

Agenda for Combined Meeting of Audit and Governance Committee and Overview and Scrutiny Committee Thursday, 12 March 2015; 5.00pm



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[Members of the Audit and Governance Committee](#)
[Members of the Overview and Scrutiny Committee](#)

Venue: Council Chamber, Knowle, Sidmouth, EX10 8HL
[View directions](#)

Contact: Debbie Meakin, 01395 517540 (or group number 01395 517546): Issued Wednesday 4 March 2015

- 1 Election of Chairman
- 2 Appointment of Vice Chairman
- 3 [Public speaking](#)
- 4 Apologies
- 5 [Declarations of interest](#)
- 6 [Matters of urgency](#) – none identified
- 7 To agree any items to be dealt with after the public (including press) have been excluded. There are no items that officers recommend should be dealt with in this way.
- 8 Decisions made by Cabinet called in by Members for scrutiny in accordance with the Overview Procedure Rules. There are no items identified.

Part A Matters for Decision

- 9 **Office relocation** (pages 3 - 84)
To consider the report of the Deputy Chief Executive to Cabinet, on the proposed office relocation, which includes the internal and external auditor reports. The recommendations from Cabinet (on 11 March 2015), Audit and Governance Committee, and Overview and Scrutiny Committee, will be referred for determination to an Extra Ordinary meeting of Council on 25 March 2015.

Voting on any proposed recommendations will be conducted separately for each committee.

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If you are recording the meeting, you are asked to act in a reasonable manner and not disrupt the conduct of meetings for example by using intrusive lighting, flash photography or asking people to repeat statements for the benefit of the recording. You may not make an oral commentary during the meeting. The Chairman has the power to control public recording and/or reporting so it does not disrupt the meeting.

[Decision making and equalities](#)

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Report to: Cabinet
Date of Meeting: 11 March 2015
Public Document: Yes
Exemption: None



Agenda item: ■

Subject: Relocation Decisions

Purpose of report: Background:

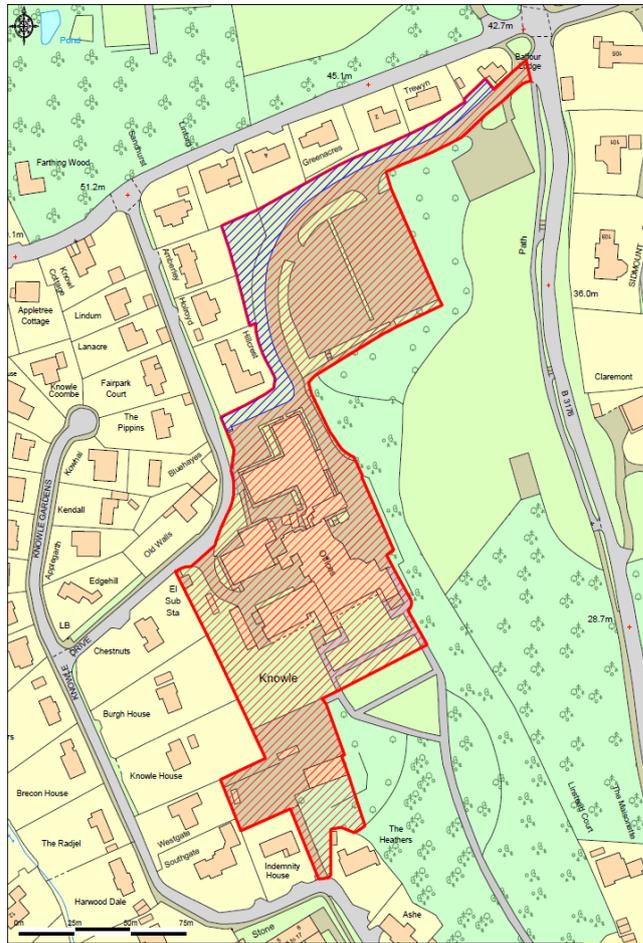
- i) The relocation project has been pursued in detail since Cabinet reiterated in July 2011 its desire to investigate moving office. This report seeks Cabinet approval to recommend to Council actions to enable the sale of the defined Knowle site and to begin in detail the Council's plan its move to new and modernised offices in Honiton and Exmouth respectively. This is understandably a sensitive decision in terms of local interest but it is also a clear matter of operational consideration for a Council looking on behalf of the whole District to maintain service quality, manage cost and deliver future resilience and flexibility. The report is in Part A to ensure that the information is publicly available and members are able to discuss and decide as transparently as possible.
- ii) **Public Information:** The Council has always said that it will endeavour to make as much information publicly available as is reasonably possible. This report makes public the capital, borrowing and running costs of relocation and compares it to the equivalent costs that would be incurred in remaining on the Knowle site.
- iii) **Audit:** The report informs members of the outcomes following their request for independent audit exercises on the governance, modelling and assumptions of the relocation project and to make known the key financial details informing the relocation project, having been the subject of independent audit as required by Council. The figures have been modelled in cooperation with our independent external auditors, Grant Thornton and their cost consultants, Gleeds. Furthermore, our internal auditors, the South West Audit Partnership, have also examined the project's governance and process. Both reports are attached and both auditors will be available to answer Member's questions at Cabinet and the subsequent joint meeting on 12 March 2015 of Audit and Governance and Overview and Scrutiny committees.
- iv) At Full Council in Dec 2014 members clearly expressed their desire to engage internal and external audit while maintaining progress in the meantime. The timing of this report and Cabinet consideration enables its recommendations to be considered by an Extraordinary Full Council meeting to deal with this matter in a timely manner and prior to the delay that an important decision of this nature might incur within the run up to the May elections.
- v) **Finance:** The report explores the financial comparison between meeting the Council's desire to move its offices and remaining at the Knowle. The Council is publishing the fullest information to inform

the Council and public understanding of the financial merits of moving offices to Honiton and Exmouth. In agreement with the preferred developer, we can confirm that the offer price for the Knowle is between £7m and £8m. The exact figure, while commercially confidential for the moment, has been made known to all Members so that they are aware of the exact price to inform their consideration. The exact price has also been used in the financial modelling agreed with our independent auditors and their cost consultants therefore the costs are derived from an offer price not a professional valuation or estimate. Furthermore, the entire calculation base of the financial model developed with our independent auditors, Grant Thornton has been made available for members to peruse on a computer in the members area. The Model is extensive and is necessarily confidential because its calculations include the sale price of the Knowle site. We will look at an appropriate future date to publish.

