

EAST DEVON DISTRICT COUNCIL

Minutes of a joint meeting of the Audit and Governance, Overview, and Scrutiny Committees held at Knowle, Sidmouth on 18 April 2017

Attendance list at end of document

The meeting started at 6.00pm and ended at 7.25pm

***1 Election of Chairman**

Councillor Mark Williamson was elected as Chairman for the joint meeting. He appointed Councillor Roger Giles as Vice-Chairman for the joint meeting with the agreement of the three committees.

***2 Public speaking**

There were no questions from members of the public.

***3 Declarations of interest**

Councillor John Humphreys: minute 4; personal interest; member of Exmouth Town Council.

Councillor Steve Gazzard: minute 4; personal interest; member of Exmouth Town Council

Councillor Bill Nash: minute 4; personal interest; member of Exmouth Town Council

Councillor Pauline Stott: minute 4; personal interest; member of Exmouth Town Council

4 Relocation report

The relocation report submitted to Cabinet on the 5 April 2017 was the subject of discussion by the three committees. The Deputy Chief Executive and the Strategic Lead Finance highlighted key elements in the report for consideration, including:

- Reasons for relocating, as set out in the report remained valid, including meeting the need for efficiencies, and delivering the ambition and priorities of the Council Plan;
- Independent modelling had been undertaken by Grant Thornton;
- The Council had already agreed to the refurbishment of Exmouth Town Hall, which was currently in progress and on target;
- The impact on the refurbishment costs for Exmouth Town Hall depending on the scenario undertaken was shown in the modelling, with ranking based on the net cash position of each option and a Net Present Value calculation of each;
- Each option of go now (option 1), await appeal decision (delay)(option 2), or complete Exmouth Town Hall and refurbish and repair existing Knowle office space (option 3) was set out the report.

Financial modelling

Questions and discussion from the three committees included:

- Had a sensitivity analysis on an energy crisis been undertaken, as this had a bearing on the assumptions in energy costs, which in turn formed part of the betterment calculations – in response, it was reported that sensitivity analysis had been undertaken. If energy prices increase, betterment would improve because of the wider gap to the “do nothing” option, and if there are energy price decreases, there are still savings to be made in relocation. Operating costs could increase up to 32% with the Pegasus option before betterment disappeared; if Pegasus was delayed, this could increase up to 37%;
- Had actual maintenance costs been factored into calculations even though no ongoing maintenance had been undertaken to the Knowle building for some time – in response, it was reported that this had been included in the calculations;

- Why was there no reference to the potential income from the newly agreed East Devon Homes organisation in the calculations – in response this new company was not a relevant consideration in the matter before the committees;
- Why was there no reference in the report or calculations to mitigating the negative impact that an open plan office environment would have, in terms of decreased productivity and increased sickness absence, as evidenced by some information located online – in response, there were a number of positive and negative comments online about open plan office environments, but research had been undertaken with other councils who had already adopted open plan offices with positive results;
- What had been factored into the calculations to take account of any delays – in response, the model showed a two year delay with the interest only loan of £94K with betterment of £164K in the new building. If this exceeded over the two year period it would still be in a positive situation;
- Had the potential CIL receipt been factored into the calculations if Pegasus were successful – in response, the committees were reminded that discussion on a planning application was not within their remit. As per the terms of the contract with Pegasus, if C2 use or C3 use impacts on the purchase price, the contract permits the Council to go back to the market with the site. If Pegasus cannot pay the agreed price in the contract, it is up to the Council as landowners to decide if to re-negotiate or to terminate the contract and go back to the market;
- Views expressed by some Members that it was too high a risk to proceed now when the appeal result was not known – in response, option one gave the Council the opportunity to mitigate the planning risks;
- Had any consideration been given in the independent modelling, being over a twenty year period, that the Council may not be in existence in that time. This was based on previous experience of government directives to pursue local government reform – in response, this had not been included in the remit for Grant Thornton. Financial modelling could only be carried out on what information was known and on assumptions for future changes such as inflation or interest rates;
- The risk assessment set out in the report was challenged as being assessed too low at “medium” – in response, the relocation project was re-iterated as not being about risk avoidance, but about mitigation of risk; the South West Audit Partnership had also undertaken a review of the risks involved which outlined the controls for mitigating strategic risk;
- Inflation had been included in the financial modelling based on the current rate of 2%; option one allowed the Council to lock down construction and operating costs, as well as secure a fixed low rate on borrowing based on current loan rates.

