

Agenda Item 23

Cabinet

5 Feb 2014

Part B



Office Accommodation - Next Steps

Summary

This report brings Cabinet up to date on latest developments regarding EDDC's Heathpark site and new office options and seeks a recommendation to Full Council on the sale of our Heathpark site and the preferred location for EDDC's new HQ.

This follows on from the July 2013 Cabinet and Council reports which agreed that relocation site options should be pursued and recommendations come forward regarding new location and premises subject to suitability and financial viability.

Since July 2013 there has also been an exercise to explore market interest in buying and developing EDDC's existing Heathpark site. It is expected that redevelopment of this site would involve a replacement business centre facility.

This report includes detail of progress since July and further detailed analysis of site options set against the previously identified options for remaining on the Knowle. The aim is to inform Cabinet of the financial and non-financial considerations facing them and seek their approval of further actions and financial commitments associated.

The report and attached documentation ask Cabinet to agree the following recommendations to Full Council:

1. EDDC's Heathpark site (former SITA Depot/EDBC) should be offered for redevelopment to the preferred developer, Terrace Hill, and;
2. To decide which is the preferred relocation destination between Skypark and Clyst House, Winslade Park.

Recommendations

That members agree the following:

- 1. Consider the further analysis provided in this report and attached documents**
- 2. Recognise the opportunities, risks and risk management approach inherent in the project plan and its conditions and gateways**
- 3. New Office**
 - a. Note the order of site preference advised in this report (site scoring outcomes are included at Appendix 2) and the Office Accommodation Executive Group's recommendation to decide between Clyst House, Winslade Park or Skypark**
 - b. Recommend to Full Council a preferred site and acquisition costs: either Skypark- £986,000 (site) or Clyst House £ 3,744,000 (site and premises) and begin detailed negotiation. (Costs include Stamp Duty Land Tax but exclude VAT)**
 - c. Subject to Full Council agreement, instruct officers to take forward the agreed option under the continued guidance of the Executive Group and with key future decisions subject to Cabinet and Full Council**
 - d. Agree to return to Cabinet and Council to seek formal approval to proceed with the purchase. Reports to this effect are anticipated to considered around July 2014**
 - e. As immediate actions members agree that a marketing exercise is conducted to engage developer interest and ascertain the values and variety of proposals for development on Knowle and Manstone Depot sites**
 - f. Agree further project management costs through to completion of the Project in the sum of between £ 560,000 (Skypark) and £ 798,000 (Clyst House) - professional service costs including project management, architects, engineers and other designers), Fees, etc (excluding VAT)**
- 4. Heathpark:**
 - a. Select Terrace Hill as preferred developer for EDDC's former SITA depot and existing Business Centre site on Honiton Heathpark and enter into conditional contract**
 - b. Investigate further the requirement for a replacement for East Devon Business Centre. Identify and secure by purchase if required a viable alternative site to develop a new Business Centre**
- 5. Authorise the Deputy Chief Executive (Development, Regeneration and Partnership) under the direction of the Office Accommodation Executive Group to take forward actions in pursuit of the above recommendations and in accordance with the Project Gateway Plan**

a) Reasons for Recommendation

Reasons for the above recommendations are contained in the report below and appendices.

b) Alternative Options

Alternative options are analysed in detail in the report and appendices.

c) Risk Considerations

There are risks to be recognised and managed in this project. A risk review document is maintained by the Project Manager and overseen by the Officer Working Party. Risk was also addressed in the previous viability report and reflected elsewhere in this report and in the risks identifies in the Project Manager's Review Report attached at Appendix 1.

d) Policy and Budgetary Considerations

Previous reports have addressed policy and budgetary considerations and this report adds further intelligence to previous understanding. The office accommodation project has been previously highlighted for the delivery of key EDDC policies and priorities:

- Outstanding services to customers
- Reduced costs and improved efficiencies of the Council
- New and affordable homes

In terms of planning policy, Knowle and Manstone Depot are included as sites for future housing development within the proposed housing allocation for Sidmouth identified in the draft Local Plan which goes to inquiry shortly. Further food retail provision on Heathpark will be tested through planning by the developer.

