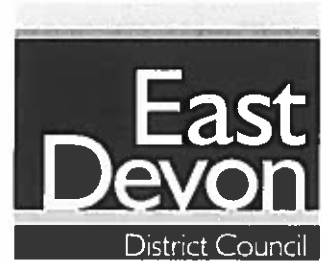


## Agenda Item 26

Cabinet

27 Nov 2013

RC



### Office Accommodation- Update

#### Exempt Information

Para 3 Schedule 12A information relating to the finance or business affairs of any particular person

#### Summary

An update on progress on new office accommodation following a) Cabinet/Council agreement in July 2013 to look for a financially viable alternative to existing Knowle buildings and b) Cabinet agreement in September 2013 to gauge market interest in developing EDDC's Heathpark land ownership.

#### Recommendation

1. Note the contents of this report and progress made since July 2014
2. Agree that the Deputy CEO – Development, Regeneration and Partnership continue to negotiate with Heathpark site bidders with a view to reducing the detailed negotiation process to two bidders only
3. Agree that the Deputy CEO – Development, Regeneration and Partnership take forward next stage detailed analysis of the Council's requirements and the five HQ relocation sites including further negotiation with site owners
4. Report back to Cabinet with future recommendations on Heathpark sale potential and prioritisation of the five new HQ site options.

#### a) Reasons for Recommendation

The reasons for recommendation are addressed in the body of the report

#### b) Alternative Options

Options are addressed within the body of this report.

#### c) Risk Considerations

Risks remain those that have been analysed in the previous Cabinet reports in July and September 2013. The Project Manager maintains and updates a detailed risk register.

#### d) Policy and Budgetary Considerations

The project development budget was agreed and enhanced in the Cabinet report of July 2013. Further recommendations will follow regarding forward project funding. There are no additional finance implications contained within this report.

**e) Date for Review of Decision**

The new office accommodation project has and will continue to be subject to Cabinet and Council decision.

**1 Main Body of the Report**

**Office Accommodation – Choice of location**

EDDC Cabinet on 17 July considered a report related to the Office relocation. Members voted unanimously in support of the recommendations as set out in the Cabinet report, including:

- that Council agree that the costs of maintaining, refurbishing or building new offices on the Knowle site are not sustainable and EDDC should therefore look at alternative locations for a new headquarters
- that the Deputy Chief Executive – Development, Regeneration and Partnerships - be given delegated authority to enter into formal conditional negotiations on the acquisition and/or development of a suitable site for EDDC's new offices
- that a future recommendation be made for consideration by Cabinet and determination by Council that EDDC relocate from the Knowle to a new location and premises subject to a satisfactory and financially viable proposition

During the Cabinet meeting the Project Team was asked to further examine not only those sites that had been identified as being financially viable, but also any other potential sites within the District.

At the EDDC Council Meeting of 24 July the Cabinet decisions were debated and endorsed. It was subsequently reaffirmed that the EDDC Project Team were working to the following set of principles;

- any move to new offices would place no extra burden on taxpayers
- any new buildings will be flexible, fit for purpose and meet the highest energy efficiency standards
- any new offices will be located somewhere viable for a modern, forward looking council offering services that are accessible for all our customers and working practices that mean they can access services in the ways that suit them best (Open for Business principles).
- any new office space will maximise the use of space and technology for the benefit of customers and the productive working of staff and councillors.

Subsequently, a first Stakeholders meeting was held at the Flybe Training Academy on 26 July. Invitees were County, local Parishes, local Chambers of Commerce, business groups, district-wide community organisations and pressure groups.

Following Cabinet and Council approval, the Project Manager contacted local Commercial Land Agents via a telephone calls and e-mails. Agents we asked to consider whether they had, or were aware of, any suitable sites based upon previously agreed key site criterion. It was stressed that whilst four parcels of land at Cranbrook and Honiton had been identified as part the Viability Report, the opportunity was now

being taken to consider any other potential sites within the District that could be suitable for the relocation of the Council's Head Office.

Fifteen sites were identified. The nature of the sites varied quite considerably, from simple freehold land sales, through to Developers offering to also build a new HQ, otherwise known as a 'turnkey' proposal. There was also an option of an existing office, in need of some refurbishment, that provided an interesting range of potential further opportunities and associated revenue streams.

