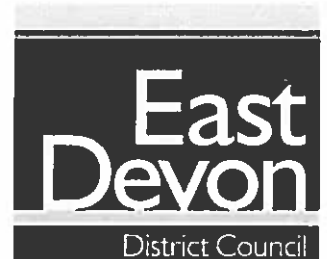


Report to: Cabinet
Date of Meeting: 3 December 2014
Public Document: Yes
Exemption: None



Agenda item: 11

Subject: Relocation Update – key decision

Purpose of report: To advise members of latest developments regarding the relocation of EDDC HQ from Knowle. In particular to make Members aware that marketing of Knowle and Manstone sites is completed and further discussions with bidders are in progress and, to advise Members of changed circumstances and proposed changes to the preferred new HQ site.

Recommendation:

1. **Note project progress following the previous update report of 4 June 2014**
2. **Recognise emerging changes to the relocation project agree the following:**
 - a. **The marketing exercise for Knowle and Manstone has resulted in a range of offers and, following a detailed assessment process, we have received price, form and quality of development propositions that merit further detailed negotiation toward selection of a preferred developer.**
 - b. **Leading offers for Knowle do not include options to sell Manstone in which case EDDC can choose to retain Manstone for the foreseeable future as a depot function and continued employment use.**
 - c. **The reduced offer for EDDC's Heathpark site no longer represents a sufficiently persuasive level of capital receipt and will not be pursued further.**
 - d. **The retention of Heathpark in EDDC ownership means that this now represents the most cost effective and straightforward location to develop a new headquarters building for the Council.**
 - e. **Relocation to Skypark is no longer a viable proposition based on the reduced offer for Heathpark and combination of Knowle market value and prudential borrowing.**
 - f. **The East Devon Business Centre (EDBC) should preferably be retained and could potentially be combined within a new EDDC HQ development.**
 - g. **In the interim, Exmouth Town Hall has been vacated by Devon County Council Services and represents a new opportunity within the relocation plan.**
 - h. **A new HQ in Honiton can be restricted in size and cost to a 170 desk equivalent scale with an improved Exmouth Town Hall for 80 EDDC staff as a main**

satellite office in the District's largest community.

- i. As part of its commitment to more mobile working and accessibility, the Council will offer a service presence as customers require in future at locations elsewhere in the District.
 - j. That relocation continues to make financial and operational sense on a whole life cost basis, specifically 20 yr. projections combining capital receipt and repayment of prudential borrowing versus existing office running cost and unfunded expenditure on existing building repair, maintenance and improvement.
3. Authorise the Deputy Chief Executive (Development, Regeneration and Partnership) in consultation with the Office Accommodation Executive Group to take forward further actions in pursuit of the above recommendations and Project Plan
 4. Agree that further reports are produced for Cabinet and Council on project progress and to seek formal approval for any disposal of Knowle.

Reason for recommendation:

To advise on project progress, in particular the outcome of Knowle and Manstone site marketing and significant changes to relocation site preferences. To seek agreement to further progress the project and commit to report back to Cabinet and Council.

Officer:

Richard Cohen rcohen@eastdevon.gov.uk

Deputy Chief Executive (Development, Regeneration and Partnership)

Financial implications:

The recommendations in this report follow the financial assessments for the options identified, considering; the cost of acquiring land if appropriate, cost of build and/or renovation, any associated capital receipt from asset sales, ongoing costs for a 20 year period including total financing costs required. These calculations have been on a consistent basis throughout this project appraisal. Cost factors can be estimated with a degree of certainty and contingency sums allowed in the calculations, an unknown factor to date was the receipt that could be obtained from the Knowle and Manstone and although this was considered on valuation sums it is only now that tenders have been received that we can assess with some certainty the actual value and therefore complete the assessments and make recommendations to Cabinet and Council.

The report highlights the costs associated if the Council wished to continue operating from the Knowle, essential repairs alone would cost £1.566m this is without a capital receipt or a reduction in running costs in order to meet this outlay. The financial assessments show that the Honiton/Exmouth solution is financial viable over the 20 year period which takes all costs into account, including those already incurred on the project to date. There are financial risks and these have been considered in the financial assessments mainly relating to cash flow implications where costs will be incurred on the accommodation before a receipt is received. The most significant risk being the potential tender does not securing the necessary planning permission at which stage the Council would have already incurred significant outlay in its new

accommodation, mitigation will be taken where possible but this risk will remain.

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.

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. Our commercial land agents, Savills, have been made aware of government guidance in terms of the valuer's role in assessing and demonstrating best value. A public tender process has been adopted. Once the bids for Knowle have been fully evaluated by Savills and the Council's project manager, further legal advice will be given as required.

There are some exceptions to the best consideration rule which enable, for example, certain projects of social value to go ahead where land is disposed of at less than market value, 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 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 are 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, allowing for delays within the timetable, since delays can be caused even where a

challenge is without merit.

On 4 June 14, Cabinet agreed that specialist expertise be commissioned to advise on the specialist area of European procurement, relating to Skypark. This advice has confirmed that a European procurement process for site acquisition and development was likely to be required, with additional cost and associated delay. Since June, however, as the body of the report explains, Skypark has in any case become less affordable due to the reduction in projected capital receipts likely to be available for the office relocation project.

Equalities impact:

Low Impact

As part of the project development process going forward, a full equalities impact analysis will be carried out. Equality and accessibility considerations will be thoroughly explored including both physical and remote means by which our customers can contact the Council.

Risk:

Low Risk

This report does not commit the Council to sell Knowle or Manstone sites and recommends actions that remove the additional complexity of a new site acquisition.

This is one among a series of reports that has sought Cabinet and Council decisions on project actions and advised on project progress. As well as a managed and monitored risk review process, the regular reporting process and Member Executive Group oversight means that risk is reviewed and mitigated.

Decisions in this report enable officers to pursue negotiation with buyers for Knowle, further refine the new opportunity for Honiton/Exmouth offices and confirm that sale of Heathpark is no longer financially attractive with the resultant impact on Skypark relocation viability.

The report contains a reminder of overall project risks further in this report.

Links to background information:

- Cabinet Minutes 5 Feb 2014, Minute 180
- Report on Relocation Update, Cabinet 4 June 2014

Attached Appendices

- Cost Model for Refurbishment of all Knowle Office Buildings
- Cost Model for Refurbishment of 1970 Office Building and Complimentary New Building

Link to Council Plan:

Relocation meets a range of priorities in the Council Plan. It will provide future resilience and improved working for the council to continue to design and deliver services that suit our residents, businesses and visitors' needs. EDDC is also committed to making the best use of its assets including the longer term certainty and efficiency that modern offices will provide with operational flexibility alongside more mobile working across the district.

Progress

The Cabinet report in June 2014 committed to report back later in the year principally regarding marketing of the Knowle and Manstone sites and, progress on Skypark as the preferred relocation site.