In addition the analysis and recommendations reflect a variety of strategic considerations as well as financial implications. For example, Cabinet and Group Leaders had the opportunity to take up a visit to shortlisted relocation site options. From this event emerged additional views on site options and these have been added into the analysis. Feedback from staff meetings and survey was also included in the scoring. More refined projections on future energy costs of an HQ building have been factored in as well as business rate estimates for the shortlisted sites and Knowle options.

The budgetary issues are considered in the report and appendices and in detail for the options of both relocation and of remaining on the Knowle. The financial analysis combines the capital costs of site and construction combined with projected running costs over a 20 year period.

e) Date for Review of Decision

Key decisions will continue to be brought to Cabinet and Full Council. Progress will be overseen by the Office Accommodation Executive Group. The attached Project Manager's Review Report details key points in the project.

Main Body of the Report

1.0 History

- 1.1 Members decided in Executive/Cabinet reports in July 2010 and 2011 to take forward actions to assess the viability of relocation from the Knowle and take forward this aim through outline planning permission for development on the Knowle. The Outline Planning Application was rejected in March 2013. This left unresolved the Council's continued need to deal with its future accommodation requirements. To that end work continued on evaluating the likely future costs of the Knowle and the viability of remaining in some form or relocating and securing capital receipt and prudential borrowing. In July 2013 Cabinet and Council agreed to look at moving to alternative office locations viability permitting.

2.0 Context

- 2.1 **Local Government Funding** - Over the last three years the Council has seen its formula grant reduced by 33% (£2.3m). The budget for 2014/15 is prepared in the expectation of a 14% (£0.8m) further reduction in funding. In 2015/16 the illustrative settlement from government involves a further 15% reduction in funding and further cuts at least until 2017/18.
- 2.2 **Modern and New Ways of Working** - To continue to provide cost effective and high quality services, EDDC needs to invest in its office and working environment including better open workspace more suited to a flexible and collaborative professional operation and change in size and function.
- 2.3 In either refurbished or new build HQ form the analysis of overall construction and operating cost compared to capital receipt means that remaining on the Knowle is not a cost effective proposition. Either the Council decides to move to an alternative site or parks the problem by continuing to spend money maintaining and operating its current ageing buildings.
- 2.4 Increasingly EDDC is expected to integrate its functions, find new efficiencies and work collaboratively with other Councils and partner agencies. The limitations of Knowle offices and location will increasingly inhibit EDDC's ability to be an equal player with modernised and modernising partner agencies. The question needs to be considered as to where the Knowle fits in EDDC's own future existence or in a future of local government reorganisation involving a new Council and new boundaries.
- 2.5 **Worksmart** - The Worksmart Project has enabled us to understand in more detail the way in which our officers work and what is possible in the future given the nature of their job roles. Through this process we have been able to identify which of our officers is 100% office based and those who work in a more flexible/mobile way. For example, this may mean that they sometimes work in the office and sometimes at home or are mobile across the district requiring just a touchdown space in the office.
- 2.6 The Government has now confirmed that due to the security risks, where officers work flexibly or in a mobile way and need access to council IT systems, the individuals need to be issued with council owned ICT equipment and devices. This has coincided with the pressing need to migrate to Windows 7.
- 2.7 For these reasons, we are now well placed to start rolling out the necessary ICT equipment which will help us implement more widespread and more effective flexible/mobile working. This means that organisationally we are starting to make

the cultural transition to more efficient, modern ways of working ahead of our relocation. Other elements of this cultural transition (which we are implementing before we move) include adopting a clear desk policy and a paper light approach as we exploit the use of our document management system across the council.

