means that office space needs to support a mixture of in-person and hybrid meetings. Effective and productive working is substantially influenced by access to technology and workspaces to collaborate. This aligns with our People Strategy 2024-27 which states our vision is to have engaged employees who are motivated to deliver quality services for our customers.

7. There is positive evidence that working in modern, fit-for-purpose office accommodation can bring significant benefits including:

- Much greater opportunity for communication and collaboration among and across teams. It also allows for informal conversation and a free flow of ideas and opinions;
- Building relationships with colleagues and strengthening teams;
- Face-to-face learning is an important part of overall learning. There is great value in sitting with and learning from others in the course of daily routines and work;
- Greater opportunities for informal and formal mentoring; and
- Attracting the best talent to work in the organisation.

PROJECT UPDATE

8. In the report to Council in December 2023, costs were estimated at £4.66m. These cost projections were based on the findings of a non-invasive survey and were caveated thus: “It should be noted that the costs prepared as part of the initial feasibility for HQ are based on Q1 2023 indices with allowances for inflation forecasts. In addition, there is still the need to undertake further disruptive/intrusive surveys on the building in relation to the preferred option which could potentially have a bearing on overall costs”.

9. The disruptive/invasive surveying exercise, as recommended and noted above, has now concluded. It has identified that very substantial investment in the building’s core services infrastructure is now required, to address both health and safety issues and to ensure that the building complies with required legislative standards and is fit for purpose for a further 20 plus years. These works include, amongst others, replacement of distribution boards, ventilation distribution systems, heating upgrades, and re-wiring of both the electrical power and ICT cabling and associated infrastructure.

10. Whilst these works come at a substantial additional cost, they will significantly extend the useful life of the asset which, alongside savings from building rationalisation, was the key objective of this project. They will also significantly improve the thermal comfort and welfare facilities available to a significantly increased number of occupants, which are currently generally in a poor state of repair.

11. An opportunity has also emerged to relocate our second ICT data centre (DC2) which is currently externally located at a lease cost of approximately £50k per annum. Relocating this to Eastwood HQ has several advantages for the Council. It enhances our business continuity arrangements, disaster recovery, and load balancing arrangements across our network, which is important in the context of demand for technology services growing exponentially. This would assist in the Council’s journey to optimise network performance and the user experience, and allow for more efficient data management. This is also an additional saving opportunity which was not originally identified in the December 2023 report. It requires a slight amendment to the proposed floorplan layout, which will not have any adverse impact on the construction budget.

12. In summary, whilst the structure of the building is sound, much of the core infrastructure is obsolete and/or life expired and/or in an unsatisfactory condition, which could represent a threat to business continuity or service provision if left unmanaged. The core services infrastructure of Eastwood HQ requires to be upgraded in order to extend the useful life of the asset for at least a further 20 years. There has also been significant feedback from employee health and wellbeing surveys regarding the state of the employee welfare facilities in Eastwood HQ. The planned relocation of a substantial number of staff from Spiersbridge

into Eastwood HQ will put increasing pressure on already inadequate facilities in terms of ICT and electrical networks, collaborative office/meeting spaces, toilets and kitchen facilities.

13. The updated cost projections, following the invasive surveying exercise, to deliver fully on the originally desired outcomes as set out in the December 2023 report to Council, indicate that this would require an increase in budget from the currently approved £4.86m to £7.20m, an increase of £2.34m. This original scope represented modernisation throughout all of the office accommodation and Council Chambers. This would realise the full benefits as summarised in paragraphs 4 – 7.

14. Council has a choice on how to proceed and a range of options are given below for consideration:

- **Option 1 – Original scope of works**
Increasing the budget allocation from £4.86m to £7.20m to fulfil the original scope of works as set out in December 2023 paper to Council i.e. full modernisation of office accommodation and Council Chambers. This option would deliver on all of the previous benefits set out and accommodate the additional staff who would move from Spiersbridge when the lease ends.
- **Option 2 – Minimal scope of works**
Retaining and confirming the existing approved budget of £4.86m as the maximum allocated for this project and confining the scope of works to what is affordable within that envelope. A full explanation of what this entails is set out in paragraph 17.
- **Option 3 – Defer works**
Deferring, for one or more years, the delivery of this project. It should be noted that this option would not allow the planned move of all staff from Spiersbridge to Eastwood HQ. A full explanation of what this entails is set out in paragraph 18.
- **Option 4 – Reduced schedule of works**
Value engineering and reducing the scope of the project, the aim being to reach a reasonable compromise between outcomes and available resource. A full explanation of what this entails is set out in paragraph 19.