This report now updates Cabinet on those matters and seeks agreement to a number of recommendations principally to agree to enter into negotiations with a preferred bidder for the sale of Knowle and develop in detail plans for our Honiton and Exmouth assets as relocation sites in preference to the sale of Heathpark, Honiton and a development at Skypark.

Knowle/Manstone Sites

The Knowle and Manstone sites were marketed in September/October 2014. The marketing exercise was open to any and all types of appropriate development proposals. A number of proposals were received and considered in long and short list exercises by the Office Accommodation Executive Group. Through a detailed, scored selection process including interview of short listed bidders the number was reduced. Following the interviews of short listed bidders further information has been provided by them on certain detail of the bids for our consideration. In particular, a raised offer was submitted at interview by one proposer which necessitated the opportunity to offer other bidders the chance to improve their offers as well. Further improved offers have been received.

Among the shortlisted development proposals were bids that now merit further investigation in terms of the offered price for our land, quality of proposal, risk and other matters. Discussion and negotiation will continue with the aim of securing a preferred bidder from among bids of sufficient value that have been offered to the overall relocation project and merit continued engagement. There are capital receipts being offered that in combination with prudential borrowing make the revised relocation opportunities described below viable and can allow the Council to remove itself from a more costly, uncertain and increasingly impractical future at Knowle.

In response to the marketing exercise, a mix of proposals were received all of which proposed variations on residential, retirement and/or care and extra care communities. The bidders all understood the planning history of Knowle as well as the current and draft Local Plan policy position. The bidders at interview displayed a range of careful thought and enthusiasm with their development proposals. As well as bid values the selection panel heard from bidders regarding demand analysis, design detail, planning consideration, local benefits and other matters.

Whilst this report cannot at this time go into the detail of bids received due to ongoing and commercially sensitive discussions, the proposals offered to the Council represent a mix of responses to local need and demand in terms of residential and/or care provision in a setting that retains the public park.

It should also be noted that whilst care facilities for example will certainly bring jobs, none of the proposals received was for a continued specific employment use on either Knowle or Manstone. Furthermore there was no market interest in retaining any of the existing buildings. All proposals received were based on the removal of existing buildings (while retaining or re-provisioning 'Building B', the bat roost).

Going forward there will be a range of matters to explore further in selecting a preferred developer. The Office Accommodation Project Executive Group will reconvene to recommend a preferred developer who will then be given a period of exclusivity to refine their proposition in terms of design, planning considerations, site investigations and other matters.

Among the bids are proposals to develop the Knowle alone and not including Manstone Depot. It may be that a preferred developer is selected that leaves Manstone to continue operating as a depot for the foreseeable future. The depot functions currently provided at Knowle Depot will be transferred across to Manstone.

Skypark

In February 2014 Cabinet and Council agreed to pursue Skypark as their preferred relocation site and tasked officers with beginning detailed negotiation. A further recommendation was to market Knowle and Manstone to ascertain developer interest and value attached to the sites. The marketing exercise was subsequently held over pending resolution of the Town and Village Green application pursued by local objectors. The decision to pursue Skypark was also informed by the offer of a capital receipt for EDDC's Heathpark site.

Between Feb 2014 and now circumstances have changed. The offer price for our Heathpark site has reduced. The supermarket concerned has, along with others in the sector, revised its business model. In this case the retailer revised their offer around a reduction in size of foodstore and significantly reduced the offer price for the site. This reduced offer takes a significant sum of money out of the funding package to deliver a new build at Skypark as well as providing a replacement of EDBC.

Also, a key plus point regarding Skypark was the prospect of a turn-key guaranteed maximum price arrangement to completion of a new HQ that would minimise uncertainty and reduce risk. However, within the negotiation, due diligence process and legal advice it has become clear that such an arrangement could potentially fall outside of European Union regulations. This would have then required a new site search exercise, cost and delay.

The progressive and risk managed approach that the Council is taking means that we have been able to respond to this viability issue in a manner that effectively manages public finance.

Whilst Skypark offered an attractive option of new build in the District's key emerging employment and commercial development, it was predicated on the comfort of a fixed price project and sufficient financial receipt from land sales.

Honiton Heathpark

In September 2013 Cabinet agreed that officers should investigate the opportunity to sell the former SITA depot site at Heathpark. Through a marketing exercise it became clear that there was commercial interest in the Heathpark site with food retail presenting the highest value interest. The offer price negotiated at that time was attractive as part of the funding package to relocate to Skypark and with the potential to invest in replacement facilities for EDBC. However, the supermarket operator reduced its offer in line with a new business sector model. Members will be aware of the changing face of food retail and its impact especially on the 'Big Four'.

This is a disappointing turn of events but one that, through the progressive development of this project, can be managed and still enable the Council to achieve its objective of relocation from Knowle and securing a capital receipt for that site. The reduced offer for Heathpark makes a sale of the site no longer attractive.

Since it will no longer sufficiently fund a Skypark move and Business Centre replacement, officers recommend that Cabinet agrees not to sell Heathpark at the revised sum and, instead, retains the site as the location for its new Headquarters building and seeks to retain a business centre operation on the site as well. Design of a new HQ will be able to consider joining up the business centre as a part of the new HQ and utilising the existing building including efficiencies and savings through shared space.

Furthermore and with reference to the opportunity provided by Exmouth Town Hall as described below, the new HQ building at Honiton can be smaller and even cheaper to build and run than was previously costed.

Using our Heathpark site plays to a recognised strength of Honiton which is that this is a site in the Council's ownership, thereby giving stronger certainty and control. Whilst the vast majority of the Council's transactions with its communities are remote rather than face to face, there has been debate about centrality versus peripherality. Honiton delivers on the former.

Exmouth Town Hall

A reduced size of Headquarters building in Honiton is possible because the Council also needs to address the future of Exmouth Town Hall (ETH) which was vacated by Devon County Council in Sep 2014.

Initial survey work identifies that EDDC could use ETH to house 80 staff while retaining the existing tenants and their function. Internal and front of office improvements will be needed to the offices as well as a car parking strategy and travel plan for staff as required. The building is designed for local government operation and is a 1920s construction. The costs of modernisation are factored into the overall project budget.

The Council could decide to sell the site and focus entirely on Heathpark as a single location but this is a more expensive option and would result in both EDDC, Exmouth Town Council and various service providers looking for alternative venues and compromise the ability of EDDC to provide a comprehensive service within East Devon's largest town.

Operationally, a twin site approach accommodating in the region of some 250 desk equivalent in total will be further supported by a greater degree of mobile working facilitated by better use of technology.

Additionally the council aims to expand its digital offering and has an ongoing project to improve existing online transactions and develop a further significant number of online services for customers who would like to do their business online.

Sites in Exmouth and Honiton provide an ideal opportunity for us to respond to the demand analysis that our various services have carried out. We already know there is a clear need to increase the service provision for Housing Benefits, Council Tax, Housing advice and register and debt advice in both Exmouth and Honiton.