Two of the fifteen originally identified sites were not considered to be suitable for the Council's new office. These sites - the EDDC owned land to the west of Hayne Lane, Honiton and Heathpark, Devonshire Road (North side).

At a Project Executive Board Meeting on 2 October the four elected members were asked to score each site against set criteria. Five sites scored significantly higher than others and were proposed for further investigation:

- Clyst House, Winslade Park
- Cranbrook Town Centre
- Skypark
- Heathpark, Honiton - EDDC property (former Sita Depot)
- Heathpark, Honiton - Devonshire Road (South Side)

Measures were also taken during the period to ensure Members, Staff, Stakeholders and Members of the Public were kept informed of the progress of the reviews being undertaken

- An interim presentation was provided to Members on 30 October 2013, providing an update on recent progress, site selection and advice on the next steps of the process.
- A similar presentation was provided to EDDC staff on 5 and 6 November 2013.
- On 8 November, a press briefing, an EDDC occupiers meeting and a Stakeholders Meeting were provided
- On the same day the latest version of the East Devon Extra was published exclusively discussing Relocation progress.

Now that the options of alternative sites have been identified, analysed and shortlisted, further research and investigation is required into the specific five site options and individual costs and attributes now associated with those options. This includes both the actual building/refurbishment costs and the anticipated annual running costs. This information is required to enable Members to make an informed, balanced decision on the location of a new office.

It remains the case as detailed in the July 2013 Cabinet Report that staying on the Knowle in a new build or reconfiguration of existing buildings will be highly expensive and with the certainty that any capital receipt to fund the project from a part sale of the Knowle will be much reduced. Add to this the cost of temporarily relocating the Council's workforce while any repair and refurbishment were underway and the partial demolition/redevelopment of parts of the site for residential development, and relocation remains the most cost effective proposition.

Now that we have drilled down to five shortlisted locations we are able to analyse in detail the likely running costs of each. This is a step forward in detail from the existing estimation of new build running costs on a BREEAM Excellent and Very Good basis. Some of the specific information for the annual running costs of each of the five preferred sites remains to be fully extracted and evaluated from the relevant parties. Cabinet, Group and SMT visited all five shortlisted sites on 18 November 2013 and also met with the agents/owners of the non-Heathpark sites. It was apparent to members that there are a mix of aspects to the sites, both financial and non-financial. This feedback will now be added into a detailed evaluation matrix to assist in prioritising the options with a view to a report to February Cabinet and Council.

The next earliest opportunity to table an office accommodation review report will be Cabinet on 5 February and Council on 19 February 2014.

### **Heathpark Honiton**

Cabinet on 4 September 2013 accepted the recommendation to market the Heathpark site by way of an informal bidding process. Heathpark had been factored in as a possible contribution to the cost of a new HQ if the Heathpark site itself were no itself to be our new headquarters location. The urgency of marketing the site was in response to the emerging availability for development of a similar site close by. Any decision to sell Heathpark or otherwise will be made, by Members via Cabinet then Council decision.

The site was advertised through the Estates Gazette on 27 September with bids being returned on 1 November. The Agents handling the process, Thomas Lister Associates, recorded a total of 39 requests for the Heathpark Information Pack.

A total of eight Expressions of Interest (Bids) were received by the deadline on Friday 1 November. Proposals for the site included both Food Retail and Non Food retail uses – including a Restaurant, a Hotel (Travel Lodge), drive through McDonalds, and other outlets such as Home Bargains and Pets at Home.

Following a short review of the received bids, the four most financially advantageous proposals were identified and the associated Developers were invited to an interview at EDBC on Tuesday 12 November. These Developers being;

- Mercian Properties
- Frontier Land
- Terrace Hill
- Simons Developments Limited

All of those interviewed have been asked to further investigate /review aspects of their submissions including build costs and programme. Improved gross bids have since been received following interviews with the highest being £5.1m. The most recent Red Book evaluation of the site was £3.3m. The net value of these bids is still to be finally reconciled, but it is anticipated that the commercial value attached to the site for food retail will be of a higher order than that of the current Red Book valuation.

One of the most critical aspects identified was the date when vacant possession of the Heathpark could be provided. Ideally EDDC would require the provision of a replacement building of the Business Centre to ensure continuity of accommodation for EDBC occupiers. Even if the process of replacing the Business Centre was to commence immediately it is unlikely that vacant possession could follow until Q1 2015.