- vi) We are also now able to confirm publicly that the preferred developer is Pegasus Life Ltd, a specialist provider of residential developments offering retirement and extra care living facilities.
- vii) In relation to other financial matters, attachments to this report also include full detail of the running cost elements included in the whole life calculations (a 20 year period that reflects the timescale up to a first office refurbishment). Within the running cost calculations it is worth pointing out that we have taken on board external criticism of the previous energy cost assumptions and factored in DECC future projections of energy prices. In doing this we have consulted the South West Energy and Environment Group (SWEEG) - <http://emps.exeter.ac.uk/research/energy-environment/cee/sweeg/>.
- viii) Headline financial issues tested through the Grant Thornton Model are:
- The most cost effective option is to refurbish Exmouth Town Hall and a new build office at Honiton Heathpark. Options of Honiton alone and combined with Exmouth are all more cost effective than staying at the Knowle with 'do minimum' investment let alone any significant modernisation. Over the 20 year period the district will be £2.8m better off if the Council moves. This compares with being £3.9m worse off by staying and carrying out 'do minimum' investment works at Knowle.
 - The Knowle site is to be sold for £7-8m and that leaves 3.5196 hectares of publicly accessible parkland available to the ownership of Sidmouth Town Council.
 - Alongside the capital receipt, the Council will prudentially borrow £2.1m from the Public Works Loan Board over a 20 year period.
 - Every year from when the Council moves, the savings in operating costs are greater than the loan repayments. For the loan period the savings improve every year in comparison to the repayment sum.
 - After 20 years the loan ends and savings continue.

- ix) **Disposal of Land:** In terms of the areas of land involved:
- The Knowle park as a whole is 5.4052ha.
 - For the purposes of disposal the area in question identified in total is 1.8856ha. This also includes currently developed land as well.
 - Of that 1.8856ha, 1.1092ha is already developed (Council offices, depot and car parks and immediate environs) leaving 0.7764ha of what can be considered as open space to be appropriated / disposed.
 - In other words, of the total parkland, 14% of open space will be included in the development boundary. EDDC wishes to transfer the remaining 3.5196ha ha of parkland, which includes the lower grasscrete car park, to Sidmouth Town Council to own and manage.
- x) The report further addresses the process and associated recommendations required to dispose of the identified Knowle site for development and to meet the requirement that the Council secure best value. In pursuance of the Council's desire to relocate and to be able to take forward the previously identified Knowle site for development it is necessary that the Council agree to appropriate the land for a housing purpose and then agree to dispose of the land. This is the best mechanism by which the Council can then sell the freehold of the land for development. The matter has been advertised and responses invited. The Council has received a number of responses which are summarised, considered and addressed in further detail in the report in the section titled 'Appropriation of Land'.

In the Recommendations below and throughout the rest of the report reference to the 'Knowle Site' is to the 1.8856 hectares of land at the Knowle shown edged red on the plan below (the plan is also contained at Appendix 5)



Recommendations A

Cabinet is asked to agree the following recommendation to be submitted to Full Council for final approval:

- 1. Consider the findings of the audit exercises conducted by South West Audit Partnership and Grant Thornton in response to issues raised by December 2014 Full Council and to accept the conclusions set out therein.**
- 2. Accept the analysis and conclusions on the financial basis for relocating contained within the report.**
- 3. On the basis of the valuation advice and price offered agree that disposing of the Knowle Site would represent 'best value' in accordance with the requirements of Section 123 of the Local Government Act 1972.**

Recommendations B

Cabinet is asked to agree the following recommendation to be submitted to Full Council for final approval:

- 4. To determine that the Knowle Site is no longer required for the purpose of public walks or as a pleasure ground under the Public Health Act 1875.**
- 5. On the basis that the land is no longer required for those purposes to appropriate the Knowle Site to housing purposes pursuant to the powers contained in Section 122 of the Local Government Act 1972.**

Recommendations C

Cabinet is asked to agree the following recommendation to be submitted to Full Council for final approval:

- 6. To agree to dispose of the Knowle Site for housing / extra care assisted living pursuant to Section 32 of the Housing Act 1985.**
- 7. Agree that the Deputy Chief Executive – Development, Regeneration and Partnership under the direction of the Office Accommodation Executive Group is authorised to agree on behalf of EDDC appropriate Heads of Terms with Pegasus Life Ltd.**
- 8. Having agreed the Heads of Terms to then allow the Deputy Chief Executive – Development, Regeneration and Partnership to enter into contract for sale of the Knowle Site conditional upon subsequent satisfactory planning approval and such other matters as the Service Lead (Legal and Democratic Services) may advise.**
- 9. Agree to relocate EDDC operations to Honiton and Exmouth.**
- 10. Agree that the Council will conduct consultation with relevant and interested parties to ensure Best Value outcomes are addressed within the relocation to Honiton and Exmouth.**
- 11. Note and agree a net project budget of £2,221,445, this being the estimated cost for a new build office accommodation in Honiton (Bream very good option) and for the modernisation of Exmouth Town Hall as identified in the table in paragraph D5.6 less the Capital Receipt for the Knowle. In addition a budget of £900,630 is required to meet loan interest costs**

relating to short term and long term funding. Short term cash flow funding will be required totalling £9.2m to meet design and build costs prior to receiving the sale proceeds of £7-8m from the Knowle (financial risks are mitigated by Gateway 7 process detailed in the report). Once the capital receipt is received the balance of funding required is £2.1m to be funded from a long term loan over a 20 year period.