- 2.8 In terms of our paper light ambitions and document management, the Council has already made great progress in reducing paper storage in preparation for a move to new offices. The most recent survey of physical storage (January 2014) established that the Council currently has made progress in removing stored paper with around 300m² of paper storage left out of the original 635m². Over half the total has been removed so far. All service areas will have a live Electronic Document Management system by end March 2014 whilst targeted reduction in stored paper continues.
- 2.9 **Efficiency Saving** - Aside from the fact that a successful council should continually pursue financial and service efficiency, reduction in formula grant for the foreseeable future requires the Council to seek alternative ways of creating efficiencies and generating income. Future prospects for the Council involve the active management and realisation of assets to this end including Knowle/Manstone and Heathpark.
- 2.10 EDDC is maintaining an oversized, inefficient and low value headquarters building on a site that has a significant capital value as well as continued open amenity value.
- 2.11 **Securing the Future** - Relocation of EDDC will offer a more secure future for the authority and its capacity to deliver quality, cost effective services. A modern building and working environment will place EDDC on an equal if not stronger position to engage with other public sector organisations and wider partnerships. In a world of increasing competition and emphasis on self sufficiency and income generation EDDC will have flexibility to adapt, cooperate and compete. To remain at Knowle is to remain in the past and will restrict the Council's opportunity to determine its own future and best provide services to its customers.
- 2.12 A building of smaller size and flexibility will be part of a new approach to customer access that allows us to be more connected to our residents and businesses on-line and available in our towns across the district in ways that meet our customers' expectations. At the same time visitors will experience a dramatically improved experience.
- 2.13 This and future governments will continue to expect Local Government to enter into new ways of working including cross-border partnerships and shared space. An accessible, open plan HQ will help EDDC to succeed in this unpredictable environment. Should local government reorganisation re-emerge (centrally or locally determined), EDDC's site and facilities will be an important element in that process.
- 3.0 Recent Progress**
- 3.1 There were additional Cabinet reports in Sep and Nov 2013 that enabled market testing of our Heathpark site and endorsement of the selection of a shortlist of 5 relocation sites for further detailed evaluation and negotiation.

3.2 Meetings have also been held with stakeholders, Business Centre Users and press to explain progress. A Leader's Think Tank on Office Accommodation has also met. As well as Cabinet and SMT visiting shortlisted sites, a visit to West Dorset's new HQ in Dorchester was arranged for Cabinet, Think Tank and SMT to view the facilities and meet with members and officers to discuss their project, its progress and outcomes.

3.3 The Executive Group of core members meets regularly to progress the project.

3.4 Recent actions in progress in the office accommodation project were as follows

Office Accommodation

- Site search identifying 15 possibilities
- Scored assessment process reducing options to a shortlist of 5 sites
- Further evaluation of 5 sites including site visits for Cabinet and SMT, negotiation with developers and agents on options e.g. site purchase only or turnkey proposals
- Update on options and comparison including both relocation sites and remaining put options (do nothing, conversion and new build)
- Additional intelligence for the 5 new location options and Knowle retention:
 - Evaluation of project costs with and without EDDC Heathpark site sold for food retail
 - Site specific Business Rate estimates for each option extrapolated across 20 year period (source: SW Group Valuation Office)
 - Revised energy costs across 20 year period (including projection based on a proportion of the recorded rise in energy costs for previous 10 yrs (source: Dept of Energy and Climate Change).
- Expert spatial analysis of office size requirement using Worksmart staff survey information, building design and space management principals. The exercise confirmed that floor space of 3,343m² will meet EDDC's requirements
- Equality Analysis to inform the HQ options assessment and to explore the associated commitment that EDDC makes itself available across the district. Officers have listed a range of locations to that offer existing and possible new venues for EDDC officers to 'touchdown'. Further work will be undertaken to determine what kind of contact works best for our customers across the district and how best to meet that expectation.
- Staff information sessions and survey to understand their views on a new HQ and include among scoring criteria

Heathpark

- Agent commissioned and marketing carried out of EDDC Heathpark site in Honiton

- 8 proposals received and reduced to 4 by panel interview followed by refined and improved proposals in follow up discussions
- 4 reduced to 2 in negotiation and in line with Cabinet report (27 Nov 2013).
- Recommendation by our agents, Thomas Lister, of proposal from Terrace Hill Developments Ltd to buy EDDC's site for £5m subject to planning approval of a supermarket development on the site.

4.0 New Office Selection Process

4.1 Following on from the Red Book valuation exercises conducted on the Knowle and other sites, we have now looked in further detail at the five preferred alternative locations as well as updating our analysis of the options to stay on the Knowle:

- Cranbrook Town Centre
- Sky Park
- Heathpark – EDDC site (former SITA depot)
- Heathpark - Devonshire Road (South)
- Clyst House
- Knowle – essential repairs only
- Knowle 1 – hotel refurbishment
- Knowle 2 – demolish and rebuild on current site
- Knowle 3 – new build on upper car park