The council will provide surgeries in other towns as we do now in Cranbrook, Axminster, Seaton etc. and will experiment with the frequency and range of services depending on what our demand analysis shows.

Other Considerations

Site Preference Process

The previous process of site consideration from Cabinet in Feb 2014 offered Members an order of preference. The two lead options considered were Skypark and Clyst House, Winslade Park with the former decided as the preferred option. In total five sites had been shortlisted. Cranbrook had been scored higher than our Heathpark site but was not preferred and, like Skypark, required the sale of our Heathpark site to provide funding.

EDDC's Heathpark Site was considered straightforward in the sense that the Council owned the site but new build on this site and retention of EDBC would preclude its sale and therefore reduce the overall financial package that could fund relocation to Skypark.

Our Heathpark site was recommended elsewhere in the Feb 2014 Cabinet report for sale as a retail food store. This has subsequently been superseded by a reduced offer from the supermarket developer.

Financial

The reduced offer for Heathpark, the availability of Exmouth Town Hall and the values of bids for Knowle/Manstone have required officers to revisit the options for relocation and the financing arrangements.

It remains the case that in terms of capital outlay and a 20 year operational cost analysis, the Honiton/Exmouth solution is more cost effective and predictable than staying at Knowle as well as operationally more flexible and viable.

Offers received for Knowle are subject to further negotiation with the Council as landowner.

Risk – In moving from a scenario of new site acquisition to using existing owned assets the Council is reducing risk, cost and complexity within the relocation project. We also now know that there are developers offering bids for the Knowle of sufficient value to merit further negotiation. Previously, the project costings were based on estimated market values.

We now know what values developers are offering for Knowle and can calculate accordingly following further negotiation.

The risks associated with staying at Knowle remain with the added intelligence that no developer has proposed to retain the former hotel building or other existing buildings individually or as part of a larger development.

As part of the selection interviews, the bid proposers were asked for their view on the challenges and risks of their development proposal including matters of finance, track record and planning. The Council has taken independent planning advice on the proposals and a selected preferred developer will be expected to engage promptly with the planning authority.

Previously identified risks are recognised and mitigated within the process. Delay to planning permission (e.g. Judicial Review) is reflected in a cost profile that includes extended borrowing within the overall project budget. The Council's Development Management Committee will consider any planning application in the normal way; obviously the outcome of any planning application cannot be assumed as each application is considered on its planning merits.

Relocation will be dependent on a developer securing planning permission meaning that the Council will not be left homeless.

The project budgeting includes a combination of mitigations of risk not least contingency throughout and borrowing projections that include added time to manage delays through judicial review or similar challenge.

Overall 20% contingency has been identified through design and build to allow for unplanned expenditure. Council has decided that it wants to relocate having fully considered the risks in remaining at Knowle compared to moving to new offices. There is no developer interest nor value in the existing Knowle buildings. There is outstanding basic repair cost and significant cost to any efforts to refurbish or modernise the current buildings with no prospect of capital receipt to help fund such expenditure.

Bidders have considered planning issues in preparing their bids including an independent planning statement commissioned by the Council as landowner. The preferred developer will carry out pre-app discussions promptly. The Council will not enter into unconditional contract with a developer for the Knowle without planning permission in place. Once permission is obtained by the developer the risk substantially diminishes allowing Council new build/refurb at Honiton and Exmouth to commence. At the same time, other risk factors need to be mitigated through keeping to a construction timetable to avoid construction cost inflation (currently at 7.1% pa – BCIS Tender Price Indices). Members should be aware that Judicial Review or call in are factored into risk analysis and management.

Geography - The Council's customers are predominantly communicating with us via remote means with telephone as a preferred method. We also increasingly offer on-line transaction and information services. This move away from a focus on the importance of location of an HQ was a consideration in the HQ site selection process. However, an HQ in Honiton also resonates with a concern that remains about the physical accessibility and geography of the Council. Combined with a significant office presence in Exmouth and mobile working elsewhere in the district, this will be a more than satisfactory resolution to concern about location.

Impact – As we know from the previous Economic Impact Assessment, Sidmouth is estimated to experience a reduction in economic activity through the Council's move. Those benefits will be redistributed between Honiton and Exmouth. Development of the Knowle for residential and/or

care facilities would bring economic benefits of construction jobs, new residents' spending as well as the additional potential for purchase of local services and possible new employment. Overall there will be an economic uplift distributed around the district.

Residential, retirement and or care facilities would offer a mix of other benefits to Sidmouth including social, health and wellbeing considerations along with new residential facilities and the freeing up of existing homes in the area.

The Future of Knowle

It is worth restating the key reasons why this Council has committed to move from the Knowle to new Headquarters:

1. Essential repair works to existing buildings will cost £1.566m . There is no funding allocation (capital receipt or otherwise) to cover this cost. Such repairs would not include any redecoration, refurbishment or rebuilding. No internal restructuring or modern office working would be provided.
2. In buildings of this age and design there is little doubt that they will present further problems even after repair and/or refurbishment.
3. Refurbishment of all of the existing buildings will cost up to £15.9m. This can reduce if only newer parts of the office spaces were refurbished and with minimum additional build but the cost will still be of the order of £7.7m without a significant capital receipt to cover the costs nor any uplift in value to the site or buildings (see two attached cost model reports).
4. No market interest has been shown in retaining and refurbishing any of the existing buildings. All bids were made only for a site vacated by EDDC and cleared. Bids received all covered the upper car parks, office and depot space.
5. Bids received make clear that to derive a meaningful capital receipt from the Knowle requires EDDC to leave.
6. Suggestions that the Council can retreat to the 70s/80s blocks and derive a significant receipt from sale of the former hotel are unviable. The Council has considered the possibility (including a reduced size of workforce) and found that it fails on the basis of cost, lack of asset uplift in value and absence of market interest.
7. Knowle has annual energy costs of £83,900 pa compared to a predicted energy cost for Honiton/Exmouth combined of £33,700 pa. Even after repairs, Knowle energy costs would still be double those of the Honiton/Exmouth alternative.
8. Based on Dept. of Energy and Climate Change (DECC) current fuel price indices, gas has increased on average 18.8% pa between 2003 and 2013 whilst over the same period, electricity has increased on average by 11.9% pa. Allowing a modest 10% pa inflation rate for energy and 2% for general inflation, the total savings in running costs of Honiton/Exmouth over Knowle are of the order of £5.55m over 20 years.
9. New build at Honiton and refurbishment of Exmouth Town Hall will be funded via capital receipt and prudential borrowing. Over a whole life period of 20 years the spend will pay for itself with savings accruing thereafter.
10. The outcome of a departure from Knowle will be new and refurbished modern offices with low maintenance and minimised additional maintenance costs.

