

STRICTLY CONFIDENTIAL

EDDC OFFICE ACCOMMODATION PROJECT

OFFICER WORKING GROUP MEETING 18 DECEMBER 2014

RELOCATION MANAGER'S NOTES

1. Project Overview

- a. The Project Budget continues to be carefully monitored and predicted spend remains within the Approved Budget parameter.
- b. Following Cabinet Approval on 4 June 2014, the revised approved Project budget through to the end of March 2015 totals £ 705,568. The project cost to the end of November 2014 (Period 8 / 2014) was £ 536,007 leaving a balance for future expenditure of £ 169,561. This figure includes a contingency allowance of £ 59,211
- c. During the period since the last Officer Meeting held on 20 November 2014 the following key issues have occurred;
 - Following the marketing and bidding process for Knowle and Manstone Depot (with the ATC site being advised as an option) and the receipt of bids on 22 October and Interviews with the four highest scoring candidates on 12 November 2014, Savills have been reviewing the proposal so that a recommendation can be provided during w/c 15 December 2014.
 - As a result of the value of the received Knowle bids and the earlier reduction of Terrace Hill's (THH) original offer for Heathpark, it became apparent that Skypark no longer presented an economically viable relocation option.
 - Further, and following EDDC's receipt of the Carter Jonas report and the reduced offer value for Heathpark by THH, the sale of Heathpark no longer makes economic sense, particularly when considering a replacement Business Centre or the requirement of a substantial financial contribution.
 - Through detailed reviews of the potential office relocation options, it is apparent that a 170 desk new build at Heathpark, coupled with a 80 desk facility in a refurbished Exmouth Town Hall provides the most financially viable options.
 - On this basis a Cabinet Report was prepared, issued and considered by the Cabinet on 3 December, whom voted in favour of

the associated recommendations unanimously. Council are due to further consider these recommendations on 17 December 2014.

- d. The marketing and bidding process for Knowle / Manstone has concluded. Savills have advised that there had been a total of 31 parties expressing an interest.
- e. In the event, a total of 7 bidders submitted 10 proposals on the bid return date of 22 October 2014. [REDACTED]
- f. Following review and analysis of the bid submissions, and based upon the advised bid evaluation criteria, four of the bidders were selected for Interview on 12 November. A copy of the initial evaluation of received bids to select the Interview Candidates is annexed to this report within Appendix B.
- g. One of the interviewed bidders presented a new increased offer at the start of their Interview. As a result the other interviewed relevant bidders were advised of the situation and asked to consider submitting any revision to their offers by 19 November – one week after the interviews.
- h. Significant Increased bids were subsequently received by Savills. Further several bidders took the opportunity to amend the particulars associated with their bids, including conditionality and sums allowed. The Consultant is currently considering all the relevant details and particulars relating to the final bid submissions, and it is anticipated that the report confirming their recommendations will be issued during w/c 15 December 2014.
- i. It was recognised that one of the key risks associated with the bidding process was whether the respective proposals would be acceptable in principal to the LPA. Consequently, EDDC instructed Heynes Planning Consultancy to review the submitted bids from the interviewed Developers from a Planning perspective. As part of this process there will be a "pre app" type discussion with the LPA based upon the proposals received from the Bidders. A report will then be compiled and issued to Savills for their review and incorporation into their report.
- j. It is noted that the financial level of the received bids although higher than the 50 dwellings options did not achieve by some margin the anticipated levels of anticipated for the 63 dwelling option. It is assumed that this was due to Developers being somewhat less ambitious for the sites than had been anticipated – possibly due to the Council being the landowner and LPA (and thereby assumed to require complete compliance with the Draft Local Plan) and because of the failure of the Council's outline planning application in March 2013.
- k. Following the receipt of bids, and with reference to the financial viability exercises considered for the several office relocation options carried out during September - November, it was quickly identified that the Skypark option was no longer economically viable.