4.2 These have all been considered and scored by the Office Accommodation Executive Group. . The criteria used for evaluation of new office location options retains the previous elements used to reduce the long list of sites down to five. As part of the assessment of these sites conducted by the Executive Group on 14 Jan 2014 further criteria were added to reflect:

- Revised operating costs figures including site specific Business rate estimates and refined energy cost projections based on official figures
- A strengthened approach to equalities considerations
- Concerns regarding 'presence' on the Council in terms of both HQ prominence and visibility and also availability of Council staff in towns across the district
- Responses from staff expressing their surveyed relocation preferences

4.3 Selection criteria were as follows:

| Issue | Description |
|---------------------|--|
| Cost | Capital receipt on site sales plus projected operating costs over 20 yrs less management, build and land costs. |
| Financial Viability | Future expansion and shared space opportunities? |
| | Does the site or building lend itself to an alternative use of comparable value? |
| Other Financial | Does the option offer revenue generation opportunities e.g. tenants, public use of car parks, room hire? |
| | Are there issues associated with short term funding of the Site purchase. Are there risks that the full capital value of the |

| | |
|---------------------------------------|---|
| | assets to be sold to help fund this option may not be fully realised e.g. Heathpark sold for Food Retail? Is there a risk that the period before receiving capital receipts could be excessive due to issues outside of EDDC's control? |
| EDDC 'Open For Business' requirements | Ease of access for Members and Customers to visit, and for Officers to visit Customers |
| | Equalities issues with regard to access? |
| | Will it enable ready access to suitably qualified / experienced potential employees? |
| | Local amenities for Members, officers and customers? |
| | Is parking available for Members, Officers and Customers? |
| | Does the location provide ready accessibility to new technology? |
| | Are there any issues that could affect EDDC Operations e.g. noise or ongoing issues? |
| Environmentally Friendly | Is the location able to use renewable energy? Other resources such as CHP available? Monopoly provider concerns? |
| | Does the location/site enable access via means of public transport / cycling / walking as well as car? |
| Statutory Issues | Does the construction of an office on the Site accord with the draft Local Plan? |
| | Is it likely that S106 / CIL contributions will be affected as a result of the location? |
| Other Issues | Does the site have economic or social impact? Is the Council a positive benefit? |
| | Does the site / location have 'presence'? |
| | Are there 3 rd party issues with this site that could cause a delay to the EDDC office construction process? |
| | Does the site compliment adjacent buildings in terms of massing? Does the Site compliment other adjacent land use? |
| | Staff location preferences |

The individual merits and scores of each option are analysed in more detail below. The following table gives the overall scores. The different score for sites reflect variant options on those sites (in brackets). The full breakdown of scoring of the various options is attached at Appendix 2.

The overall scores were as follows:

| Location | Score |
|--|---------|
| Clyst House, Winslade Park (with EDBC or not) | 162/163 |
| Skypark - (100 parking spaces and 100 leased or 200 spaces) | 158/155 |
| Cranbrook, High Street (mix of options involving BREEAM Excellent or VVG, EDBC incorporation or not, Turnkey proposal) | 150-154 |
| Honiton Heathpark, EDDC site/former SITA depot (BREEAM Excellent or VG) | 145/145 |
| Honiton Heathpark, Devonshire Road South Side (BREEAM Excellent or VG, EDBC incorporation or not) | 128-136 |
| Knowle: 1. Do nothing | 86 |

| | |
|--------------------------------|----|
| 2. Part refurbishment | 86 |
| 3. New Build on existing site | 89 |
| 4. New build on upper car park | 96 |

5.0 HQ New Office Recommendations

5.1 Following the Executive Group's scoring of the new office options on 14 Jan 2014, Cabinet is asked to consider the two highest scored options which represent quite different prospects and recommend a preferred option to Full Council for acquisition and development of a new HQ for East Devon District Council. The two options are:

- **Clyst House, Winslade Park** - A large building in a green location being master-planned for mixed use development. The site has less physical visibility than some options but is close to the main road network. This is by some way the lowest cost choice and under all scenarios would give the Council a financial surplus as well as the opportunity to use additional space to secure a rental income stream from business tenants, shared services or similar. The lower total cost of this option also allows for the risk of not selling Heathpark for example.
- **Skypark** – The Council has been offered a guaranteed maximum price arrangement in the pre-eminent business park emerging in the district and wider economic area. The developers, St Modwen, will build new offices to BREEAM Excellent standard ready for our occupation to a fixed date and price. The Council's offices will be built out to an agreed spec of BREEAM Excellent on the western frontage of Skypark. The viability exercise shows that there are a range of options to financing this deal that could either show a financial surplus of up to £1.45m or a need to borrow an additional £ 1.7m depending on how sale of the Knowle goes alongside Manstone and Heathpark site sales.