12. Agree that officers investigate and progress the opportunity to bring forward the refurbishment of Exmouth Town Hall and take forward new offices in Honiton.

13. Agree to commence detailed discussions on the Council's intention to transfer the retained 3.5196ha of Knowle parkland and the lower car park to Sidmouth Town Council following disposal of the Knowle Site and if the principle is accepted by Sidmouth Town Council to progress such transfer including compliance with the relevant statutory procedures for disposal of open space.

Reason for recommendation:

To consider the strategic, operational and financial reasons for sale of the Knowle Site and relocation to new and modernised offices in Honiton and Exmouth respectively. To agree recommendations as detailed above to Full Council toward sale of the Knowle Site and actions leading to modernisation of Exmouth Town Hall and new office development on Honiton Heathpark.

Officer:

Richard Cohen
Deputy Chief Executive (Development, Regeneration and Partnership)

Financial implications:

The report and appendices contain detailed financial information relating to the options considered in this report.

1. Grant Thornton were appointed to develop a financial model of the Office Relocation business case and to review and check the cost assumptions being used by the Council. The financial position presented in this report has been taken from the Model built for the Council by Grant Thornton.
 - 1.1 Senior EDDC Officers and the Relocation Manager have provided Grant Thornton with all necessary information to enable them to thoroughly carry out this instruction.
 - 1.2 Following Grant Thornton, and their advisor, Gleeds (specialists in property and construction costs) initial review of the business plan and associated documents, recommendations were advised to EDDC. For example whilst completing their review of the work undertaken to date, Gleeds generally found the capital allowances to be cautious in nature. They considered this to be understandable given the early stages of the project and the absence of design; however they suggested that consistent caution would have a cumulative effect that could lead to an overstatement of the capital costs.

- 1.3 Other key examples of advice provided included;
- That energy running costs would be marginally lower for a BREEAM Excellent Building when compared to a BREEAM Very Good Building
 - That Lifecycle replacement costs (the costs associated with running a building) should be included for not only the current base, but also the other Options.
- 1.4 The Grant Thornton Model and the elements included are the outcome of detailed discussion between the Council and Grant Thornton in considering their advice on such matters as above. This included agreement that the general level of contingency for the New Office should be reduced from 20% to 15% (although for refurbishment work the allowance should remain at 20%) as well as the recommendations of BREEAM excellent savings and Lifecycle costs. These adjustments have now been included in the cashflow analysis as part of the modelling exercise undertaken and are reflected in the final figures presented in this report. There were no items remaining of difference which either party consider would alter the model materially and certainly not alter the conclusions.
- 1.5 To assist understanding of the key figures in the cost comparison of Knowle versus Honiton and Exmouth options, an extract from the Dashboard from the Final Grant Thornton Model is included in the body of the report. This advises a number of key criteria, including the Operational Expenditure Betterment across not only the range of Options but also Knowle Do Minimum possibility. A report from Grant Thornton relating to the financial model and the benchmarking exercise of cost assumptions is included as Appendix 2 to this report – this includes a glossary of terms.
- 1.6 It can be seen that both the Cashflow Analysis and the Net Present Value (NPV) Analysis indicate that:
- a) all options to leave the Knowle are better than staying and;
 - b) The Heathpark/ Exmouth twin site solution with BREEAM Very Good option represents the best financial option for the Council as compared to remaining at the Knowle.
- 1.7 It is worth members further noting that the Grant Thornton Model shows that the construction costs projected for the refurbishment of Exmouth Town Hall and a new office building at Honiton including contingency would both have to increase by a further 42% before the Net Council Cashflow under the Knowle Do Minimum option becomes comparable. This being equivalent to a contingency of 60%. This is statement coming from the Grant Thornton report under Modelling Conclusion (2.10.3 of their report).
- 1.8 It is anticipated that the Grant Thornton Model will now be utilised during the course of the Project so that comparisons between the chosen option and Knowle (as Current Base and Do Minimum) are

available.

- 1.9 The recommendation asks for approval of a net budget of £2,221,455 (capital cost less capital receipt) in order to provide the Council with a new build office accommodation in Honiton and for the modernisation of Exmouth Town Hall. Both short-term and long-term borrowing will be required during the course of the project to meet cash flow projections.
- 1.10 Short term borrowing will be required to meet costs prior to the capital receipt being received from the Knowle Site; this will only be received upon vacant possession at the earliest. These costs are factored into the overall project costs. A project gateway process is in place to ensure cost commitments by the Council are minimised until the point legally the Council is in a secure position to receive the sale proceeds, i.e. the purchaser has secured the necessary planning permissions and thereby the contract has become unconditional. At this point the Council will start to incur significant costs in new build and modernising costs but as stated no receipt will be received until it can vacate to its new location. Members should be aware that short term borrowing required has been modelled to total £9.2m. This borrowing will have an interest cost of £0.3m.
- 1.11 Once the Council receives the capital receipt from the Knowle Site then this short term borrowing will be repaid. At this point the project will have a funding balance remaining of £2.1m which will be borrowed over 20 years requiring interest repayments modelled at £0.6m. The Grant Thornton Model shows taking all these costs into account, which include monies spent to date on the project and then comparing the savings to be made over the new locations when compared with the current cost base of the Knowle the overall project shows a positive position of £2.8m over a 20 year period with the annual betterment being greater than necessary annual loan repayments.