- l. As a consequence, and in order to inform the Skypark JV Partners at the earliest opportunity, a meeting was held with Devon CC and St Modwen on 20 November to advise and inform them of the issue. Further, on 25 November an e-mail was issued to Devon CC confirming the recommendation within the Cabinet Report which advised that (e) "the relocation to Skypark was no longer a viable proposition.."
- m. Although, it is understood that Terrace Hill (THH) had been continuing to review their revised offer for the Heathpark site nothing formally had been advised until an e-mail was received from Thomas Lister on 2 December advising that the offer had now been further reduced to £ 3.1 mill. This further revised offer was not only substantially less than the original offer of circa £ 5.0 mill upon which Skypark's viability had been assessed, it was also less than the amended offer of circa £ 3.95 mill received during July . This further reduced offer – together with the lower than predicted potential capital receipt for Knowle - now confirmed that not only was Skypark not viable, but that the sale of Heathpark no longer made economic sense, particularly if the Business Centre was either replaced or a substantial investment required for another facility.
- n. Part of the Cabinet Report Recommendation tabled for consideration by the Cabinet meeting on 3 November advised - (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"
- o. The Project Overview Report had considered five potential scenarios for the office location, including Skypark, Clyst House [REDACTED] Ditto but also including a refurbishment of Exmouth Town Hall, Heathpark, with a refurbishment of the existing EDBC to potentially enable EDDC. It was now apparent that the only financially viable option was that of a new office building for 170 desks at Heathpark and a refurbishment of Exmouth Town Hall where 80 desks could be located.
- p. The Task programme associated with this option are currently being finalised, but currently it is expected that Exmouth Town Hall could be available during Q1 2017 and Heathpark by Q2 2017. A key consideration is the effect of the 7 May 2015 election and the period of purdah prior to this date. Consideration is being given to how elements of the programme can be potentially be considered by Members prior to the purdah period. Should it not be possible for important decisions to be taken prior, then such will need to be taken during late May or June.
- q. Enquiries for the Clients design team via the South West Consultancy Framework are being prepared as far as possible, but not issued until the particulars / nature of the new office are known. Accordingly, the enquiry will now be issued as soon as possible after 17 December 2014 – most likely in early January 2015.

- r. EDDC have been in discussions with the HCA regarding previous grants provided for the two phases of the East Devon Business Centre (for Phase 1 from the DC Development Commission and for Phase 2 from SWRDA). The Council has considered legal and financial considerations involved, including implications of the Business Centre being integrated in part into the new office. It is anticipated that any outstanding issues will be resolved between the parties during early 2015
- s. To ensure the best cost information is available for the Project Review Report, Aecom cost consultants have been instructed to review all the associated cost estimates for the project and to ensure the rates inserted are current market rates rather than the use of the original rates (dating from 2012) with a cost escalator based upon the BCIS Tender Price Indices.
- t. EDDC has now reaffirmed that the total number of desks for both premises will total 250, with 170 at Honiton and 80 at Exmouth. Consideration now needs to be considered regarding which departments and personnel will be allocated to each office.
- u. Due to the lower than expected offers for Manstone, and the anticipated costs for a new depot, the relocation of the depot from Manstone is not economically viable. An allowance of £ 100 k has been included for the integration of the Knowle Depot to the Manstone site.
- v. Further, it has been established that a 1 acre site sufficient for a relocated depot would be available at Heathpark even after the construction of the new office and associated car parking. It is anticipated that this area will be fenced off in anticipation of a possible future relocation of the Depot.
- w. Following EDDC's attendance at Exeter Magistrates Court to appeal against the Information Commissioner's ruling that the first six Project Progress Reports covering the period May 2012 – January 2013 should be published, further written submissions / representations are being prepared. The Judge has advised that pending receipt of these documents, there will either be another hearing or the panel will review in private. The decision of the Tribunal will be advised some 3 – 4 weeks afterwards. It is anticipated that a decision should be advised before the end of the year
- x. Meetings with the Members Executive Project Board and Office Accommodation Officers Working Party have occurred during the period. There have also been ad hoc meetings within internal parties as required.
- y. The Relocation Manager has carried out a detailed review of the Risk Register. The resultant Project Risk Register Analysis Rev Q (Rev 0) dated 5 December 2014 has been issued to all the normal attendees of the Relocation Officers Working Group

- z. Currently there are 34 Open Risks (previously 42), comprising of;
 - i. 8 Red Risks (8),
 - ii. 19 Orange Risks (24)
 - iii. 9 Blue Risks (9).

- aa. A total of 6 risks have been closed since the last version of the Project Risk Register.

- bb. The new risks – Nrs 68 – 73 (highlighted in yellow on the attached) all relate to;
 - i. Potential for the advised number of desks being incorrect (68)
 - ii. Possible planning and other issues associated with the construction of a new office at Heathpark (69)
 - iii. Heathpark – Site Investigations cause the Project Costs to increase (70)
 - iv. Issues associated with a smaller space being available for Licensees at the EDBC (71)
 - v. Risk of the preferred bidder for Knowle adjusting their price after due diligence / pre app discussions with the LPA (72)
 - vi. Risks associated with the assumption of inflation (2% pa generally and 10 % pa energy) being incorrect and thereby affecting financial viability.

S J Pratten

17 December 2014

