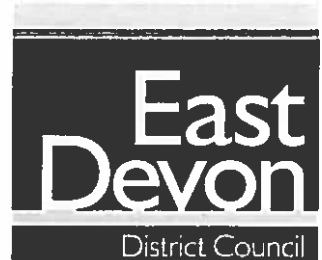


Agenda Item 20

Cabinet

20 August 2012

Part B



Office Relocation – Revision of Budget to Financial Viability Gateway

Exempt Information

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

Summary

Following the appointment of Davis Langdon (DL) as Relocation Manager in April 2012 the Consultant has been carefully considering the Relocation Project with particular reference to refining task lists and costing of actions necessary to determine the viability of the relocation.

EDDC's initial budget allowance, established prior to DL's appointment, was for a sum of £ 200,000.00. This budget allowance was established as a working sum prior to expert project management input and subject to revision once DL had been appointed. Davis Langdon's revised and detailed budget, as at 17 August 2012, totals £ 314,354.00 (ex VAT).

Recommendation

1. To note the details of project spend to date
2. To approve an extension to the Office Relocation Budget to the Financial Viability Gateway up to a total sum of £ 314,354.00 (ex VAT)

a) Reasons for Recommendation

To reflect the refined project costing process resulting from dedicated professional project management and to enable the Project to satisfactorily continue through to the Financial Viability Gateway. Comprehensive and professional project preparation and intelligence at this stage is vital to effective decision making and cost management of the relocation project in future.

The increased budget cost will still be factored into the Council's overall commitment to a cost neutral outcome.

b) Alternative Options

Remaining within the existing budget will significantly reduce the quality of project development and certainty of viability intelligence from which the council can make this key strategic decision. Our capacity to manage and respond through the outline planning process will be severely affected.

The option is to reduce the actions, thereby reducing cost, but increasing uncertainty to a potential unacceptable level.

c) Risk Considerations

There is a risk that the unforeseen or unexpected could occur. In consideration a contingency of £ 28,578.00 (ex VAT) has been incorporated into Davis Langdon's revised budget sum.

d) Policy and Budgetary Considerations

The revised Project Viability exercise will now cost £314,354. The transformation budget can cover these costs but they will be included as an element within the Council's commitment that the relocation will be cost-neutral.

e) Date for Review of Decision

Review will be part of the overall oversight of the project by Member Working Party reporting to Cabinet as well as independent audit.

1 Background

- 1.1 Since the commencement of their appointment in April 2012 Davis Langdon have been carefully identifying, considering and refining the numerous tasks, and associated costs, required to properly ascertain the financial viability of the Office Relocation.
- 1.2 Revised costings show that the original budget of £200,000.00 was insufficient and Davis Langdon in their reports to Member Relocation Working Parties (most recently at the meeting of 18 July 2012) have highlighted this. Their revised budget is now being brought to Cabinet for approval.
- 1.3 Davis Langdon have, on the attached Appendix 1, reconciled the new anticipated costs with EDDC's original budget of £ 200,000.00 (ex VAT). The total difference is £ 114,354.00 (ex VAT). This sum includes an overall contingency of £ 28,578.00 (ex VAT).
- 1.4 As the scope of the Financial Viability Gateway has continued to be developed and defined, more refined budget costings have been produced, with additional cost elements identified.

The key elements that have factored in the increased budget requirement are:

1. Additional sequential testing and valuation work carried out on Honiton Sites (initial costings were based around Heathpark as the sole relocation site)
2. Real price responses from tendering exercises for Outline Planning Application supporting studies
3. Retention/Transition period 9 Nov 12 – Jan 13) for Project Manager to support relocation options planning and analysis
4. Increased consultancy inputs for the Knowle and Heathpark Studies (including Devon Wildlife, Bat Surveys, Assistance with Derogation Report)
5. Employment of other specialist consultants to assist with the design and costing of the new building (including Economic Impact Assessment)
6. Specialist Planning Consultancy services in support of the Knowle Planning Application
7. Extension of contract for Architects costs (approved at 7 Mar 2012 Cabinet)
8. Extended allowance for Client's (internal) costs

The requested new budget ceiling is therefore £314,354.00, an increase of £114,354.00 from the original approval of £200,000.

- 1.5 EDDC have expended to 2 August 2012, as advised in the attached Appendix 2, a total sum of £93,754.00 (ex VAT)

Legal Implications

There are no legal implications to report

Financial Implications

The costs of the project to the decision point for a particular option are classed as revenue costs. Funding for these costs is from the transformation reserve.

The current available balance on the reserve is £1.314m. After committing the full £0.314m this will leave an uncommitted reserve of £1.000m to carry forward to 2013/14.

Background Papers

- APPENDIX 1 - Davis Langdon document – Relocation Budget to Financial Viability Gateway Only – Assessment Review - 17 August 2012
- APPENDIX 2 - Davis Langdon Document – Costs Posted to 2 August 2012

Richard Cohen – Deputy Chief Executive

Steve Pratten - Relocation Manager

Cabinet - 5 September 2012