Legal implications:

- 1.12 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, were aware of government guidance in terms of the valuer's role in assessing and demonstrating best consideration. A public tender process has been adopted, and the proposal in the main body of the report is to dispose of the Knowle Site to the bidder assessed to offer best consideration.
- 1.13 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. 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.
- 1.14 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. Much of the body of the report is directed towards assessing best value in terms of the long term cost benefits of moving to modern Council offices and releasing the existing council site for sale in order to partially fund the new office building.

- 1.15 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.
- 1.16 Other legal issues have been addressed within the body of the report.

Equalities impact: Low Impact

- 1.17 As part of the project 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: Medium Risk

- 1.18 This report seeks Cabinet agreement and recommendation on to Full Council to sell the Knowle Site and relocate to Honiton and Exmouth. The project involves a comprehensive risk register and structured management and decision making processes. This has been subject to the continued engagement of SWAP and their audit document, carried out in response to Full Council decision in Dec 2014, is attached at Appendix 1.
- 1.19 Risk remains in the project and a detailed risk register is maintained and monitored. The SWAP audit (see Appendix 1, pg 6, section 1.4) has considered and endorsed the project's professional and detailed approach to risk. As the project moves forward key gateways are identified to ensure that key risks are understood and mitigated in decision making. In particular,
- Any contract completion for sale of the Knowle Site will be conditional upon the developer gaining planning permission.
 - Approval of a Planning Application for the New Office at Heathpark, and if applicable for the refurbishment works at Exmouth Town Hall.
 - Receipt of tenders from Contractors for the Office Relocation in comparison with the budget allowances.
- 1.20 Key risks remain and are mitigated within the gateway process of project management. Furthermore the original overall project budget included a generous 20% contingency on construction cost.

Following discussions with Grant Thornton / Gleeds the allowance for new build has been reduced to 15%. The project budget also includes potential costs that reflect attempted delay to the Council's plans by objectors such as judicial review. So far, such attempts including heritage listing and Town and Village Green status have been defended by the Council and the objections repeatedly failed.

- 1.21 Inherent in the consideration of relocation it is also vital that the project and members consider and compare the risk in remaining at Knowle and incurring unfunded but required repair, general maintenance and refurbishment costs of buildings that have no commercial value. Some proposals have been made by third parties that suggest that the Council could somehow squeeze into the rear buildings leaving the former hotel to be redeveloped into flats. This is financially and operationally impractical. Also, no commercial developer has expressed any interest in retaining any buildings on the site as part of a redevelopment.
- 1.22 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 in a manner that has been reviewed and endorsed by SWAP.
- 1.23 Decisions in this report enable officers to take forward the sale of the Knowle Site and delivery of new offices at Honiton Heathpark and modernisation of Exmouth Town Hall.

Links to background information:

Links to:

'*Serviced Workspace Demand and Delivery Appraisal*' draft summary report , Aug 2014

<http://www.eastdevon.gov.uk/eddcreportssummary2014.pdf>

Attached Appendices

1. South West Audit Partnership Relocation Project Review
2. Grant Thornton " Financial Model Services for the Council's Office Relocation Project and benchmarking exercise of cost assumptions" dated 3 March 2015
3. Extract from the Dashboard from Grant Thornton's Model identifying the Site Location Options Twenty Year annual running costs betterment compared with Knowle Current Base.
4. Plan showing area of land to be appropriated and disposed off
5. Plan showing extent of 'open space' to which published notices relate
6. Summary of responses to public notices of intention to dispose / appropriate
7. Gateway decision particulars

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. It will give the Council better control of its future cost



management and avoid future unfunded debt attached to repair and refurbishment of its current office accommodation.

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.

A. Benefits of Relocation

- 2.0 **Asset Value** - Like other local authorities across the country, East Devon is looking to maintain quality of service, manage cost and make best use of its assets. Relocation is the means to make best use of the asset value of the Knowle Site to fund modern and more modestly scaled premises with functionality and flexibility for the future. Business performance and customer service will be improved in offices that are open not cellular, collaborative and connected, accessible with efficient and flexible use of space and minimised operating costs. The price agreed for the Knowle Site is the outcome of an open and competitive marketing exercise and robust selection procedure. It reflects good value when compared to the previous Red Book value estimates commissioned by the Council.
- 2.1 **Location and Mobility** – Selling the Knowle Site will help fund a move to new and modernised offices in more accessible parts of the district in both geographic and population terms. Alongside twin locations, the Council will continue its Worksmart programme promoting mobile working and service availability in locations around the district in ways that our customers want powered by flexible working practices and new technology.
- 2.3 **Office Flexibility** - A split site solution in Honiton and Exmouth is relatively straightforward in that both sites are already in EDDC ownership, one geographically central to the district and one at the heart of the largest population centre. Two sites also offers options for East Devon in facing the future and a stronger chance of retaining council services offered from local bases.
- 2.4 If council operations retrench then either building could continue to be retained for multi-agency use or as serviced small business centres in their local economies. Both Honiton and Exmouth have latent demand locally for serviced SME, micro and start up space. This has emerged in the '*Serviced Workspace Demand and Delivery Appraisal*' work commissioned by EDDC in Apr 2014. A summary of the draft final report is available in the background papers. The new office building at Heathpark could alternatively be let on the open market and based on current market values, a rent in the region of £300,000 per annum could be realised.
- 2.5 Any investment at the Knowle does not increase value of the built form. The value is in the land which the Council seeks to release to fund new and modernised offices. Members should be aware that the construction and fit out costs will be more than the estimated future market value of the new offices should the Council wish to sell them at a future date. The market value of the Honiton new build is estimated to be £3.25m in 2017 and Exmouth Town Hall had a site value estimated in 2013 as £0.9m. The sites are determined primarily on the basis that they make better financial sense than the Knowle and are located for operational rather than investment purposes.
- 2.6 **Local Government Future** - Moving has been on the Council's agenda since 2008 and a proposition pursued actively from 2011. The reasons to relocate have become even stronger over that period as government austerity cuts have increased and the prospect of further cuts is inevitable. Whatever the future of EDDC and beyond in public

governance for this area, the outmoded offices of the Knowle should not be a seat of public administration. In the 21st century, a converted hotel and 80's cellular offices are not only expensive to run but at odds with how we work. Wasteful working practices are built in to traditional ways of working and working in an outdated building exacerbates this.

