

**EDDC New Office
Member Presentation
17 July 2013**

Confidential



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Confidentiality

- **Part A report and appendices** - In response to desire to be transparent but has limitations
- **Commercial sensitivity** – figures made up of sale value, acquisition value and prudential borrowing. Potential developers will analyse these figure to try and identify our land sale and acquisition expectations
- **Misuse of Figures** – The use of these figures in isolation from the complexity of the viability assessment has reputational implications
- **Openness** – The Part A report makes clear our desire to publish data at a future date when it is no longer sensitive
- **In line with this request for confidentiality, the Code of Conduct and the success of this project, you are expected to not divulge any of the financial information that follows.**

Summary of Viability

What we know

- Moving from the Knowle is the cheaper option
- Staying at the Knowle is expensive and compromised
- Moving to Heathpark is the most straightforward
- Cranbrook offers added value but is complex
- Church Hill, Honiton is attractive but complex and problematic
- All options are subject to risk especially finance and planning

What to do

- Relocate from the Knowle to new site and new build offices subject to a satisfactory proposition
- Begin formal, conditional negotiations with landowners and developers on preferred site options
- Promptly address sale of Heathpark opportunity
- Report back to Cabinet and Full Council

Comparative Costs – Old and New

Annual Cost Comparison

KNOWLE ANNUAL RUNNING COSTS WHICH OVER A TWENTY YEAR PERIOD, INCLUDING INFLATION, TOTALS PRODUCING 8,020 TONNES OF CARBON	£458,170
A PURPOSE BUILT OFFICE OF 3,352 M2 COULD HAVE ANNUAL RUNNING COSTS OF WHICH OVER A TWENTY YEAR PERIOD, INCLUDING INFLATION, TOTALS PRODUCING 2,720 TONNES OF CARBON	£11,703,795
BY MOVING FROM KNOWLE TO A PURPOSE BUILT OFFICE, EDDC COULD SAVE YEAR ON YEAR	£269,424
AND OVER A TWENTY YEAR PERIOD	£6,882,344
AS WELL AS 5,300 TONNES OF CARBON	£188,746
	£4,821,451

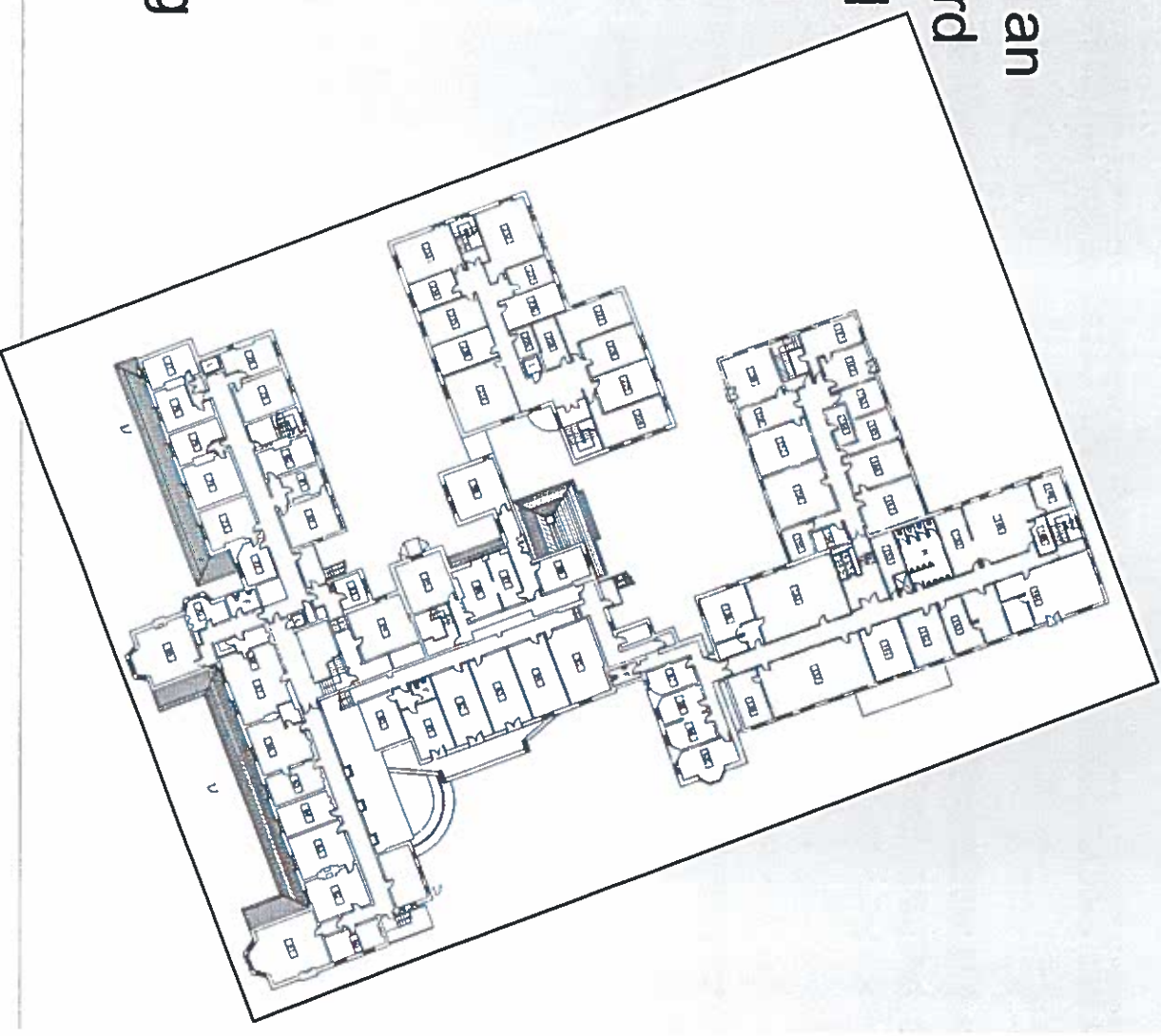
What has changed since March 2013 DMC decision?

