

Report to: Cabinet
Date of Meeting: 14 December 2016
Public Document: Yes
Exemption: None
Review date for release: None



Agenda item: 14

Subject: Relocation Update - Exmouth Town Hall

Purpose of report: To seek Cabinet agreement to the opportunity to accelerate the refurbishment of Exmouth Town Hall and relocate staff and services to that location.

Recommendation:

- 1. Cabinet agree for the reasons set out in the report that the refurbishment of Exmouth Town Hall is an important project in its own right and recommends to Council that this should go ahead at a cost of £1,669,000**
- 2. Cabinet note that it will receive a future report that will update the relocation project cost and betterment using independent modelling to obtain Member's endorsement of the decision in March 2015 to sell the Knowle and the commitment to go ahead with a new HQ construction in Honiton.**

Reason for recommendation: In September 2015 the relocation update report to Cabinet identified that, with the encouragement of the Relocation Executive Group, officers had been considering accelerating ETH refurbishment and this opportunity has become increasingly attractive. The planning process for Knowle has taken significantly longer than was originally envisaged and now been subject to a refusal by Development Management Committee on 6 December 2016.

In the meantime, ETH has emptied and services originally offered in a single space for the residents of the town have dissipated, which is less than ideal. The refusal of a planning application for the Knowle site does not need to be a cause for delay of the refurbishment of Exmouth Town Hall. The Council has the opportunity to optimise the available services from ETH and the full occupation of the building at the earliest opportunity. We can do this by accelerating ETH refurbishment from the Council's continued commitment to sell the Knowle site and commit to a Honiton HQ new build. If we can accelerate the refurbishment of ETH then works can be completed and the building can be fully occupied as early as Nov 2017.

Officer: Richard Cohen, Deputy Chief Executive
email: rcohen@eastdevon.gov.uk

Financial implications: Council agreed in March 2015 to take forward relocation. Members approved the most cost effective option; to refurbish Exmouth Town Hall and a new build office in Honiton at Heathpark. To remind members the financial modelling evidenced that this chosen option over a 20 year period resulted in savings to the District of £2.8m compared to the do nothing option. In comparison it would have cost £3.9m over a 20 year period for the Council to carry out essential repairs and remain at the Knowle.

Council approved a relocation project budget of £9.2m, after deduction of the capital receipt for the sale of the Knowle (of £7.505m) this gave an approved net budget of £2.2m.

The project programme approved by members included a check point (Gateway 7) which was intended to give members a high degree of certainty in the project progressing as planned. This gateway occurs when the Knowle developer received a clear planning approval and thereby the development contract becomes unconditional with certainty over the capital receipt to be received by the Council. The Gateway also includes giving members certainty on contractor costs.

This report asks members to approve the refurbishment of Exmouth Town Hall before Gateway 7 is reached in relation to planning permission on the Knowle site. The request is for a budget of £1.669m, this is an increase of £0.408m for this part of the project but overall net costs are expected to still be within the overall relocation budget.

It is a members' decision whether to decide to proceed and approve the expenditure of £1.669m on Exmouth Town Hall refurbishment for the operational reasons outlined in this report. This decision needs to be under the clear understanding of the financial risk involved; a worst case position of no capital receipt from the Knowle to offset capital costs and no certainty of the associated savings obtained from operating from a new building in Honiton.

The borrowing impact on the Council should no receipt be forthcoming at all would be a £1.669m loan requiring an annual payment of £69,000 over 40 years to fully cover off both the loan sum and interest.

Mitigation against this financial risk is that the Knowle site has been allocated in the Local Plan for housing thereby giving some certainty of a capital receipt, if not now but in the future. Refusal of planning permission for the Pegasus Life proposal will add delay to the project but the Knowle retains a continued Local Plan allocation and capital value as a brownfield site for residential development. On this basis a more reasonable assumption at this point would be the requirement of short term financing until a receipt is forthcoming. On that basis assuming a 3 year period of short term financing this would incur an annual cost of £18,000 a year being interest only, if alternatively internal funds were used this would result in a loss of interest equating to £14,000 a year.

Gateway 7 will need to be considered before any future Heathpark build is progressed and this will take into account overall project costs, but members need to be mindful in adopting the recommendations in this

report that part of the project will already be in progress.

The Council has confirmed the retention of Exmouth Town Hall as an asset in the Town. It is therefore worth reflecting that had a much needed refurbishment request been presented to members as a separate project in its own right for capital budget approval it is likely to have gained significant support as it is seen as a key asset to service delivery and likely to have been given a high priority.

Legal implications: The recommendation seeks for refurbishment of Exmouth Town Hall to be fast tracked. Such a decision does not affect the overall authority given by Council back in March 2015 to relocate from the Knowle to twin sites of Exmouth and Honiton and satisfaction of Gateway 7. Accordingly there are no direct legal issues arising in the context of this report and essentially this is a financial decision for Members to take. Clearly there are risks identified in proceeding as recommended but these are essentially financial risks that are addressed elsewhere. Members need to be mindful of the risks when taking the decision.