5.2 The following options are not recommended by the Executive Group for further consideration:

- **Cranbrook, High Street** – Cranbrook scored closely to Skypark and the principle of locating in Cranbrook is a strong one but there are problems associated with the proposition. In particular, the mix of uses that could be involved in an HQ building is complex especially the issue of ground floor retail. The turnkey offer from the developers is not a guaranteed maximum price. Concerns were also raised about the potential for congestion. The proximity of Skypark to Cranbrook meant that an HQ at the former location would still benefit the town.
- **EDDC's Heathpark Site** – Whist straightforward in the sense that the Council owns the site, a new build on this site will preclude its sale and therefore reduce the overall financial package that can fund relocation. There are alternative options that include the replacement of EDBC potentially on a site locally to Honiton. This site is recommended elsewhere in this report for sale to a preferred developer for food retail use.
- **Heathpark, Devonshire Road South Side** – There are viable options for this site but, in comparison to other options, it is the most lacking in presence

or attractive environment. Resale value would be limited for an office development, no matter how modern, in the middle of an industrial estate.

- **Knowle Refurb or New Build** – Because all of these options result in a much reduced capital receipt for residential development on the Knowle they are not financially viable. Significant borrowing would be required to fund any of the options.
- **Do Nothing** – EDDC remaining as is minimises both the risk and the opportunity. The buildings are ageing and inflexible at a time when a changing world of local government needs agility, efficiency and the capacity to cooperate and compete. Business rate is low at the Knowle because there is no demand for a building of this nature in this place. On the other hand, the inefficiency and age of the buildings means that energy costs will continue be inordinately high and increasing.

5.3 To remain in the current offices at a minimum the Council would have to spend £1.5m on repairs and basic maintenance. (£ 2.26m if we were to include borrowing to fund the repair cost). Alternative means of payment of the sum could be from major savings on services and staff or other asset sales and Council Tax increase. All options would involve investment in a low value asset on a site that otherwise offers significant capital value from change of use to residential.

6.0 Overall considerations

6.1 Members should also take into account the following:

- **Cost Projections** – Figures given in financial projections are derived from the initial cost of the Project through to occupation, together with twenty years annual running costs (with an allowance for inflation based on CPI at 2% pa and 10% pa for electricity and gas / energy). Allowances have also been included, where relevant, for both development and long term funding. This figure is then compared to the existing Knowle facilities, again based upon a twenty year period. The resultant sum identified is then expressed as either a negative (indicating the additional investment required) or positive (indicating the potential financial sum available)
- **Asset Values** - Viability in terms of values is robust having been assessed against Red Book rules. Red Book valuations err on the side of caution and are now 18 months old in a rising market. In Sidmouth, Sanditon (former Fortfield site) is selling 2-3 bed units for between £445K and £595K. In December 2013 Sanditon units were over 50% sold. Blue Cedar homes are building 18 units in Sidmouth and have new build homes on the market in Budleigh for £635K to £775K. Honiton Heathpark was Red Book valued at £3.7m and is under offer at £5m. Developer interest and prices will be tested through marketing. At the same time, the market can change: values are subject to fluctuations and sites available to the Council for relocation may change in price or availability.
- **Objections** - It is likely from past experience that there will be attempts to challenge and delay EDDC's plans not least in terms of Knowle development. The risk should not be underestimated and has been reflected in the relocation timeline options and costs. The potential for a two year delay in capital receipt has been factored into all options. This is specifically included to cover the possibility of Judicial Review or ministerial call in. The same goes for our Heathpark site sale timeline.