- 2.7 Strategic use of new technologies now enables much of the work we do to be carried out from many other locations as well as offices. Transforming the way we work through new ways of working is 'not a nice to have' but the only way to make sure we provide the services our customers expect and demand now and in the future.

Working smarter means work takes place at the most effective locations and at the most effective times respecting the needs of the task, customers and staff.

Experience across the public sector shows that the outcomes of adopting new ways of working are:

- Greater productivity and services delivered more efficiently
- Costs and environmental impacts of work are reduced as space is shared and used more intensively and effectively
- Business continuity is enhanced by the ability to work in an all-electronic environment and from a wider range of locations
- Staff have more choice about when, where and how they work supported by effective and appropriate use of technology.

- 2.8 **Financial Certainty** – Investing in purpose built offices that have been newly built/modernised is significantly more predictable in future operational and maintenance costs than trying to predict spend on the combination of buildings on the Knowle Site. It is preferable in cost planning terms to minimise the unpredictable elements of future running costs. As well as the unexpected expenses that old, un-modernised buildings throw up in maintenance and repair costs, there is also the issue of energy cost. Whilst not a major percentage of overall running cost, energy prices are volatile and unpredictable. Energy costs for the buildings at the Knowle are a higher proportion of overall running cost than the relocation offices and that cost will increase at a faster rate at the Knowle. These running cost comparisons between the Knowle and members' preferred twin site solution have been tested through the audited modelling carried out by Grant Thornton / Gleeds.

- 2.9 **Knowle Buildings Cost** - The Knowle Site is currently home to a range of buildings none of which is of interest to the development market and none of which has a value worth the council spending money on even in basic repair terms, let alone further £millions of unfunded borrowing to bring any part up to a modern office standard. Basic repair costs have been reviewed as part of the independent audit exercise. The original estimates of £1.56m was calculated two years ago. An up to date and detailed comparison using indexation now puts this figure at £1.77m. Furthermore, since there are no funds within budgets available for this work, a long term loan would need to be secured.

- 2.10 Any significant investment in modernisation of the Knowle offices is uneconomic in comparison to selling the Knowle Site and investing the capital receipt in new and modernised alternative offices. Nevertheless and for the purposes of comparison and viability assessment it is important to understand the difference in financial terms between the overall costs of remaining or leaving the Knowle in capital and operational

cost terms. The comparison of Knowle office costs and relocated office costs has been addressed in detail in the Grant Thornton commission.

- 2.11 **Knowle Legacy** - The new future for the Knowle Site meets local need whether housing or extra care assisted living. Sidmouth Town Council has the opportunity to own and manage the retained parkland and lower car park for the benefit of the town. The Council's offices would be replaced by an attractive combination of bespoke buildings for a parkland setting offering retirement and extra care living for over 100 people and which may include a restaurant, spa and other facilities that the developer wants to make accessible to park users and the public in general. Sidmouth and East Devon has a demographic that means such a residential facility is in demand. Furthermore, the Knowle parkland is a less well used green space compared to other East Devon parks. New facilities would make the parkland more attractive to users.

B. Marketing and Bidding process for Knowle

- 3.0 The marketing and bidding process for the Knowle Site resulted in a total of 31 parties expressing an interest. A total of 7 bidders submitted 10 proposals on the bid return date of 22 October 2014.
- 3.1 Following review and analysis of the bid submissions, and based upon the previously advised bid evaluation criteria, four of the bidders were selected for Interview on 12 November 2014.
- 3.2 During the Interviews one of the bidders presented a new increased offer. As a result the continuing bidders were advised of the situation and were asked to consider whether they wished to revise their offers, submitting the same by 19 November 2014 – one week after the interviews.
- 3.3 Savills, the Council's appointed agent, gave their advice and recommendations and scored the submissions based upon the advised evaluation criteria which identified the highest scoring bidder. The same bidder also provided the highest financial bid.
- 3.4 Following consideration by the Office Accommodation Project Executive Group on 8 January 2015, it was agreed that their preferred bidder for Knowle Site would be the highest scoring bidder and that they should be awarded an Exclusivity Period to enable their carrying out of a due diligence review including any further investigations and pre application discussions with the LPA .
- 3.5 Following the period of exclusivity the successful bidder has confirmed the financial level of their bid and discussions regarding the draft Heads of Terms are in progress.
- 3.6 It is noted that the final bids were received on 19 November 2015, thereby falling within three months of the last valuation of the Knowle.

C. Relocation Project Audit

- 4.0 In pursuance of the direction from Full Council in Dec 2014, two audit exercises were commissioned to give independent assessment of the processes, modelling and assumptions within the relocation project. Members have sought such analysis to provide reassurance that the non-financial strategic and operational reasons for relocation are supported by robust cost calculations.
- 4.1 Attached at Appendices 1 and 2 are the documents from SWAP and Grant Thornton respectively. The former is a clear endorsement of the conduct and management of the relocation process including decision making structures, governance arrangements,

level of expertise, risk and budget management, communication. Within the overall endorsement of the Council's project governance structure and management, SWAP has identified three specific opportunities to sharpen procedure. These have been discussed with the Deputy Chief Executive and action agreed to resolve. SWAP have been keen to point out that governance is working effectively and action has been agreed with the Deputy Chief Executive to action the three improvements.