Looking Forward

Fundamentally, any efforts to keep EDDC at Knowle will be expensive and inefficient in the short and long term. Capital repair costs loom and long term running costs are high while the buildings inhibit effective modern working in terms of space usage, flexibility, accessibility, communication and cooperation. Attempts to argue that the Council can remain in part of the buildings while securing a capital receipt for the former hotel building are both impractical and unattractive to the market. The reality is that, no interest has been shown by developers in retaining any of the existing buildings on Knowle.

In the longer term EDDC needs to consider what the shape of local government may be. Among its merits Skypark offered a flexible office space in a location that lent itself to wider accessibility and cross border cooperation with other authorities. A combined Honiton and Exmouth office base offers a different approach involving new or modernised offices in two locations. In a world of potentially merging or reducing scale of local government an HQ and satellite or multi-hub function offers a responsive option. For example, if the Council were to reduce in size then ETH could be converted in to a business centre or, on the other hand, there is additional space on the Heathpark site to allow for both new offices , EDBC and an extended office building or a relocated depot allowing a future sale of Manstone depot. The strategy has flexibility to accommodate what the future holds.

If a successor organisation or other local government arrangement were to inherit Knowle from EDDC it is unlikely that such care would be shown toward its future use as has been shown by EDDC. An objective assessment of Knowle says that none of its buildings are fit for purpose and as such would be vacated by a different authority. Either the site might be sold quickly or the site and buildings left undeveloped. EDDC has sought to respect the parkland and reflect the previous planning decision by limiting the area of development. In leaving Knowle, EDDC has sought to secure a sensitive exit and leave behind both an extensive public parkland and a type and quality of future use that makes sense to the town and reflects the quality of its location.

An HQ at Honiton and a significant Exmouth satellite operation offer both a physical presence for the Council in key locations and an asset base that can be adapted to respond to future change in the way local government is structured and carries out its business.

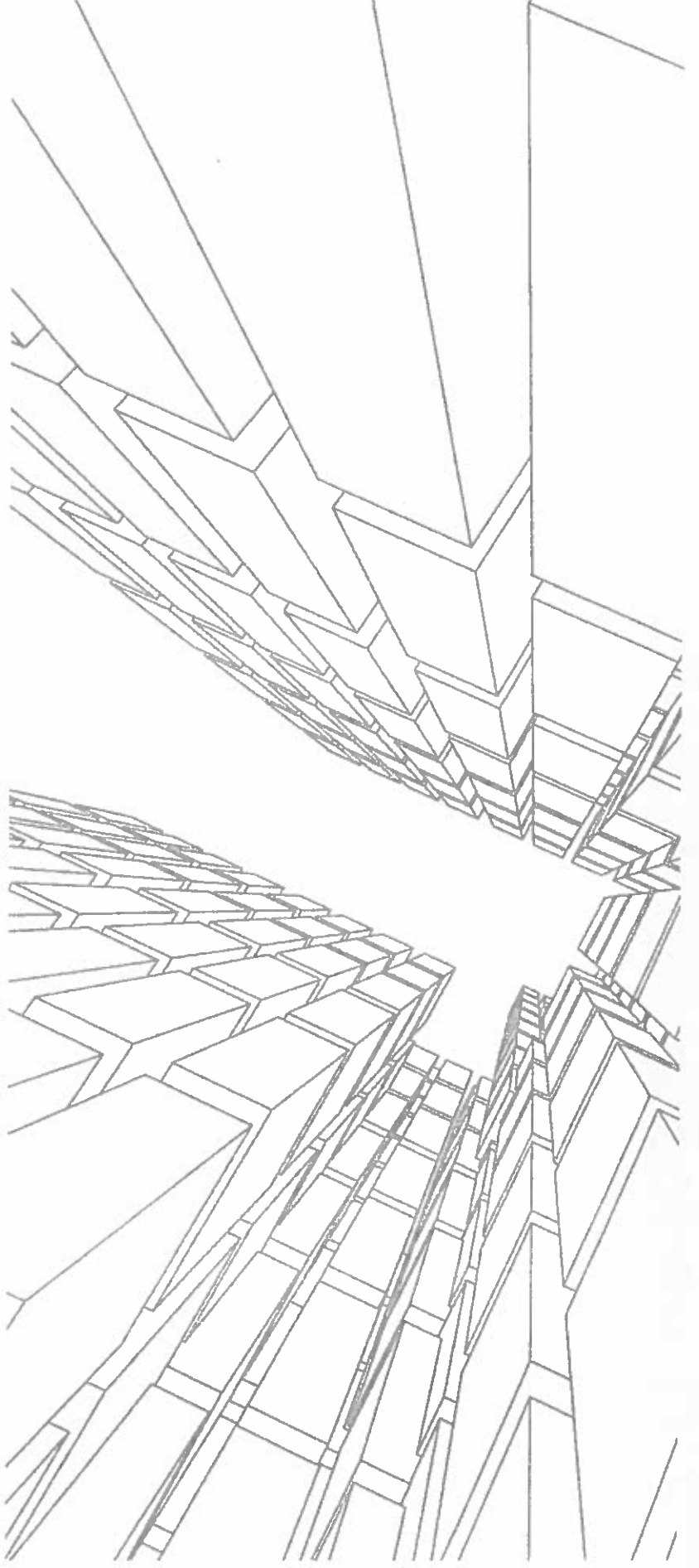
AECOM

EDDC RELOCATION PROJECT

COST MODEL FOR REFURBISHMENT OF ALL EXISTING KNOWLE OFFICE BUILDINGS

For East Devon District Council

Revision J - 21 November 2014 - BREEAM VERY GOOD



BASIS OF ESTIMATE

Cost Basis

Following a request from Steve Pratten a cost model has been produced to provide an indication as to the order of cost for refurbishment of the existing premises based on an overall gross internal area of 7,722 m². The standard cost model has been adjusted to reflect the two different construction types consisting of the former hotel building previously converted to offices and the purpose built concrete framed office building.

- The extent of refurbishment can vary greatly but in this case the scope of works has been assumed as follows (without any specific knowledge of the buildings) :-
- Full strip out of existing building services, fittings and internal partitions to provide modern open plan accommodation
- Essential repairs to the existing building fabric including replacement of existing roof finishes
- Replacement / upgrade of windows and external doors
- Alterations to provide a DDA compliant building
- Upgrade to the thermal performance and carbon efficiency of the building and achievement of minimum BREEAM Very Good rating.
- Full replacement of all building services installations

Tender Price Inflation

The base cost estimate is at Forth Quarter 2014 prices and an adjustment for inflation has been included separately, based upon the BCIS Tender Price Index for the proposed tender being received during the Q4 2016. This allowance is 9.8%, based upon available indices as at 10 November 2014.

Exclusions

EDDC Temporary Offices, decanting and subsequent returning costs

Surveys and any preliminary opening up works, site investigations etc

FF&E

VAT

Unknown abnormalities within the existing building structure and fabric including any abnormal ground conditions or contamination issues

Archaeological and ecological issues

Offsite roadworks and transport systems beyond the immediate access to the Development - e.g. upgrades to existing road junctions (Section 278 Works) etc.