There is an outstanding Town and Village Green (TVG) application submitted for the Knowle to try to restrict any developable area to the existing office buildings. If this were to succeed it would restrict a capital receipt from a developer to between £4.6m and £6.3m. Current case law sits in the Council's favour but even if not, it would look to be hard for the applicant to argue that car parks, depot and immediate surrounds of offices are capable of Village Green designation. Either County Council will determine or they will hand onto the Planning Inspectorate: 1-2 months for the former or 8 mths or longer for the latter. We believe that County can make the decision itself but there is also the opportunity for judicial or statutory review. If members agree to one of the new HQ options we will be able to progress site marketing and new office negotiation whilst monitoring the TVG application's progress. We aim to come back to Cabinet and Full Council around July 2014 for confirmation of acquisition of a new HQ location.

- ### 6.3 Planning
- Important elements of the project are subject to planning permission and change of use. Values and capital receipt can be affected by the planning process. Knowle and Heathpark development in particular will require change of use. The former is proposed in the new Local Plan soon to be considered at inquiry and the developer of Heathpark will make the case for supermarket development on EDDC's Heathpark site.

- 6.4 In terms of the Local Plan we are working to the expectation that the Inspector is going to be content at least in the main following the inquiry and we will receive a letter or notice of the Inspector's views by May 2014 which is prior to further Cabinet and Full Council reports seeking approval of new HQ location purchase.
- 6.5 **Contingency** - All costs of construction and associated costs such as design include a prudent 20% contingency. This is standard practice to cover cost overruns, unexpected site conditions or other factors. As the project moves forward estimated costs will become more closely priced and budgets will be defined. In combination with value engineering we would reasonably expect project cost to come down.
- 6.6 **Project Management Cost** - Members should also recall that project costs to date are also included in the balance sheet. The previous planning process, viability studies, Heathpark marketing and project manager costs are all included in the overall project cost, not as an additional cost to the Council
- 6.7 **Risk and Gateways** - The project contains a number of gateway stages for which decisions will need to come back to Cabinet and Council. These are also points at which, in a worst case scenario if the Council were to halt the project, there would be financial penalties for a variety of reasons:
- Irrecoverable previous project development expenditure
 - Loss of deposit on new site/premises
 - Contract cancellation costs – design, construction
 - Failed asset sale resulting in multiple asset ownership and irrecoverable cost
- 6.8 The attached Gateway and Finance Timeline (Appendix 5) details what the potential costs could be at points in the project timeline if it were to be halted. Members should be aware that while the costs are significant a) they are worst case scenarios in a risk managed project and b) the Office Accommodation Project has detailed development opportunities that could still secure capital receipts outside of the relocation of EDDC HQ i.e. if the Council were to find itself remaining on Knowle there are still assets to be realised that could offset irrecoverable relocation project costs.
- 6.9 EDDC will need to be acquiring its new site/offices prior to confirmation of capital receipts on land sales. The necessary borrowing is calculated into overall cost as is the possibility of delay to land sale by JR or other cause. In a circumstance where EDDC were not able to sell the Knowle then the authority would have both incurred irrecoverable costs and be in possession of additional assets.
- 6.10 In a very worst case scenario of no capital receipts at all to fund new office cost, the Council would be managing borrowing of £12.7m. If this repayment were spread over a 40 yr period with PWLB the annual cost would be £675K pa (the approximate equivalent of 30 posts).
- 6.11 **Space** - The Council has commissioned external expertise to test and advise on the size, layout, internal design and facilities of a new office including numbers of desks. Our advisers, the Architects Design Group, using EDDC's Worksmart data have advised on a building of 3,343m², 247 desks (shared and full time usage) as well as a range of facilities including touchdown and breakout space, meeting rooms, cafe, members' facilities and Council Chamber.

- 6.12 **Staff** – Staff have been kept informed of progress and there will be consultation with staff and trade unions as the project progresses. New opportunities for home and mobile working will be made available. Staff preferences on relocation sites have been factored into the scoring of those sites.
- 6.13 **Staff Travel** - Where staff may have to travel further to work there will be negotiation on a period of compensation. The Council will institute a Green Travel Plan since, for a period of time at least, some of our carbon savings will be impacted by longer travel journeys made by staff. A high BREEAM rating for new offices will help to manage down any carbon negatives.
- 6.14 **Customer Contact** – The vast majority of our customers prefer to deal with the Council by telephone. Online contact is increasing and part of our commitment will be to respond to the increasing number on internet users by putting more of our processes and transactions online. Savings and efficiencies generated by relocation can deliver both a new HQ and new ways of working in terms of improved mobile working and district wide presence.