- 4.2 Following Full Council in Dec 2014 Grant Thornton, EDDC's independent external auditor, was commissioned to review the Council's modelling and assumptions informing the detailed costings of relocation including project management, design and office development. Grant Thornton also commissioned a firm of cost consultants, Gleeds, expert in new office development projects to advise on cost assumptions made. The outcome is identified within Appendix 2. Grant Thornton have worked with the Council's Strategic Head of Finance and Relocation Project Manager to model project costings. Financial figures used in this report and its appendices have been processed through the approved model.
- 4.3 The final outcome of the modelling has not altered the recommended Option as advised to Members at the Members Briefing of 3 December, Cabinet 3 December and Council 17 December 2015. The Model has identified an improved financial situation.

D. Relocation Financing

- 5.0 The Council has decided that it wishes to relocate and that a twin site approach involving Honiton and Exmouth offers significant benefits in service delivery, future resilience and flexibility.
- 5.1 The Council also wishes to be assured that the cost of relocation is acceptable, will not involve adding further to the Council Tax and makes sense compared to the alternative costs of remaining at the Knowle in terms of financial and operational considerations.
- 5.2 The Cabinet Report submitted to the December Cabinet identified summary figures from the Relocation Managers Site Options Cost Value Reconciliation Document. This document had been originally used to identify the numerous potential site options throughout the process. The document had progressively evolved and been updated as Members decisions were advised and greater certainty became available. With the commissioning of Grant Thornton and from discussion with them, there was sense in asking Grant Thornton as part of their audit process to provide a Model which would enable the effect of numerous differing sensitivities to be understood. This ability is of particular use when considering differing levels of criterion to ensure the business case is robust. Further, it is anticipated that the Model could be used during the future project processes to ensure the viability of the project is understood, and it could also enable comparisons between Knowle (Current Base) and Knowle (Do Minimum) if required.
- 5.3 As part of the Audit Process, Grant Thornton were asked to benchmark the Council's cost assumptions within the business case. For this element they engaged Gleeds, specialist management and construction consultancy, who reviewed in detail such assumptions. They also provided both a commentary and suggested a number of recommendations that were subsequently considered by the Council. For example Gleeds initially identified that they considered the construction costs based upon a rate per m² to exceed the benchmarked upper quartile costs advised within the BCIS data. However, following receipt of these comments, the Council confirmed that the construction costs had been based upon recent tender received by Aecom for similar type office development in the region. This is acknowledged in Gleeds report. Further it was also noted that the rates used were considerably below the highest costs identified within the BCIS data.

- 5.4 Gleeds also identified several particulars within the Council's construction and annual running costs which have been subsequently reflected upon by the Council. After careful consideration the Council instructed Grant Thornton to revise their Model to incorporate the following amendments initially suggested by Gleeds;
- Contingency. Gleeds had recommended that potentially excess caution was being exercised and advised that they would expect to see this set in the range 10 – 15%. The Council's business case had been based on a 20% contingency allowance. It was acknowledged that rates used were based upon actual tenders received within the region rather than building price book rates such as SPONS, As a result the level of cost certainty had increased from the earlier version of the business case, therefore, a level 15% for new build was agreed as being appropriate. It is noted, however, that for the refurbishment type work the level of contingency was maintained at 20% due to the potential unknown nature of the buildings being considered and thereby risk of additional work / cost being required.
 - Energy cost savings based on a BREEAM Excellent standard. The Council's business case did not allow for any further savings for energy beyond that already allowed for the BREEAM Very Good standard. This was because there is no actual design at this time for the new Office. Gleeds suggested that a modest improvement of 5% should be allowed. Following consideration by the Council, this improvement has been incorporated by Grant Thornton into their Model
 - Lifecycle Costs. The Council's business case did not include all allowances for Lifecycle Costs – although planned and reactive maintenance and similar costs had been included. The reason for this approach was because the Council does not currently allow for any Lifecycle costs associated with Knowle and, therefore, the business case would potentially appear unbalanced. Again, the Council have reflected on this advice, and as a result instructed Grant Thornton to incorporate Lifecycle Cost allowance within their Model.
- 5.5 Within the Council's business case the future cost of energy had been based upon historical data published by the Department of Energy & Climate Change (DECC). This has been challenged and so the Council looked again at this aspect of running costs. External independent advice had been sought and, following review it was recommended that the Council should also consider incorporating the advised energy cost as identified within DECC's Updated energy and emissions projections 2014, dated September 2014. Consequently, Grant Thornton included this update within their Model.
- 5.6 Grant Thornton's Financial Model for the Council's office relocation project and benchmarking exercise of cost assumptions is attached within Appendix 2. The key findings are;
- That the betterment over a 20 year period associated with Annual Running Costs is between £5.45m and £5.95m when the several New Office options (Exmouth and/or Honiton) are compared to Knowle (Current Base). For example this includes a reduction in electricity costs of between £1.8 - £1.96m during this period when the New Office options and Knowle (Current Base) are compared. A full break down of the respective Annual Running Costs over a twenty year period is attached at Appendix 3.
 - The Total Net Council Cash position when compared to the Knowle (Current Base) advises of a credit of between £1.21 - £2.82m for the Heathpark

Options, whilst for the Knowle (with Essential Repairs) there is a cost of £3.88m. A summary of the total cost by Option is identified below. Further particulars are also included within Grant Thornton's Report.