CIL / Section 106 contributions

Any offsite reinforcement of utilities - electrical supplies, sewage treatment, links to offsite sustainable energy systems, water infrastructure, gas and telecoms

Site specific external works and car parking including any alterations

Finance costs

Notes

This cost model has been provided as an approximate indicative cost subject to further scoping, detailing and design. These costs have been based on AECOM's standard Cost model for office refurbishment for the use of EDDC only and are not intended for the use or manipulation by a third party without AECOM's prior consent.

INDICATIVE COST MODEL

	Qty	Unit	Rate	£	GIA	7,722 m2	Comments
<u>Demolitions and Alterations</u>							
General internal soft strip out / demolition of internal walls, doors, stairs, timber floors, fittings etc	7,722	m2	31	239,382		31.00	Subject to extent of re-configuration and proportion of open plan space
Allowance for repairs to internal floors etc where retained / allowance for timber boarding replacement or latex levelling screed etc subject to construction type	1	Item		200,000		25.90	
Removal of existing plasterwork, ceilings etc	7,722	m2	8	61,776		8.00	
Strip out of existing sanitary fittings, redundant heating systems, boiler, electrical installations etc.	7,722	m2	6	46,332		6.00	
Allowance for removal of asbestos	1	Item	120,000	120,000		15.54	Subject to Survey
<u>Roof</u>							
Hotel building - strip off of existing roof tiling and replace, Extension - replacement of flat roof finish and replace	7,722	m2	35	270,270		35.00	
Repairs to chimneys including brickwork, pots and providing new linings / cappings etc	1	Item		20,000		2.59	
<u>Stairs</u>							
Repairs to existing stairs including replacement of handrails / balustrades, sundry steps and ramps	7,722	m2	10	77,220		10.00	
<u>External Walls, Windows and Doors</u>							
Allowance for cleaning brickwork facades as necessary and repointing brickwork joints	1	Item		280,000		36.26	
Allowance for repairs / replacement of areas of damaged stonework window and door surrounds - old building only	1	Item		50,000		6.48	
Replacement of existing doors and windows	7,722	m2	80	617,760		80.00	
Allowance for any damp and rot issues including installation of injected damp proof course and tanking to Ground Floor / Basement areas	1	Item		100,000		12.95	
			Carried Forward	2,082,740		269.72	

<u>INDICATIVE COST MODEL</u>		Qty	Unit	Rate	£	GIA	7,722 m2	Comments	
<u>Structural Alterations</u>									
Allowance for structural alterations to existing for new layout, openings etc		1	Item		130,000		16.84		
Allowance for main contractor building surveys, remedial works		1	Item		40,000		5.18		
<u>Office Fit Out</u>									
New internal walls and doors - metal stud partitions, mdf skirtings, flush doorsets, glazed screens to meeting rooms etc.		7,722	m2	95	733,590		95.00		
Wall finishes - plasterboard linings to inner face of external walls, painting generally		7,722	m2	16	123,552		16.00		
Floor finishes - replacement screeds, raised floor to 70% of floor area, carpet finish, ceramic tiling to toilets and kitchen areas, reconstituted stone tiling to reception & floor paint to plant rooms		7,722	m2	75	579,150		75.00		
Ceiling finishes - suspended ceilings - plasterboard on MF system including bulkheads, repairs and re-decoration of existing ceilings		7,722	m2	35	270,270		35.00		
Fittings & Furniture including general joinery, kitchenette fit-out, no canteen fit-out		7,722	m2	45	347,490		45.00		
Sanitary Installations - toilet core fit-out, WC's, urinals, wash hand basins, vanity units, hand dryers, mirrors, shower cabinets		7,722	m2	34	262,548		34.00		
Disposal Installations - soil, waste, rainwater disposal		7,722	m2	15	115,830		15.00		
Water Installations - hot & cold water service, storage and		7,722	m2	20	154,440		20.00		
Heat source - gas fired boilers, flue, pumps, heat exchanger etc		7,722	m2	12	92,664		12.00		
Allowance for renewable energy source - Photo Voltaics		1	Item		100,000		12.95		
Space heating & air treatment - LTHW installation, hot & cold water supply to plant, dedicated localised cooling systems, toilet & kitchen extract		7,722	m2	135	1,042,470		135.00		
							Carried Forward	6,074,744	786.68

**EAST DEVON DISTRICT COUNCIL
COST MODEL FOR EXISTING BUILDING REFURBISHMENT**

AECOM

INDICATIVE COST MODEL

	Qty	Unit	Rate	£	GIA	7,722 m2	Comments
		Brought Forward		6,074,744		786.68	
Electrical installations - LV switchgear, panels and distribution boards, power to main plant & lifts, small power, containment to security & power, office high level exposed luminaires, emergency lighting, PIR sensors etc	7,722	m2	185	1,428,570		185.00	
Gas installation - renewal of gas distribution	7,722	m2	3	23,166		3.00	
Lift installations	7,722	m2	35	270,270		35.00	
Protective installations - earthing & bonding and lightning protection	7,722	m2	2	15,444		2.00	
Communication installations - fire & smoke detection, security installation, disabled refuge alarms, induction loops & ICT cat 6 data cabling	7,722	m2	41	316,602		41.00	
CAT 6A Data & AV installation to meeting areas	7,722	m2	50	386,100		50.00	
Building management system	7,722	m2	17	131,274		17.00	
Builder's work in connection with services	5%			216,969		28.10	
Localised adjustment and repairs to pavings, ramps, landscaping etc	1	Item	20,000	20,000		2.59	
Drainage - partial replacement and connection to existing externally	1	Item	20,000	20,000		2.59	
				8,903,139		1,152.96	
Contractors Preliminaries, OH&P	15%			1,335,471		172.94	
Add for Inflation based upon BCIS TPI 4Q 2014 - 4Q 2016 (based	9.8%			1,003,384		129.94	
Uplift to achieve BREEAM Very Good	2.5%			281,050		36.40	
				11,523,043		1,492	
Design & Construction Risk / Contingency	20%			2,304,609		298.45	
				13,827,652		1,790.68	
Allow for Professional Fees, Planning and Building Reg Fees	15%			2,074,148		268.60	
				15,901,800		2,059	
				£15,901,800		£2,059	