7.0 EDDC Former SITA depot, Honiton Heathpark

- 7.1 EDDC's own site on Heathpark has been recommended by the Executive Group to be sold in accordance with the proposition from the development company, Terrace Hill following marketing of the site and guidance from our agents, Thomas Lister. Their report is attached at Appendix 3. The former SITA depot site is not now a preferred or recommended site for new offices and can therefore be regarded as a viable asset for sale as part of a project that will also seek to re-provision a business centre to replace the current EDBC.
- 7.2 The main benefits and risks of relocating EDBC and replacement with a supermarket are as follows:

| Benefits |
|--|
| A capital receipt of £4.75m set against a relocation cost of £2.37m. Net receipt of £2.38m. |
| More modern premises and services to attract business tenants and help diversify the district employment and business offer |
| Opportunity to offer improved services/facilities to businesses and potentially attract higher rents |
| Potential for overage, value engineering and other additional financial benefits |
| A new supermarket for Honiton creating a projected 200 jobs |
| More competitive supermarket offer in Honiton (including petrol) |
| Investment in highways improvements including Turks Head |
| Risks |
| Refusal of planning permission leaves EDDC having purchased and in possession of an employment site to develop or dispose of without capital receipt |

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|---|
| Shortfall in funding package of HQ relocation – limits relocation options, inhibits completion or requires additional borrowing |
| Failure to acquire a suitable alternative site for a business centre |
| Loss of tenants due to uncertainty of move, new rental levels or other concern |
| Potential competition of food retail operation with Honiton high street |

8.0 Key Risks and Mitigations

- 8.1 Risk management process is embedded within the Project. By its nature such a vital and ambitious project is complicated and subject to potential delays, external variables and finance management issues.
- 8.2 The continuation of dedicated experienced project management is itself a key means of managing risk. In addition there is a 'gateway' programme that requires decisions at key stages of the relocation process. The particular key decisions will continue to come back to Cabinet and Full Council. A Relocation Project Executive has been established made up of key members and officers to oversee the project going forward and agree actions in support of Cabinet and Full Council decisions. South West Audit partnership (SWAP) is involved in the process to provide independent advice and assessment. An abstract from the project risk register is included in the Project Manager's Review Report attached at Appendix 1.

Legal Implications

Cabinet's role includes considering the Council's position as landowner and to manage the Council's property assets within overall Council policy. Members should carefully consider the options set out in the report, and their relative merits, before reaching a decision, and give clear reasons for their conclusion.

The Council has the legal power to acquire land for the purpose of its functions, including a site or building for its headquarters. The general legal rule, set out in the Local Government Act 1972, is that a council can dispose of land in any manner they wish, subject to getting the best consideration that can reasonably be obtained. A tender process gives comfort that is the case. [There are some exceptions to the best consideration rule which enable, for example, projects of social value to go ahead at an undervalue, and some special rules relating to particular types of disposal, such as open space].

The planning history and potential Local Plan issues are relevant background to understanding possible options/strategy for the Council as landowner; without prejudice to the normal planning application processes that might follow at a later date for any proposed redevelopment of sites to be released to provide funds for an office move. As members are aware, the consideration of planning applications for council owned land is a matter for the Development Management Committee and members should be aware of that separation of functions.

The report to Cabinet on July 17 2013 identified that the Council has a best value duty toward its community. The headline duty is to make arrangements to secure continuous improvement in the way Council functions are exercised, having regard to a combination of

economy, efficiency and effectiveness. The [separate] general equality duty requires public authorities to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity, and foster good relations across all of the characteristics protected by the Equality Act 2010. EDDC will be introducing more flexible working arrangements allied to new technologies to ensure that staff and services are accessible to our resident and business communities, partners, visitors and other stakeholders. It is understood that stakeholder involvement and consultation will continue as the office relocation project moves forward to ensure that Equality Act and best value duties are complied with.

The report refers to possible legal challenges to various aspects of the office relocation project, based on the national picture that those who disagree with planning or council strategic objectives may seek to use judicial review to challenge or delay council plans. This possibility will be managed through awareness of potential areas of challenge, building possible delays into the timetable, since delays can be caused even where a challenge is without merit.