- Total Costs by Options;

Option	Knowle – Current Base	Knowle – Do Minimum	Heathpark – 2,776 m2 Office and Refurb Exmouth TH BREEAM Very Good	Heathpark – 2,776 m2 Office and Refurb Exmouth TH BREEAM Excellent	Heathpark – 3,352 m2 BREEAM Very Good	Heathpark – 3,352 m2 BREEAM Excellent
Capital Expenditure Less Capital Receipt		(2,555,818)	(2,221,455)	(2,613,790)	(2,603,553)	(3,064,727)
Operating Expenditure Betterment		240,591	5,950,552	5,926,470	5,481,578	5,455,182
Debt Charges		(1,566,129)	(900,630)	(1,033,590)	(1,013,167)	(1,177,519)
Total Net Council Cash Position vs Knowle Current Base		(3,881,356)	2,828,467	2,279,090	1,864,858	1,212,936
Ranking		5	1	2	3	4
NPV		(1,896,903)	1,060,637	809,825	644,304	346,137
Ranking		5	1	5	3	4

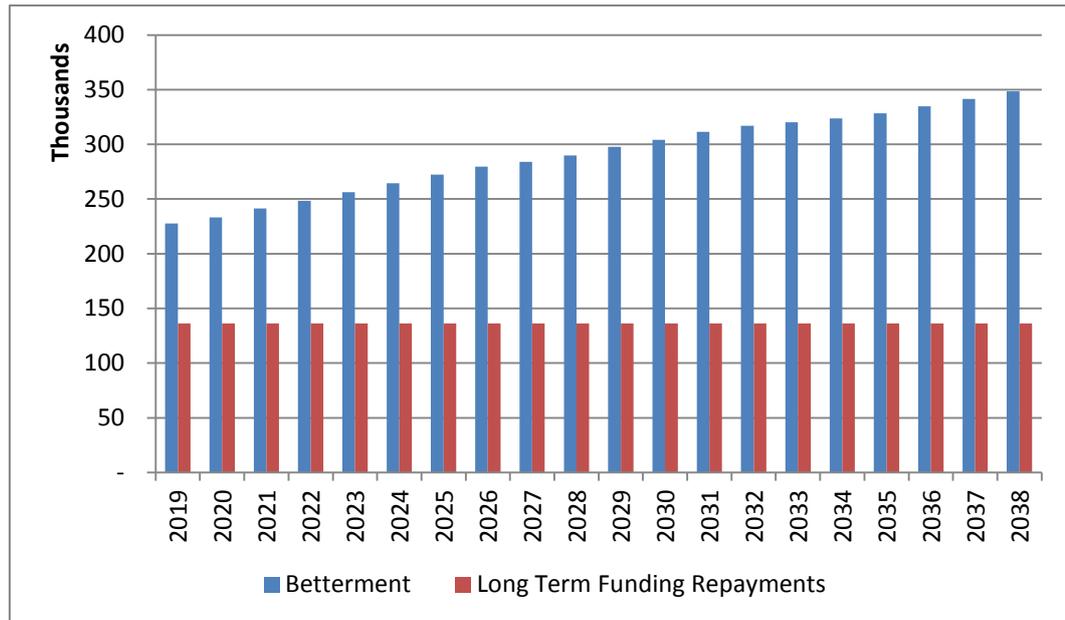
Red figures in brackets equal negative amounts.

- As shown from the sensitivities the total Construction Costs, would have to increase by at least 42% before the New Council Cashflow under the Do Minimum option becomes comparable. This is equivalent to a contingency of 60%.

- 5.7 It is noted that Grant Thornton have within both their Cashflow Analysis and the Net Present Value Analysis indicated that the Heathpark 2,776m2 BREEAM Very Good option, which includes refurbishment of Exmouth Town Hall, represents best value from a financial perspective compared to the Knowle Do Minimum scenario based upon the stated assumptions. Indeed it can be further observed from the table above that all the Heathpark Options are viable.
- 5.8 If the Heathpark 2,776m2 BREEAM Very Good option is chosen, it is advised that the Council will be required to fund the Project on a long term, 20 year basis, on a loan of £2.1m from the PWLB or similar.
- 5.9 However, the Betterment achieved when compared with the Knowle Current Base, is in excess of the long term funding repayments, as demonstrated in the bar chart below. Further, it is anticipated that the Betterment will continue to increase, whilst the long term funding repayments cease after Year 20.



Betterment over long term funding repayment:



5.10 As mentioned earlier, it is proposed that the Model will be kept updated during the course of the project. It is anticipated that this will provide Members with comfort and reassurance. In addition the project programme incorporates a number of Gateways (as shown in Appendix 7 to the report) at which time the Members Executive Board or Cabinet and Council (depending on the particular Gateway) are able to reflect and confirm their opinions.

5.11 For instance Gateway Nr 7 occurs when (as anticipated by the programme) the Knowle Developer has received Planning Approval, the Heathpark New Office (with Exmouth Town Hall if applicable) has received Planning Approval and tenders for the Councils New Office (with Exmouth Town Hall) have been returned. At this time Members will then be aware that the Developers contract is unconditional, that the Planning for the New Office (and Exmouth Town Hall if applicable) is acceptable and that the level of the returned tenders is within the budget allowances. With this high level of certainty Members would be able to consider their final stage of the Project to proceed with confidence.