Equalities impact: Low Impact

The Council has a general equality duty to advance equality of opportunity and eliminate discrimination. To that end the Council has carried out an extensive equality and best value consultation across the district to gather the views of residents regarding the provision of our services into the future. Investment in our HQ buildings, mobile working, expanding ways to interact with the Council and a commitment to provide services to people in ways that suit them best are all factors that inform our relocation plans as a means to improve service and accessibility.

Risk: Medium Risk

Multiple risks are ongoing in the project. These are managed through a comprehensive risk register that is maintained by dedicated project management and reviewed on a regular basis. Risk is reported to officers where SWAP are present and to the Executive Group of members.

In terms of the recommendations in this report there is a specific risk in relation to the accelerated refurbishment of Exmouth Town Hall (ETH). This is due to reasons explained elsewhere in this report. In summary, the risk involves the agreement to fund and commence refurbishment of ETH while there is delay or failure to the sale of the Knowle site. In that instance the Council would be required to pay for the refurbishment of ETH from reserves or borrowing rather than capital receipt and betterment derived from the sale of the Knowle site.

Links to background information: None

Link to Council Plan: Continuously improving to be an outstanding council.

Report in full:

Progress to Date

In March 2015 the Council committed to relocation with an independently costed analysis of the project, its future cost savings and efficiencies that selling the Knowle site and moving to Honiton and Exmouth would bring.

This decision was endorsed in June 2015 by the new Council. Since then the Council has been pursuing actions toward the design, planning and preparations for relocation to Honiton and Exmouth and in parallel Pegasus Life Ltd has been designing, consulting and planning its redevelopment of the Knowle site.

In September 2015 the relocation update report to Cabinet identified that, with the encouragement of the Relocation Executive Group, officers had been considering accelerating ETH refurbishment.

The Council has been working closely with Exmouth Town Council and our other tenants to support them in vacating the building thereby clearing the building for when refurbishment works could get underway. Given the delays to the project, the building is now empty of tenants but we are not yet able to commence refurbishment works. As a temporary solution, and in order to ensure a continued presence in the building for customers, the Council's Housing and Benefits service have a presence within the building.

Also during this time, planning permission has been granted for the new HQ building in Honiton and planning permission for the refurbishment of Exmouth Town Hall has also now been approved under officer delegated powers.

However, planning permission for the redevelopment of the Knowle site was refused on 6 December 2016 thereby creating further delay and uncertainty for that element of the relocation project. This also creates a new uncertainty, if we allow it, for our former tenants from ETH as well as the Council's staff in general who were planning to relocate to the refurbished building and those already in situ.

Exmouth Town Hall

Relocation remains the means by which we meet a range of the Council's strategic objectives and commitment to provide high quality services to its communities. As well as the consideration of cost savings and efficiencies, the council has previously sought to understand customer and stakeholder views about our move and to find out if they would want services delivered differently as a result of office relation. The outcome from this was a clear preference to having a presence in Exmouth and a more centrally located HQ – see <http://eastdevon.gov.uk/media/1679106/moving-and-improving-service-delivery-responses.pdf>

Exmouth represents a high demand for the Council's frontline services and ETH continues to stand out as an asset in need of significant investment aside from its role within the relocation project.

Now that planning approval and full detailed contractor costs have been agreed for ETH there are clear benefits of the building being refurbished and there is an increasingly compelling case to move forward with the refurbishment of the building and to occupy the building at the earliest opportunity for the following reasons:

1. Building surveys have identified that ETH is in need of significant repair and updating works including the extensive replacement of utilities and services.
2. The value of ETH to Exmouth either as a Council office or even as another use such as business centre will depend on it being refurbished to as modern a standard as possible.

3. Our tenants have now moved out and we are occupying only the reception area to provide customer services. The building can accommodate ninety of EDDC's staff and provide a much greater service to Exmouth and its surroundings which represent by far the largest population centre in East Devon.
4. In the wider context of Exmouth's public services, the presence of key service providers has been reducing in the town. In contrast and against this trend we can offer an increased permanent presence of EDDC's housing and benefit teams as well as a base for sessional availability of planning, building control, environmental health, estates and other Council services. We hope to add to this with the negotiated return of Exmouth Town Council, Citizens Advice Bureau, Registrar and Volunteers Service. This will create an important service hub for the town.
5. By accelerating the ETH element of the move we have the opportunity to give some certainty to a key element of the project and phase our relocation rather than waiting until a future date to vacate the Knowle site all at once and moving into two buildings simultaneously. A staged rather than one off relocation allows us to maintain continuity of services. This presents a significantly lower risk approach.
6. The planning process for the Knowle site has extended well beyond our original project time predictions for reasons associated with the progress of the planning application between applicant and planning authority and we now have the further delay and uncertainty of a refused application. Exmouth need not be subject to delay arising from Sidmouth's local concerns especially when it is clear that the refurbishment of a service centre for our largest town and customer base can go ahead.
7. Officers working in the reception area of Exmouth Town Hall are keen to see work get underway that will enable them to offer an improved service and allow their colleagues to move into the building at the earliest opportunity as well as the return of our tenants such as the CAB who offer a complimentary service and added value.
8. The Council should also be able to arrange some of its meetings in Exmouth once the Town Hall Chamber and committee space have been redesigned to increase space and improve public access. In that way the Council can offer a more varied and local access for residents to the workings of the Council.