It will be clear from the report that a considerable amount of legal work is proposed. Two development agreements, three possible site disposals, site acquisition, planning agreements and other legal documentation may be needed, plus litigation support if required. It is noted that the Davis Langdon costs report of 5 August 2013, previously reported to members, had removed the budget for legal costs of £36,000, as the in house team was then fully staffed. That is not now the case, and the significant amount of legal work which will be needed in a short time scale if the project is to run to timetable lead to my recommendation this budget is reinstated and kept under review. External legal resources will be needed to supplement the in house legal team if it is to also provide the normal transactional and governance workload. The Member Executive Group is aware of the need to include legal costs in the project budget.

Financial Implications

The report and associated appendices detail the finances in significant level. This work had been prepared by AECOM on behalf of the Council and has been subject to their checking and validation processes. In addition an officer group which includes representatives from Finance, Legal, Internal Audit, ICT and Organisation Development has supported the work leading to the preparation of this report.

In financial terms an assessment has been made of each alternative option considering capital costs involved whether land purchase, build costs or refurbishment, from this had been deducted any capital receipts that are likely to be received giving a net surplus or deficit balance. A sum has then been calculated for the annual running cost of each site option when compared with our current operating costs to determine an annual saving or additional cost based on the current situation. This amount has been calculated over a 20 year period and taken with the net capital surplus or deficit figures giving an overall surplus or deficit for each option.

Under this financial analysis the Clyst House, Winslade Park option is the most financially advantageous, giving a £1.7m overall surplus if a separate business centre was to be rebuilt in Honiton or £4.8m surplus should the business centre provision be accommodated within Clyst House and not rebuilt in Honiton. This is based on the more modest assumption of 50 dwellings being developed on the Knowle Site. This is the only option under this assessment that gives a comfortable surplus level.

Each option had been financially assessed using the same methodology, a prudent approach has been adopted by using "red book" values on estimated capital receipt levels,

all necessary short term borrowing (cash flow) and any necessary long term borrowing costs have been included in the overall assessment (PWLB rates have been used) . In addition a figure has been included as a possible cost to delay in capital receipts of up to 24 months from the risk of objectors raising a judicial review thereby delaying the process; anticipated cost for Clyst House being £472,400 and £568,720 for Skypark.

The report does outline the controls and gateways that will be in place if members recommend to progress with the provision of an alternative office accommodation site but there are significant financial risks in such a project which are outlined in the report. At this stage no commitment or actual project budgets are being requested as a further report will be presented in July 2014 after further negotiation and further refinement of the costs on the recommended site.

The report is requesting monies for project management, subject to members agreeing to progress an alternative site, the costs stated are to the end of the project. The sum requested now until the end of July 2014 will depend on the preferred site; Clyst House would be £88,000 or Skypark would be £62,000. Should an option be chosen which required a separate business centre then an additional sum of £136,000 will be required. At this stage, subject to member approval, this will be funded through the Council's Transformation Fund."

Equalities Implications

An Equalities Analysis is attached at Appendix 4. This document reviews the impacts (positive, neutral and negative) of relocation to ensure that EDDC has thoroughly explored equality and accessibility considerations. The report considers physical access as well as the differing emotive means by which our customers contact us.

There will be further equalities impact assessments as the project progresses further.

Consultation on Reports to the Cabinet

This report is a further stage in a process involving extensive consultation activity. Formal consultation was conducted around the planning application and subsequent engagement with stakeholders and EDBC users. Regular press releases, press briefings and FAQs have been provided to keep residents informed. A Best Value consultation will be conducted on any agreed relocation option.

The project is the subject of updates and discussion with staff and their views have featured in the criteria for relocation options assessment.

Regular reports have been made to Cabinet and onto Full Council as well as all member presentation and discussion. Future Gateway decision will be required from Cabinet and Full Council.

Background Papers

Appendices attached separately

1. Project Manager 's Appraisal Review of preferred sites for EDDC Office relocation Report including:
 - a. Full financial analysis of relocation options and Knowle retention options
 - b. Cashflow predictions including Future project expenditure and capital receipt profiles
 - c. Risk Register
2. Selection Criteria Overall Score Card

3. EDDC Heathpark Site – Agent report and detail of preferred developer proposal
4. Equalities Analysis
5. Gateway and Finance Timeline

Richard Cohen
Deputy Chief Executive

Cabinet
5 Feb 2014