Exmouth Town Hall refurbishment

Questions and discussion from the three committees included:

- How had the Citizens Advice Bureau (CAB) and the Registrar as tenants of the Exmouth Town Hall (ETH) been impacted – in response, the CAB were remaining in their new location; and the Registrar and Exmouth Town Council will be offered the opportunity to return the modernised building.

Access road options for new site at Honiton

Questions and discussion from the three committees included:

- It was confirmed that the £225K to fund a direct access road to the new Honiton HQ building included design, construction and cost of planning permission;
- Highways had been informally consulted on the direct access;
- A public footpath was already in place on site; there was also pedestrian access to

the nearest bus stop. Reference was made to a business on the Heathpark manufacturing electronic bikes which may be useful for offsite parking issues;

- The current car park at the Business Centre would be reconfigured in the process of developing the site.

Other issues relating to relocation

Questions and discussion from the three committees included:

- Challenges to costs stated for repair and refurbishment to the existing Knowle site of the old hotel and the 1970/80s office addition – in response these costs covered the gutting of the building and replacing the interior floors and walls to create a workspace that meets present day office requirements (within the constraints of the building composition) only;
- Separation of the hotel element and the office add-on had been explored previously when originally marketing the site – there was no interest expressed in partial development whilst the Council remained and refurbished the other part. The site also needed adequate office space for staff as well as meeting rooms and a Council Chamber, which was not possible to squeeze into either section of the site;
- Enquiry whether the value of the land at Honiton to be used as a new HQ had been taken into account in the process; it was worth considerably less than the Knowle land value. It would not be viable to sell the Honiton site to pay for refurbishment of the Knowle site.

RECOMMENDED by the Audit and Governance Committee, Overview Committee, and the Scrutiny Committee to Council that;

1. i. Option 1, as detailed in the Cabinet report of 5 April 2017, be adopted and that the Council proceeds with the construction of a new HQ building at Honiton Heathpark, and
 - ii. The Deputy Chief Executive – Development, Regeneration and Partnerships be granted delegated authority; in consultation with the Office Accommodation Executive Group, to commence works and deliver the new HQ building.
 - iii. A budget be agreed of £8,692,000 to provide a new HQ building at Honiton Heathpark, which when added to the approved Exmouth Town Hall refurbishment budget of £1,669,000 gave a total gross budget of £10,361,000.
2. a further sum of £225,000 be allocated to fund the addition of a direct access road to the new HQ building past the East Devon Business Centre. This was a more direct approach to the building rather than bringing traffic through the Heathpark Business Park south of the building and did not affect the conclusions in the report, in relation to viability and ranking of options for the sale of the Knowle site.

Attendance list (present for all or part of the meeting):

Audit and Governance Members present:

Mark Williamson

Dean Barrow (also on the Scrutiny Committee)

Bill Nash (also on the Scrutiny Committee)

John Humphreys (also on the Overview Committee)

Steve Gazzard

Overview Committee Members present:

Graham Godbeer
Ian Hall
Rob Longhurst
Peter Faithfull
Matt Booth

Scrutiny Members present:

Roger Giles
Alan Dent
Bruce de Saram
Colin Brown
Cathy Gardner
Marcus Hartnell
Val Ranger
Marianne Rixson

Other Members

David Barratt
Andrew Moulding
Brian Bailey
Phil Twiss
Iain Chubb
Paul Diviani
Pauline Stott
Jill Elson
Geoff Jung
Tom Wright

Officers present:

Mark Williams, Chief Executive
Richard Cohen, Deputy Chief Executive Development, Regeneration and Partnership
Simon Davey, Strategic Lead Finance
Henry Gordon Lennox, Strategic Lead Governance and Licensing
Steve Pratten, Relocation Manager
Dennis Battiston, Associate Director, Grant Thornton
Amanda Coombes, Democratic Services
Debbie Meakin, Democratic Services

Apologies:

Maddy Chapman
Cherry Nicholas
Darryl Nicholas
Simon Grundy
Steve Hall
Mike Howe
John O'Leary

Chairman Date.....