All of our tenants are now out of the building and EDDC itself will continue to provide Housing and Benefits services to residents from the building. These services can continue while works are underway and our staff in Exmouth Town Hall are able to move between ground floor areas. Thereafter we will reopen discussions with the former tenants regarding a return to the refurbished and modernised ETH under new tenancy arrangements. Essentially, the recommendations in this report enables the Council to accelerate the development of ETH to the point that we would be able to move staff and return tenants fully into the building in November next year.

Financial Position

The latest cost figures for the refurbishment of Exmouth Town Hall are £1,669,000. This is an increase of £408,441 on the previous estimate of £1,260,559. The key reasons for the increase are:

- The previous figure was an estimated cost without full survey and confirmed contractor figures. The refined cost reflects the detailed building investigations, requirements of the planning authority and the actual price negotiated with the contractor

- The Town Hall is an old building combining different extensions over time. Costing the works on an existing building is less predictable than new build. Expectations that some existing services could be retained have not been met and detailed surveys and investigations of the building have shown it to be in need of full services replacement alongside repair, redecoration and structural improvements. Key additional cost elements are:
 - Full rewiring
 - Replacement of central heating and boiler system.
 - Improved hot water provision
 - Additional kitchen facilities on first floor
 - Provision of mechanical ventilation
 - Improvement of natural ventilation,
 - Removal of asbestos and dealing with lead paint.
 - Improved security provision.
 - Better access within the building.
 - Improved signage
 - ETH will be refurbished to a high standard. It will be decorated and equipped in the same way as the new HQ. The reception areas in particular will have a similar look and range of facilities for our customers.

- The original estimated cost of the refurbishment works was based on an allowance of £450/m² plus additional allowances for preliminaries, professional & other associated fees and design & construction risk. This simple method of approximate estimating is used frequently within the industry with the particular rate being based on previous historic evidence from buildings of a similar nature and type with adjustments such as location, specification and inflation being incorporated. The rate of £ 450 / m², as reaffirmed by Gleeds as part of the Grant Thornton Audit Report March 2015.

Recommendation and risk

In light of the above, there is a sound justification for progressing the refurbishment of ETH ahead of a future resolution for the sale of the Knowle and is a position that the Office Accommodation Executive Group wish the Council to consider.

This does present a financial risk if the sale of the Knowle continues to be delayed or because the business case overall is not viable and Members conclude at a future point that they are not persuaded by the financial and betterment analysis to proceed with relocation. In either of these cases, and subject to approval of the recommendation to accelerate ETH investment, the Council will be agreeing to commit to ETH spend but without a capital receipt to pay for it. In this situation, the investment in refurbishment of ETH will have to come from reserves or borrowing. In addition it still remains reasonable to maintain the expectation of a capital receipt at a point in the future given that the site is now allocated in the Local Plan for residential development and the desire and need of the Council to move from the Knowle.

To give Members further reassurance, the current budget and income projections for the project overall (taking Exmouth and Heathpark) remain balanced with the continued expectation of significant betterment on relocation overall when compared to remaining at Knowle.

Should Members agree to the refurbishment of ETH then, as part of our Worksmart and mobile working strategy, we will be allocating a capacity of 90 desks to ETH. To reflect this transfer we will be able to reduce active office floor space at the Knowle we will use the opportunity to close down office space in the Knowle complex.

The Knowle remains a residential allocation in the Local Plan and PegasusLife are considering their options. In November 2016 our Honiton Heathpark HQ site was given the green light by Development Management Committee. At a future date the overall project cost and betterment figures will be revisited independently and reported to Cabinet and Council. The cost of the accelerated refurbishment of ETH will be factored into this report to show overall project finances.

Gateway 7 report

A further report is planned to come forward seeking Cabinet and Council endorsement to continuing with the relocation project in its entirety. This is what is known as Gateway 7 in the project plan and will involve members being presented with a re-run of the business case (including the cost modelling exercise which will be carried out independently by Grant Thornton) to demonstrate that the financial case is still made out and so that Members can endorse their March 2015 decision to sell the Knowle site and their commitment to construction of the new HQ at Honiton Heathpark.

The report on Gateway 7 will factor in the latest project timeline taking account of the state of play regarding any challenges which seek to further delay the project. If Council agrees to accelerate ETH refurbishment then, though works will have already commenced, the cost will still be factored into the cost model and Gateway 7 review. That way, Members will be fully informed of the total project cost.

On the basis of this analysis Cabinet and Council will be asked to endorse their decision to sell the Knowle and build out our new HQ at Honiton.