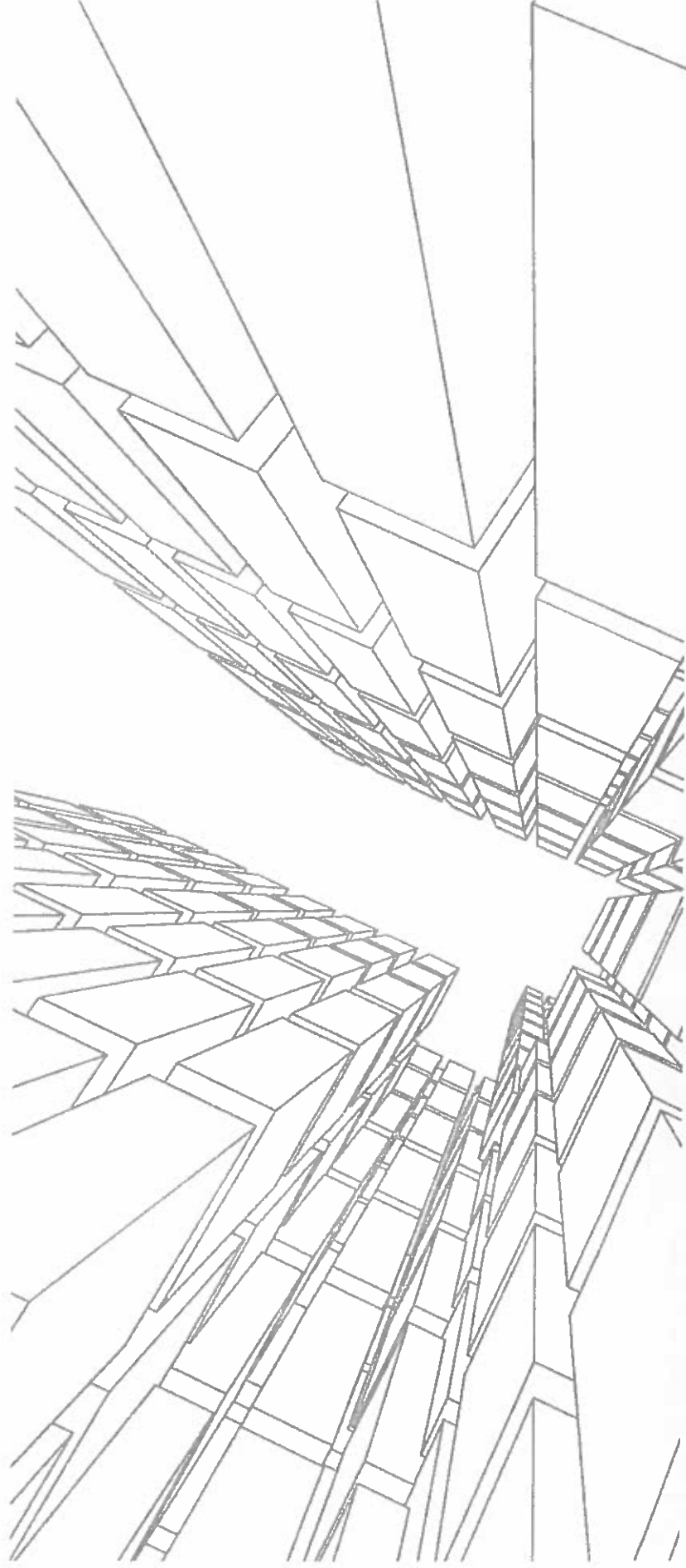
Total Construction Cost at Q4 2016 SAY £15,901,800 £2,059

AECOM

EDDC ACCOMMODATION PROJECT

**COST MODEL FOR REFURBISHMENT OF EXISTING 1970 OFFICE BUILDING & COMPLIMENTARY
NEW BUILDING, KNOWLE, SIDMOUTH - BREEAM Very Good and Excellent Options Review
For East Devon District Council**

Revision F- 21 November 2014



BASIS OF ESTIMATE

Cost Basis

This cost model has been produced to provide an indication as to the order of cost for refurbishment of the existing 1970's purpose built concrete framed office building based on an overall gross internal area of 1,938 m2. In addition due allowance has been included for a new office / facilities to provide the overall required 2,776 m2 of floor area for 170 desks.

The extent of refurbishment can vary greatly but in this case the scope of works has been assumed as follows (without any specific detailed design knowledge of the existing buildings) :

Full strip out of existing building services, fittings and internal partitions to provide modern open plan accommodation

Essential repairs to the existing building fabric including replacement of existing roof finishes

Replacement / upgrade of windows and external doors

Alterations to provide a DDA compliant building

Upgrade to the thermal performance and carbon efficiency of the building and achievement of BREEAM excellent or BREEAM very good rating.

Full replacement of all building services installations

Resolution of levels issues within existing space (particularly Reception). Provision of linking facilities between buildings.

Tender Price Inflation

The base cost estimate is at Fourth Quarter 2014 prices and an adjustment for inflation has been included separately, based upon the BCIS Tender Price Index for the proposed tender being received during the Q4 2016. This allowance is 9.8%, based upon available indices as at 10 November 2014.

Exclusions

Surveys and any preliminary opening up works, site investigations etc.

FF&E

VAT

Unknown abnormalities within the existing building structure and fabric including any abnormal ground conditions or contamination issues

Archaeological and ecological issues

Offsite Roadworks and transport systems beyond the immediate access to the Development - e.g. upgrades to existing road junctions (Section 278 Works) etc.

CIL / Section 106 contributions

Any offsite reinforcement of utilities - electrical supplies, sewage treatment, links to offsite sustainable energy systems, water infrastructure, gas and telecoms

Site specific additional external works and car parking including any alterations.

Notes

This cost model has been provided as an approximate indicative cost subject to further scoping, detailing and design. These costs have been based on Aecom's standard Cost Model for office refurbishment for the use of EDDC only and are not intended for the use or manipulation by a third party without Aecom's prior consent.

INDICATIVE COST MODEL

	Qty	GIA	1,938 + 838	2776 m ²	Comments
	Unit	Rate	£		
<u>Demolitions and Alterations</u>					
General internal soft strip out / demolition of internal walls, doors, stairs, timber floors, fittings etc	1,938 m ²	31	60,078		Subject to extent of re-configuration and proportion of open plan space
Allowance for repairs to internal floors etc. where retained / allowance for timber boarding replacement or latex levelling screed etc. subject to construction type	1 Item		50,000		
Resolution of issues associated with differing levels within buildings (particularly Reception Area	1 Item		40,000		
Removal of existing plasterwork, ceilings etc.	1,938 m ²	8	15,504		
Strip out of existing sanitary fittings, redundant heating systems, boiler, electrical installations etc.	1,938 m ²	6	11,628		
Allowance for removal of asbestos	1 Item	40,000	40,000		Subject to Survey
<u>Roof</u>					
Replacement of flat roof finish and replace	1,938 m ²	35	67,830		
Allowance for sport repair and structural enhancements to the roof	1 Item	25,000	25,000		
<u>Stairs</u>					
Repairs to existing stairs including replacement of handrails / balustrades, sundry steps and ramps	1,938 m ²	10	19,380		
<u>External Walls, Windows and Doors</u>					
Allowance for cleaning brickwork facades as necessary and repointing brickwork joints	1 Item		25,000		
Replacement of existing doors and windows	1,938 m ²	80	155,040		
		Carried Forward	509,460		