- Viability report is completed and affordable options detailed
- Knowle development footprint proposed reduction from 5 to 3 Zones
- Two options for Knowle housing unit numbers
 - 50 units
 - 50 units + 25% of unallocated (13) = 63 units
- Analysis of possible options for remaining on the Knowle
- Manstone now included as part of the development proposition
- Conditional offer for food retail on Heathpark
- Revisit of Cranbrook relocation opportunity
- Exmouth presence remains as well as commitment to availability in other towns.

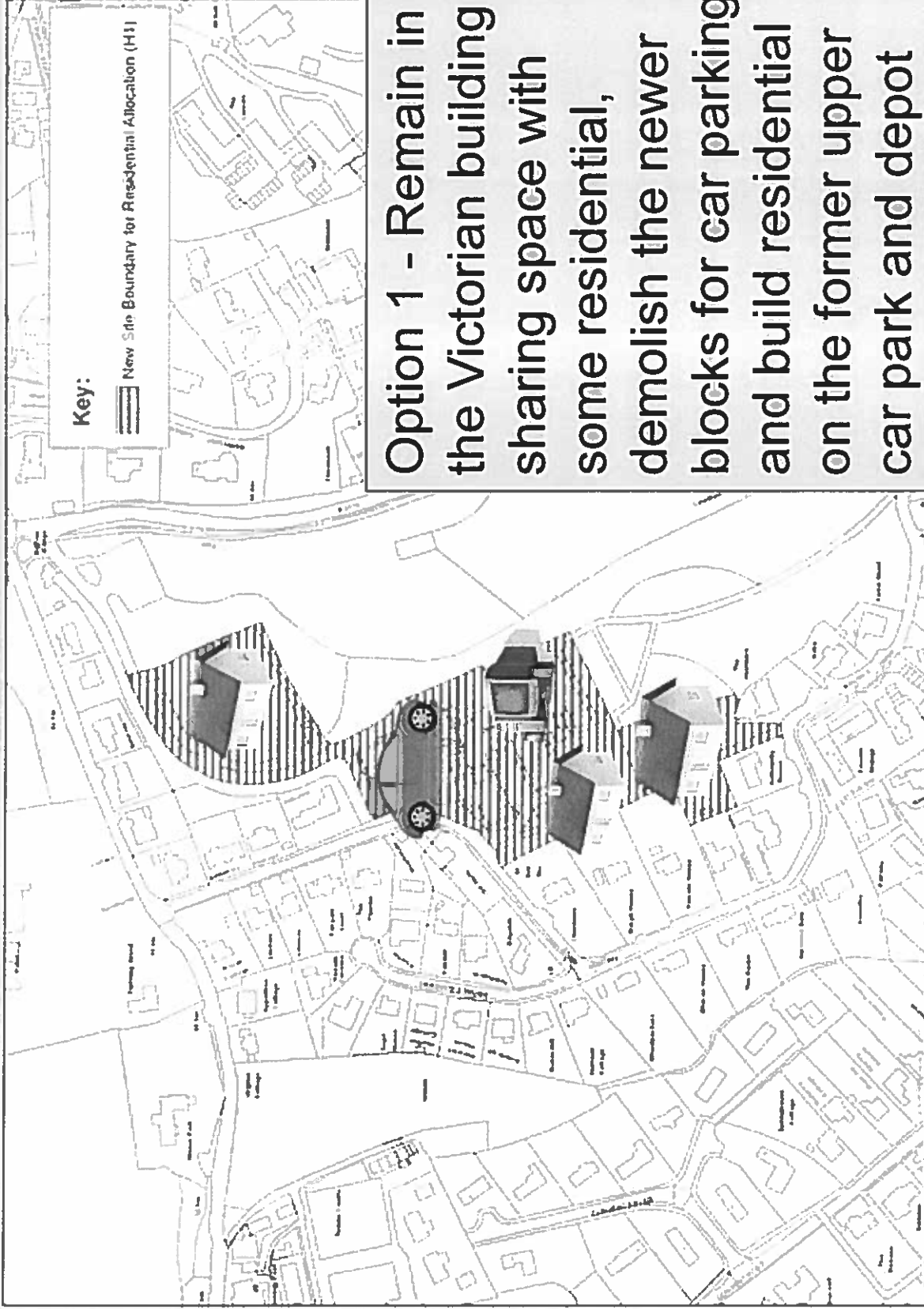
The Knowledge Options

Do Nothing Option

- £1.566m of immediate essential repairs to bring an old building up to standard
- Minimal running cost and energy savings return on capital repair spend
- £188,746 unnecessary annual expenditure (inc inflation on top) - £4.8m over 20 yrs
- Inefficiency of space and working practice in a cellular, outdated building