15. The options and budget requirements are summarised in the table below:

Works/Options	Option 1 Original scope	Option 2 Minimal scope	Option 3 Defer	Option 4 Reduced scope
M&E and ICT Upgrades	✓	✓	X	✓
Chambers accessibility	✓	✓	X	✓
Chambers refurbishment	✓	X	X	X
Office Workspace	✓	X	X	✓ (Floor 2 only)
Windows	✓	X	X	✓
Kitchen/Tea Prep Upgrades	✓	X	X	✓
Toilet Upgrades	✓	X	X	✓
Showers	✓	X	X	✓
Total Cost	£7.20m	£4.26m		£6.16m
Current Approved Budget	£4.86m	£4.86m		£4.86m
Amount (Over)/Under Budget	(£2.34m)	£0.60m		(£1.30m)

16. With regards to Option 1, whilst increasing the budget as noted would enable the scope of the project to be delivered as originally envisaged, offering all of the benefits outlined, investment decisions have to be considered in the context of the affordability of the capital programme and the impact on revenue budgets. It is recognised that this option would require careful consideration as it represents a requirement for significant additional funding and in the context of other budget challenges, pressures and priorities that the Council faces.

17. Option 2 provides a Mechanical and Electrical (M&E) and Information and Communications Technology (ICT) only upgrade, including improving Chambers accessibility. It is costed at £4.26m and therefore sits within the currently approved budget of £4.86m. There is no fabric upgrade allowed for in respect of the Chambers or any other part of the building, so employees will experience very little improvement to their working environment. The opportunity costs associated with this option would include:

- It would not be possible to give staff a modern and efficient fit-for-purpose office accommodation.
- The Council would lose the opportunity to deliver improved flexibility and functionality of the building for all staff located in Eastwood HQ.
- Insufficient meeting rooms and open working areas would inhibit effective service delivery and impact on collaborative and hybrid working ambitions, through lack of available and flexible working space. In this option, the layout of the building remains as current. In the context of additional staff being based in Eastwood HQ following the exit from Spiersbridge, this would place significant additional pressure on staff welfare facilities and desk space, and is not felt to be conducive to creating an appropriate work environment.
- Not improving staff welfare facilities (including toilets and kitchen areas) which are in need of significant modernisation, with many not having been upgraded since the building opened. In addition, we aim to promote active travel and schemes like cycling to work, but currently have no shower provision in Eastwood HQ.
- The Chambers would remain as they currently are with no improvement to the fabric and functionality with the exception of improving the disabled access.

18. Option 3 to defer the works for a period of one year or greater, is technically feasible. There are, however, significant challenges and opportunity costs associated with doing so and these would include:

- The core infrastructure of Eastwood HQ is no longer fit for purpose and has the potential for failure at any point in time, given that it is past its useful life and that much of it is recommended as in need of replacement. There is, therefore, an increased business continuity risk, should there be a decision to defer any proposed investment. For each year of delay in commencing works, realisation of the savings that would arise from exiting Spiersbridge and our external IT leased site are delayed.
- A delay in progressing the core services infrastructure work at Eastwood HQ will lead to either significant volumes of staff having to work from home for prolonged periods, services being split across multiple locations, and/or having to explore the extension of the lease at Spiersbridge.
- There is a higher risk of cost pressures impacting upon the overall cost of delivery (e.g. increased material costs in line with inflation).
- Decant arrangements for staff will become more complicated if Spiersbridge is not available to provide alternative touchdown accommodation beyond February 2026, when the lease expires.
- Were we to seek an extension to the lease at Spiersbridge to accommodate any delay to the commencement of the Eastwood HQ refurbishment project, there is no

guarantee that the landlord would be amenable to such a proposal either at the current annual rent charge or for a year only. Any extension of the lease at Spiersbridge would be an unbudgeted revenue pressure in addition to delaying the realisation of potential savings.

19. With regards to option 4, this would deliver the full core infrastructure improvements required, including the full M&E and ICT upgrades, and the Chambers accessibility upgrade. A number of significant environmental improvements for staff, including all kitchen and tea preparation facilities, bathroom upgrades, and shower provision, are deliverable through this option. All external opening windows on all floors will be replaced therefore adding to the thermal efficiency of the building and reducing our energy costs. In addition, the refurbishment of the second-floor workspace where the majority of Eastwood HQ staff and functional spaces are currently located would also be delivered through this option, although to a lesser degree than originally envisaged (i.e. less ability to open up spaces). This would require an increase to the approved budget by £1.30m to £6.16m to facilitate a reduced scope of works. While this option does not realise all of the working environment benefits across the entire building, there would be significant improvement. In addition, the core infrastructure work carried out throughout the building will allow further upgrades in the future to those areas not in scope with this option.

20. On balance, Option 4, is felt to be a reasonable compromise in delivering many of the original benefits of the project whilst at the same time reducing pressures on resource that have arisen as a consequence of the significantly higher core building infrastructure investment requirements. Provision will be made in the carrying out of the building infrastructure investment works to allow for further additional upgrades to the work environment on the first and third floors in the future as resources may allow for.