INDICATIVE COST MODEL

	Qty	GIA	Unit	Rate	£	1,938 + 838	2776 m2	Comments
<u>Structural Alterations</u>								
Allowance for structural alterations to existing for new layout, openings etc.	1	Item			40,000			
EO for linking existing Office space	1	Item			80,000			
Allowance for main contractor building surveys, remedial works	1	Item			10,000			
<u>Office Fit Out</u>								
New internal walls and doors - metal stud partitions, mdf skirtings, flush doorsets, glazed screens to meeting rooms etc.	1,938	m2		95	184,110			
Wall finishes - plasterboard linings to inner face of external walls, painting generally	1,938	m2		16	31,008			
Floor finishes - replacement screeds, raised floor to 70% of floor area, carpet finish, ceramic tiling to toilets and kitchen areas, reconstituted stone tiling to reception & floor paint to plant rooms	1,938	m2		75	145,350			
Ceiling finishes - suspended ceilings - plasterboard on MF system including bulkheads, repairs and re-decoration of existing ceilings	1,938	m2		35	67,830			
Fittings & Furniture including general joinery, kitchenette fit-out, no canteen fit-out	1,938	m2		45	87,210			
Sanitary Installations - toilet core fit-out, WC's, urinals, wash hand basins, vanity units, hand dryers, mirrors, shower cabinets	1,938	m2		34	65,892			
Disposal Installations - soil, waste, rainwater disposal	1,938	m2		15	29,070			
Water Installations - hot & cold water service, storage and	1,938	m2		20	38,760			
Heat source - gas fired boilers, flue, pumps, heat exchanger etc.	1,938	m2		12	23,256			
Allowance for renewable energy source - Photo Voltaics	1	Item			100,000			
Space heating & air treatment - LTHW installation, hot & cold water supply to plant, dedicated localised cooling systems, toilet & kitchen extract	1,938	m2		135	261,630			
				Carried Forward		1,673,576		

INDICATIVE COST MODEL

	QTY	Unit	Rate	£	GIA	1,938 + 838	2776 m2	Comments
			Brought Forward	1,673,576				
Electrical installations - LV switchgear, panels and distribution boards, power to main plant & lifts, small power, containment to security & power, office high level exposed luminaires, emergency lighting, PIR sensors etc	1,938	m2	185	358,530				
Gas installation - renewal of gas distribution	1,938	m2	3	5,814				
Lift installations	1,938	m2	35	67,830				
Protective installations - earthing & bonding and lightning protection	1,938	m2	2	3,876				
Communication installations - fire & smoke detection, security installation, disabled refuge alarms, induction loops & ICT cat 6 data cabling	1,938	m2	41	79,458				
CAT 6A Data & AV installation to meeting areas	1,938	m2	50	96,900				
Building management system	1,938	m2	17	32,946				
Builder's work in connection with services	5%			58,198				
Localised adjustment and repairs to pavings, ramps, landscaping	1	Item	20,000	20,000				
Drainage - partial replacement and connection to existing externally	1	Item	20,000	20,000				
Temporary Offices for 80 desks, based upon Portakabin indicative cost advice - includes civil / building works				578,009				
Rotating Decanting Costs	Say			40,000				
Rotating Moving in Costs	Say			40,000				
			Carried Forward	3,075,137				

INDICATIVE COST MODEL

	Qty	GIA Unit	Rate	£	Comments
<i>Refurbishment costs - Brought Forward</i>					
				1,938 + 838	2776 m2
				£3,075,137	
BREEAM Excellent for the Refurbishment and New Build					
Allowance for New Build Offices to make up balance of Desks (250 Total)					
Due to EDDC requiring space for 170 desks, the overall floor area requirement is 2,776 m2. Thus there is a need for an additional building of 2,776 - 1,938 = 838 m2					
New Build to accommodate additional area requirement	838	m2	1,454	1,218,662	Rate extracted from Initial Order of Cost Estimate for 170 desks Rev A 29 October 2014+5% for reduced build scale efficiency
			Sub total	<u>4,293,799</u>	
Contractors Preliminaries, OH&P	15%			644,070	
Add for Inflation based upon BCIS TPI 4Q 2014 - 4Q 2016 (based on update indices available 10 November 2014)	9.8%			483,911	
Uplift to achieve BREEAM Excellent	6%			<u>325,307</u>	
				5,747,086	
Design & Construction Risk	20%			<u>1,149,417</u>	
				6,896,504	
Professional design fees, Planning and Building Regulation fees.	15%			1,034,476	
				<u>£7,930,979</u>	
Total Construction Cost at Q4 2016 SAY				£7,930,979	BREEAM Excellent for the Refurbishment and New Build

INDICATIVE COST MODEL	GIA	1,938 + 838	2776 m2	Comments
Alternatively	Qty	Unit	Rate	£
BREEAM VG for both the Refurbishment and BREEAM Excellent for the New Build				
<i>Baseline Refurbishment costs</i>				
Contractors Preliminaries, OH&P	15%			<u>£3,075,137</u>
Add for Inflation based upon BCIS TPI 4Q 2014 - 4Q 2016 (based on update indices available 10 November 2014)	9.8%			461,271
Uplift to achieve Very Good for the Refurbishment	2.5%			346,568
				<u>97,074</u>
				<u><u>3,980,050</u></u>
New Build to accommodate additional area requirement	838	m2	1,454	1,218,662
Rate extracted from Initial Order of Cost Estimate for 170 desks Rev A 29 October 2014+5% for reduced build scale efficiency				
Due to EDDC requiring space for 170 desks, the overall floor area requirement is 2,776 m2. Thus there is a need for an additional building of 2,776 - 1,938 = 838 m2				
Contractors Preliminaries, OH&P	15%			182,799
Add for Inflation based upon BCIS TPI 4Q 2014 - 4Q 2016 (based on update indices available 10 November 2014)	9.8%			137,343
Uplift to achieve Excellent for the New Build	6%			92,328
				<u>1,631,132</u>
Refurbishment Sub Total (<i>brought forward</i>)				3,980,050
New Build Sub Total (<i>brought forward</i>)				1,631,132
Design & Construction Risk	20%			1,122,236
				<u>6,733,419</u>
Professional design fees, Planning and Building Regulation fees,	15%			1,010,013
				<u>1,010,013</u>
Total Construction Cost at Q4 2016 SAY				<u><u>£7,743,431</u></u>
BREEAM VG for the Refurbishment and BREEAM Excellent for the New Build				

RESOLVED 2 – that the following decisions be noted:

Minute 48 Handy Person Scheme

that a Task and Finish Forum be set up to develop the concept of a Handy Person Scheme and to propose a local scheme approved by the HRB.

Minute 51 Homesafeguard activity report

that the changes in the Home Safeguard work plan as set out in the report be approved.

Minute 55 Danby House/Exebank – DCC updated proposals

The Board's support to progress an opportunity to acquire the site.