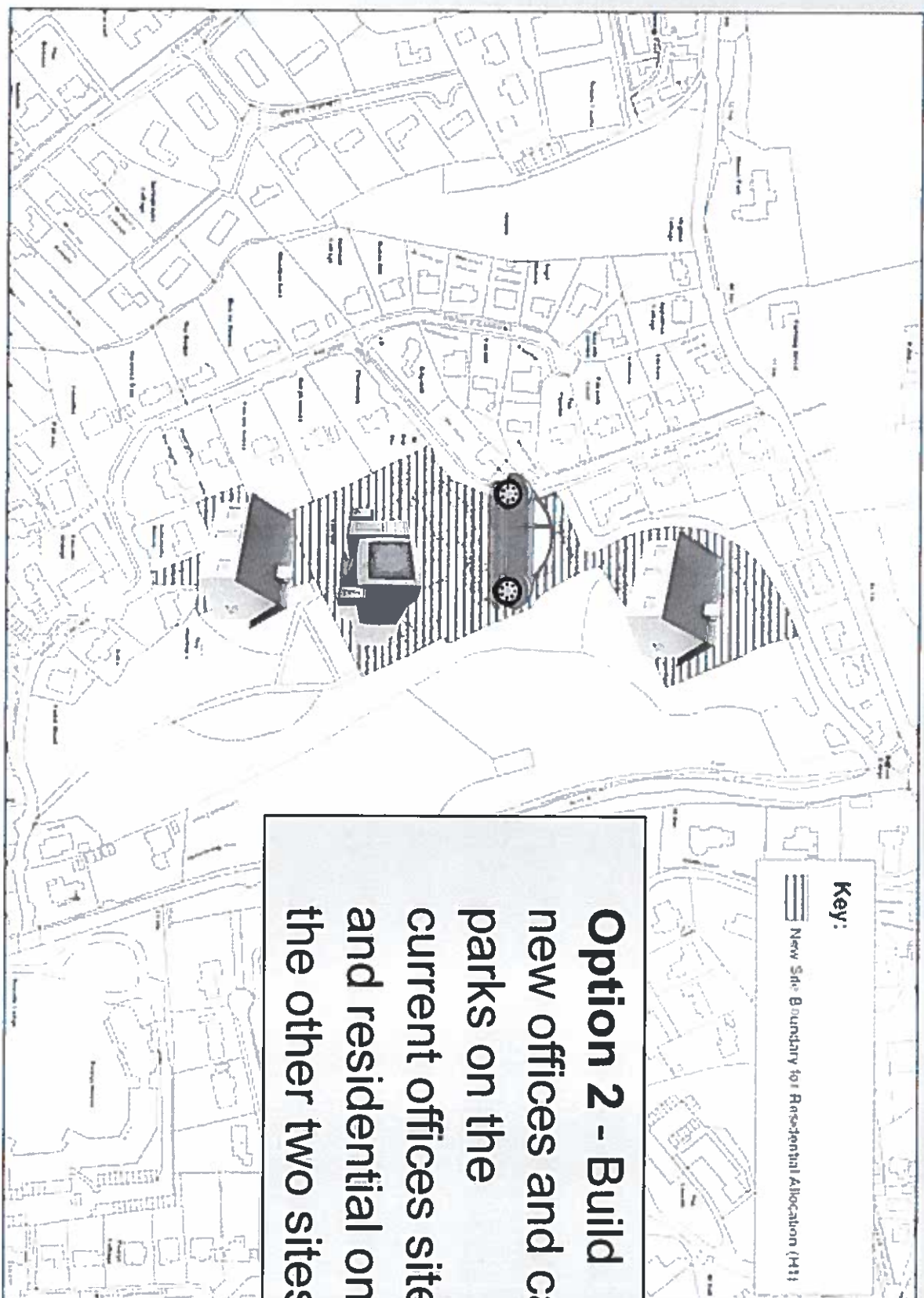


Knowle Development – Option 1

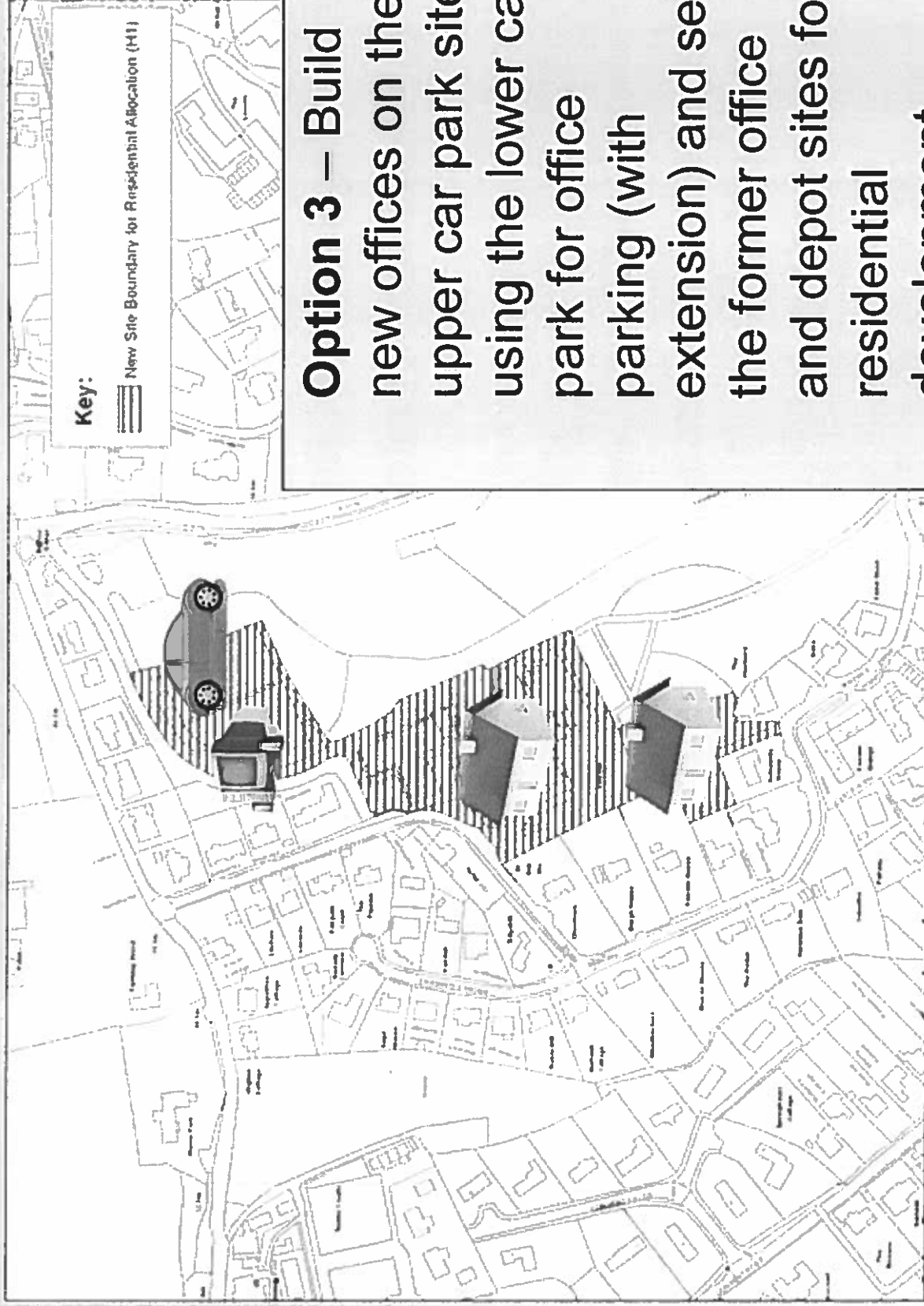


Option 1 - Remain in the Victorian building sharing space with some residential, demolish the newer blocks for car parking and build residential on the former upper car park and depot sites

Knowle Development – Option 2



Knowle Development – Option 3



Option 3 – Build new offices on the upper car park site using the lower car park for office parking (with extension) and sell the former office and depot sites for residential development.