The Council would very much prefer not to lose any of its occupiers and alternatives could be considered that involve their temporary relocation. This would both give continuity and allow a quicker sale of our land subject to planning approval.

Another aspect associated with the Business Centre is the cost associated with the land purchase and rebuilding. Discussions with Thomas Lister, our agents, have indicated that there is a possibility that the Developers could assist with this issue. This would have the potential of either partially or fully providing the necessary finance. Nothing has yet been agreed, but there is a possibility that some assistance may be possible.

Of the four bidders interviewed and subject to further detail emerging from follow up negotiations between now and February we expect to come back to Cabinet in February 2014 with a recommendation regarding viability of sale of the Heathpark site. If the recommendation is to sell the site then it will also include consideration of the single preferred developer, proposals for the current Business Centre, its occupiers and next steps.

It is important that any potential sell of Heathpark is considered alongside the Office Relocation proposals, since the selling of Heathpark can a) contribute to the capital receipt toward the cost of a new HQ development, b) reduce the number of site options available for relocation from five to four c) Potentially be our preferred new HQ site if we decide not to sell it.

A report is expected to be brought back to Cabinet in February 2013 with further recommendations on both our Heathpark site and on the relocation site options.

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### **Legal Implications**

The Local Government Act 1972 provides that the Council should dispose of land for the best consideration reasonably obtainable, although there are some potential exceptions to this rule. A local authority should take reasonable steps to investigate how far opposing bidders would go to commit themselves to the highest offer they are prepared to make; the report reflects the recommendation by the council's consultant surveyor to negotiate further.

Legal advice will be required throughout this project, including the arrangements for disposal and acquisition of land.

### **Financial Implications**

Details of the various options identified and the full cost implications need to be presented to Members for careful consideration. This work is ongoing at the moment and being carried out within the budget approved of £410,000, the costs incurred will be included when assessments are made to determine the full cost of this project and are being met in the first instance from the Council's Transformation Fund.

### **Consultation on Reports to the Cabinet**

Events preceding this report included an all-member presentation, two staff update meetings, a second stakeholder meeting and an EDBC occupiers meeting.

### **Background Papers**

None

1. 27

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Deputy Chief Executive

NOT FOR PUBLICATION  
Cabinet  
27 November 2013



**\*137 Office Accommodation update - Key Decision**

Members considered the report of the Deputy Chief Executive – Development, Regeneration and Partnership, which gave an update on progress on new office accommodation. This included financially viable alternative sites for the Council headquarters and feedback on market interest in developing the Council's Heathpark land ownership.

The five short-listed sites were now presented as analysed options. Further research and investigation, including building/refurbishment and running costs, would be carried out on the five site options.

An informal bidding process had been undertaken in respect of the Council's Heathpark site following a decision by Cabinet at its meeting on 4 September 2013 when Members had been advised of commercial interest in the site. This exercise had resulted in 8 Expressions of Interest, the 4 most financially advantageous had been invited to an interview, after which improved gross bids had been received.

It was anticipated that a report on the viability of the sale of the Heathpark site and relocation site options would be referred to Cabinet in February. Any decisions would be subject to obtaining planning permission.

- RESOLVED**
- (1) that the contents of the report and progress made to date be noted;
  - (2) that the Deputy Chief Executive – Development, Regeneration and Partnership continue to negotiate with Heathpark site bidders with a view to reducing the detailed negotiation process to two bidders only;
  - (3) that the Deputy Chief Executive – Development, Regeneration and Partnership to take forward next-stage detailed analysis of the Council's requirements and the five Headquarters relocation sites, including further negotiation with site owners;
  - (4) that a report be referred back to a meeting of the Cabinet with recommendations on the Heathpark sale potential and prioritisation of the five HQ site options.

**REASON**

As set out in the main body of the report.

**\*138 Council owned workshop provision - Seaton**

Members considered the report of the Economic Development Manager in respect of progressing formal planning applications for Council owned workshop provision at Colyford Road Depot and Fosseyway Park sites.

Seaton Ward Members acknowledged the planned improvements to the access arrangements. They asked for the proposal to relocate the St John's Ambulance Service in one of the new units to be reconsidered, suggesting alternative venues.