RESOLVED 3 – that the following be approved:

Minute 47 Review of Asbestos Procedures

that an additional FTE post be appointed to undertake the annual review of council properties where asbestos materials are known to exist in accordance with current legislation.

RECOMMENDED – that the following recommendations be referred to Council for consideration:

Minute 49 that the introduction of tenant inspectors for the Council's repair service be recommended for approval in principle.

123 **Relocation update – key decision**

Mr Tony Green asked for a rough approximation of the cost of the negotiations in respect of the proposed move to the Skypark site and the cost of the specialist advice in respect of European procurement.

In response, the Deputy Chief Executive, Richard Cohen advised that details of the costs requested were not currently separately identified but were part of the overall cost. However, he added that these specific costs in relation to specialist advice would be provided as soon as possible.

Richard Cohen gave an update on the relocation of EDDC headquarters from Knowle. He stated that Members were not being asked to decide on the sale of the Knowle site at this point. Rather Members were being asked for their agreement for Officers to cease negotiations over the sale of Heathpark, to no longer pursue Skypark as an option and to examine the detail of the dual-site solution as being the most cost effective.

The report advised that the marketing of the Knowle and Manstone sites had now been completed and discussion with the bidders was in progress. This exercise had resulted in changes to relocation site preferences. It was noted as significant that bids received for developing the Knowle site would retain the public park; however, there was no market interest in retaining any of the existing buildings other than the protected bat roost. Next step in respect of the Knowle site was for the Office Accommodation Project Executive Group to undertake further exploration of the bids and recommend a preferred developer. The bids received did not include Manstone depot allowing EDDC to continue operating as the depot for the foreseeable future. The level of bids received did not achieve the maximum price prediction and this affected the Council's options.

The report set out why the previously preferred relocation site of Skypark was no longer an attractive or viable option. Commercial interest in the Heathpark site for food retailing had been scaled down with the supermarket operator reducing its offer in line with national retail patterns. The reduced offer would no longer fund a Skypark move/Business Centre

replacement. Therefore, the use of the Heathpark site for the new EDDC headquarters was reconsidered with the advantage of this option achieving efficiencies and savings with the possibility of some shared space use with the retained Business Centre.

The report also looked at the opportunities arising from the vacation of Exmouth Town Hall by Devon County Council in September this year. The building had the capacity to retain its remaining tenants and provide extended office space for the district council subject to improvements being carried out. The dual site option (Honiton and Exmouth) would help meet service demand in those areas; service delivery at locations elsewhere in the district would be supported with improved mobile working and Council surgeries. The financial assessments indicated that the dual-centre (Honiton/Exmouth) solution was financially viable over 20 years. This solution would also give flexibility to the authority to adapt in the future.

The report reminded Members of why a move from the Knowle had previously been agreed. Details of the cost of refurbishing the 1970s part of the Knowle and cost of refurbishing the whole complex to achieve a modern office building had been appended to the report and showed that this was not a viable or sustainable option, and, significantly, would not generate a capital receipt.

The report set out the risks involved in relocating the office headquarters together with how these risks could be managed. Finance clinics would be held with the Project Manager and Strategic Lead – Finance for elected Members to understand in more detail the figures underpinning the strategic recommendations. Financial details were not included in this public report due to their commercial sensitivity.

During the debate, the following points were made:

- Exmouth would benefit from a significant EDDC presence as it was the largest area of population and therefore EDDC's main customer base.
- Exmouth Town Hall was in close proximity to large car parks to serve the facility.
- The accommodation within the Town Hall should be re-organised as soon as possible to facilitate an early move – a suggestion was made to relocate the Town Council presence to the first floor of the building to enable EDDC officers to occupy the ground floor and assume responsibility for the reception area.
- There was logic in the dual centre approach as Exmouth was the main residential area and Honiton was the geographical centre of the district.
- The retention of Manstone as a depot was welcomed and Knowle depot would be relocated to this site. Members would be advised of the total staffing figure when this was available.
- Members were assured that other towns would be served by an EDDC presence.
- Sidmouth would be most affected by the loss of the EDDC headquarters and would need to be assured that the residents could continue to have access to the Council and services.
- The preferred developer of the Knowle site would not necessarily be the highest bidder. A detailed scoring exercise would be carried out and price would be being given significant weight, but other socio/economic benefits would also be taken into account.
- The marketing of Knowle had been an open invitation for bids; no interest had been shown in retaining the existing buildings or on developing only half the site.
- The Council had an understanding with Sidmouth Town Council over the future of the parkland and lower car park.

- The timing of the decision was appropriate. Government funding was being reduced year on year; the Council had to be financially viable in the medium and long term. If the Council remained at Knowle, the increasing maintenance costs would drain the Council's resources and destabilise its future.
- The Council needed to look forward and to adopt modern ways of working.

RESOLVED:

that the office relocation project progress, following the previous update report of 4 June 2014, be noted

RECOMMENDED

1. that the emerging changes to the relocation project be recognised and the following be agreed:
 - a. The marketing exercise for Knowle and Manstone has resulted in a range of offers and, following a detailed assessment process, price, form and quality of development propositions have been received that merit further detailed negotiation towards selection of a preferred developer.
 - b. Leading offers for Knowle do not include options to sell Manstone in which case EDDC can choose to retain Manstone for the foreseeable future as a depot function and continued employment use.
 - c. The reduced offer for EDDC's Heathpark site no longer represents a sufficiently persuasive level of capital receipt and will not be pursued further.
 - d. The retention of Heathpark in EDDC ownership means that this now represents the most cost effective and straightforward location to develop a new headquarters building for the Council.
 - e. Relocation to Skypark is no longer a viable proposition based on the reduced offer for Heathpark and combination of Knowle market value and prudential borrowing.
 - f. The East Devon Business Centre (EDBC) should preferably be retained and could potentially be combined within a new EDDC HQ development.
 - g. In the interim, Exmouth Town Hall has been vacated by Devon County.
 - h. A new HQ in Honiton can be restricted in size and cost to a 170 desk equivalent scale with an improved Exmouth Town Hall for 80 EDDC staff as a main satellite office in the district's largest community.
 - i. As part of its commitment to more mobile working and accessibility, the Council will offer a service presence as customers require in future at locations elsewhere in the district.
 - j. That relocation continues to make financial and operational sense on a whole life cost basis, specifically 20 year projections combining capital receipt and repayment of prudential borrowing versus existing office running cost and unfunded expenditure on existing building repair, maintenance and improvement.
2. that the Deputy Chief Executive, in consultation with the Office Accommodation Executive Group, be authorised to take forward further actions in pursuit of the above recommendations and Project Plan,
3. that further reports be produced for Cabinet and Council on project progress and to seek formal approval for any disposal of Knowle.

REASON:

To advise on project progress, in particular the outcome of Knowle and Manstone site marketing and significant changes to relocation site preferences. To seek agreement to further progress the project and commit to report back to Cabinet and Council.