Key to Upcoming Tables

Relocation Option Financing

Font Key Colour

Not affordable – Requires borrowing over £4.8m

Not affordable

Affordable with Capital Receipt and borrowing below £4.8m

Affordable 2

Affordable from Capital Receipt alone

Affordable 1

Affordable * 1 (Black font) The Option is affordable based on the sale of identified EDDC land assets without the need for additional funds.

Affordable * 2 (Green font) The Option is affordable based upon the sale of identified land assets plus borrowing of up to £4.8m inclusive of interest charges over a twenty year period. The £4.8m is the sum that EDDC would otherwise need to pay out over the next twenty years for annual running costs without any upgrade / essential repair works being carried out as compared to a new purpose built office of 3,352 m²

Not affordable (Red font) The Option is not affordable based upon the sale of identified land assets plus additional funding of up to £4.8m inclusive of interest charges, borrowed over a twenty year period. The Option would cost more than the £4.8m threshold, and therefore would be in excess of the existing budget. It could therefore result in an increase of Council Tax.

Knowle Option Viability

Knowle

	BREEAM Very Good		BREEAM Excellent		Value based upon
	Not affordable	Nett figure after capital receipt £	N/A	Nett figure after capital receipt £	
Option 1 Refurbishment of part of Knowle Hotel, demolition of the Office Extensions and provision of new car parking. <i>NOTE: To be able to refurbish the Knowle to BREEAM Excellent standard would be potentially prohibitively expensive. It is, therefore considered Not Applicable</i>	Not affordable	£10,117,759	N/A		37 dwellings 25 apartments in the Knowle Hotel building
Option 2 Demolition of EDDC's existing Knowle Offices, construction of new office and car parking facilities,	Not affordable	£10,432,956	Not affordable	£11,875,529	41 dwellings
Option 3 Construction of new Office on the existing Upper Car Park with replacement car parking facilities	Not affordable	£7,408,112	Not affordable	£8,855,196	46 dwellings

Pros

- Change is difficult
- Local interest

Cons

- None of the options is financially viable due to low capital receipt
- Compromised outcomes in mix of office, residential and parking
- Operational challenges

Alternative Locations

Honiton

- Original choice location
- Sequential testing of 9 different sites has left us with 2 possibilities:
 - Church Hill site
 - Heathpark

Cranbrook

- New community development accelerating
- Opportunity revisited - two potential sites:
 - High Street
 - High Street - East

Timeline

Date	Description
Jul 2013	Recommendation to negotiate on options
Dec 2013	Consider proceeding on single option
May 2014	Appoint Design Team
Jun 2014	Formal marketing inc Community Right to Bid timeline
Jul 2014	Concept design
Nov 2014	Detailed design
Feb 2015	Bidding process for contractors
Apr 2015	Sale of EDDC lands/appointment of contractor
May 2015	Works on site commence
Jun 2016	Practical completion
Jul 2016	EDDC relocates to new office

Risk

- Local Plan and Housing Distribution
- Heathpark Site Development
- Delay
- Market Factors
- Design and Build Cost
- Services Impact
- Political Commitment
- Do nothing

Risk Management

- **Continued Project Management and Exec Group oversight**
- **Cabinet control**
- **Gateway process of decision making**
- **Conditional Sale Agreement**
- **Contingency**
- **SWAP engagement**
- **'Red Book' valuations**
- **Stakeholder engagement and EqIA**

The means of financing new offices will use:

- **Capital receipt** from Knowle and Manstone sale and Heathpark sale (where appropriate).
- **Prudential Borrowing** if necessary up to a repayment ceiling that does not exceed the saving on running costs achieved by moving to new offices. The total borrowing ceiling that still represents value is £4.8m
- **Timeline** – Borrowing is calculated on savings over a 20 year period. This length of time reflects the period between moving into new offices and their first refurbishment.

Key to Upcoming Tables #2

Relocation Option Financing

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