21. Option 4 is therefore the recommended option. Whilst Option 4 incurs a significant increase in budget of £1.30m, it remains £1.04m below the increased cost of delivering the whole project as originally envisaged. If approved, the increased budget will deliver many of the originally envisaged benefits and will still deliver a positive saving in revenue costs to the Council. In addition, the investment in Eastwood HQ will extend the life of the building for at least the next 20 years and provide a much-improved working environment for the increased number of Council staff that will be based there.

22. Subject to Council approval of the proposal contained within this report, start on site is now estimated to be during the summer of 2025 with a scheduled completion in early 2026. The programme will be subject to final agreement on designs and any works additionally discovered as required upon commencement on site and opening of the existing building.

FINANCE, EFFICIENCY AND RISK

23. Additional capital is required to deliver on a scaled down version of the modernisation works originally approved by Council. This will allow for essential works to be carried out throughout the building as detailed and modernisation of office space and improvements to all staff welfare facilities. Whilst this would come at an increased cost of that previously estimated, the proposal will still allow for the relocation and closure of the Spiersbridge office as planned and the relocation of the ICT data centre. This allows the council to realise the already planned £0.45m savings in the revenue budget and it is anticipated that a further £0.05m can now be realised on a recurring basis. Option 4 will provide a significant net saving of £2.3m over a 20 year period, when compared to the status quo. This is based on average loan costs of £0.27m per annum.

24. Within the stated cost estimates given, there is a contingency provision, which is considered reasonable for projects of this nature. The contingency element gives some element of protection against general cost pressures including inflation and variation on construction costs. It will be required to be reviewed prior to start on site and final financial closure and therefore is subject to variation up until that point (estimated Summer 2025).

CONSULTATION AND PARTNERSHIP WORKING

25. Consultation has taken place with the cross-service Eastwood HQ Project Board, as well as the Corporate Management Team in the production of this report.

26. The modernisation of the Barrhead office has recently been completed and has resulted in very positive feedback from staff that operate from that office. The improved kitchen areas, ICT set up, workstations and collaboration spaces have received overwhelmingly positive and increased satisfaction from staff and services working there. The learnings from those changes will help inform plans for Eastwood HQ.

27. Staff wellbeing surveys have taken place in recent years and those at Eastwood HQ have strongly indicated in their responses that they do not work in a modern work environment or have access to adequate facilities to support their health and wellbeing e.g. quality of toilets, lighting, kitchen/dining spaces, lack of ventilation in break-out spaces, windows that do not open, heating that is not variable throughout the building and poor power and data connectivity in meeting rooms and key offices. One of the key project outcomes is to enable staff at Eastwood HQ to have better welfare facilities including break-out areas to get away from desks and working and collaborative spaces to use, following the principles established for the Barrhead refurbishment.

IMPLICATIONS OF THE PROPOSALS

28. There are no legal, Subsidy Control, sustainability or equalities implications arising from this report.

29. There are significant financial implications arising from this report, with further capital requested to deliver the project as envisioned. There will be property and ICT implications, with works planned to improve the core infrastructure and working environment at Eastwood HQ, as well as enhancing the Council's ICT resilience. Building improvements at Eastwood HQ will be developed in a manner that seeks to increase the sustainability of the building, enhancing its useful life; while opportunities for greener solutions will be explored. Improved access to Council Chambers will allow for easier movement for people with a disability or other mobility issues than there is at present.

CONCLUSIONS

30. The refurbishment of Eastwood HQ represents a positive opportunity to develop a working environment that is fit for both the modern workforce and one that can flex to accommodate future needs. In addition to the significant benefits for staff morale, working practices and supporting our people vision, previous decisions necessitate that we must make HQ a suitable environment to accommodate additional staff.

31. The existing Eastwood HQ building has not seen any substantial change to its layout for staff, nor any significant investment in infrastructural services since construction. It is no longer appropriate nor fit for purpose for the Council and employees have consistently

reported that this impacts their wellbeing. Whilst the increase in budget requirements is recognised as a challenge, nonetheless there is still a positive saving over the 20 plus year extended life of the asset. Work is planned to take place across 2025 and into 2026.

32. Further regular updates will be provided to the Governance Board, CMT and Elected Members periodically to update on progress and advise of any issues or matters of interest.

RECOMMENDATIONS

33. It is recommended that the Council:

- a) consider a request to increase the Eastwood Headquarters refurbishment budget allocation by £1.30m to £6.16m;
- b) approve the reduced scope of the works as set out in option 4, and described in paragraphs 19, 20 and 21; and
- c) approve that refurbishment works at Eastwood Headquarters proceed.

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