E. Appropriation of land

Legal Background

6.0 In pursuance of the Council’s desire to relocate and to be able to take forward Knowle Site for development it is necessary that the Council agree to dispose of land. The Knowle Site is currently held pursuant to the Public Health Act 1875. The Council is obliged use this land for the purposes specified in that Act, namely, for use ‘as public walks or pleasure grounds’. It is recommended the Council appropriate the land to an alternative purpose (i.e. change the purpose for which it is held) since if redevelopment of the Knowle Site goes ahead this area will no longer be a public pleasure ground. Your Legal team’s advice is that the land should be appropriated to a housing purpose pursuant to the powers of Section 122 of the Local Government Act 1972 (“LGA 72”). This section allows land owned by the Council to be appropriated to any purpose for which the Council is statutorily authorised to acquire land (subject to the requirements as set out below). Section 17(1)(a) of the Housing Act 1985 (“HA 85”) permits the Council to acquire land for the purposes of erection of houses (which, for the purposes of the HA 85, would include extra care assisted living units). Finally, Section 32 of the

HA 85 permits a Council to dispose of any land held by them under Part II of the HA 85 (which includes Section 17). Such a disposal must have the consent of the Secretary of State, which, in the circumstances of this particular situation, is automatically given by The General Housing Consents 2013 issued on 26th February 2013 by DCLG, subject to the requirement to obtain market value. Any disposal pursuant to Section 32 HA 85 may be effected by the granting of an option to purchase the freehold (or any other interest) in the land and the subsequent completion of the disposal is also covered by the Secretary of State's consent.

- 6.1 In summation of the above principles, the Council currently holds the Knowle Site for public health act purposes. It is recommended that the Council changes the purpose for which the whole of the Knowle Site is held by appropriating it to a different use and Section 122 LGA 72 presents a suitable mechanism to achieve this. The Council is empowered to acquire (and thereby also appropriate) land for the purpose of the erection of houses. Once appropriated to that purpose, the Council then has the power to dispose of the freehold of that land, for example by way of the granting of an option, under the General Housing Consents.
- 6.2 There are legal requirements that apply in respect of the intended appropriation and disposal and which need to be considered and adhered to. Section 122 LGA 72 makes it clear that a Council may only appropriate land from one purpose to another where three conditions are satisfied, namely;
 - (1) The land must belong to the Council,
 - (2) The purpose for which the Council is appropriating the land must be authorised by statute, and
 - (3) The land must be '*no longer required for the purpose for which it is held immediately before the appropriation*'.
- 6.3 The Council owns all of the Knowle Site and, as set out above, the proposed appropriation is effectively authorised due to the powers within the HA 85. Consequently the remaining consideration for the Council is that it must be satisfied that the whole of the Knowle Site is no longer required for the purposes for which it is held under the Public Health Act 1875 namely, use '*as public walks or pleasure grounds*'. The Courts have considered the approach to be taken in applying this test (see R (Maries) v London Borough of Merton [2014] EWHC 2689 (rehearsing the principles of Dowty Boulton Paul v Wolverhampton Corporation 1973)) and they confirm that the following principles apply, namely:
 - (1) that it is for the local authority to determine (subject to *Wednesbury* unreasonableness principles) whether land is still required for a particular purpose, in the sense of no longer being *needed* in the public interest of the locality for that purpose;
 - (2) it is the relative needs or uses for which public land is held that is relevant and it is not necessary for land to fall into disuse before it may be appropriated, and;
 - (3) an authority is entitled when exercising the appropriation power to seek to strike a balance between comparative local (public interest) needs and the possible alternative use of land with the wider community interests at heart. It is for an authority to keep under review the needs of the locality and is entitled to take a broad view of local needs.
- 6.4 The above confirms that provided the Council is able to demonstrate the purpose for the appropriation and that all relevant considerations have been taken into account then it will be solely for the local authority to determine whether or not the land is required (meaning needed) for the purpose for which it was held prior to the appropriation.

Further, in determining whether the land is needed for the existing purpose, it is entirely permissible to take a broad view of the local (public interest) needs when balancing the comparative and competing wider community needs as against the local (public interest) needs.

- 6.5 With regard to disposing of the land, Section 123 LGA 72 requires the Council not to dispose of the land *'for a consideration less than the best that can reasonably be obtained'*. Essentially this requires the Council to secure best value when disposing of land.
- 6.6 Finally, Sections 122 and 123 LGA 72 require the Council to advertise of its intention to appropriate / dispose of any land which amounts to 'open space' (as defined by that Act) and take into account any representations received when taking the decision whether to appropriate / dispose of it. The Council is of the opinion that part of the area to be appropriated and disposed of comprises 'open space'. Accordingly, and as required by Sections 122(2A) and 123(2A), the Council published notice of the intention to appropriate / dispose of such land in the Sidmouth Herald for two consecutive weeks – the adverts appearing in the papers published on 20th January 2015 and Thursday 5th February 2015. Plans showing the extent of the 'open space' the subject of these notices is contained at Appendix 5. In response to these notices the Council has received 140 objections (including 1 submitted after the deadline which has still been considered). Those objections are summarised under appropriate headings in Appendix 6.

Comment on consultation responses

- 6.7 Before considering specifically the question of appropriation and the application of the relevant tests set out above, it is necessary to address some of the objections received. A significant amount of what is said is not relevant to the issue of appropriation (or indeed disposal). So dealing with the concerns under the same headings as set out in Appendix 6;
- 6.8 **'Intended Future Use'** - clearly these concerns relate to the actual future use of the land. While they may be of concern to the correspondents, they are more appropriately dealt with in connection with any future planning application for such a use. They do not bear directly on the question of whether the land is needed for its current purpose. That said the proposed developer of the site has indicated that they would wish to fit with and treat sympathetically features such as the terraces. However such detail would need to be dealt with through the planning process. Moreover the path from the main entrance, up past the buildings and down to the Knowle Drive access together with the access higher up Knowle Drive to the rear of the offices running into the parkland should remain (it is the Council's intention to secure this as part of the Heads of Terms to be agreed with the developer), thereby ensuring a continued pleasant and safe route into Sidmouth.
- 6.9 **'Planning'** – the issue of the decision taken by the Development Management Committee in the sense of intrusion into designated open space is addressed elsewhere. However it should be remembered that that decision related to a specific application and moreover that application included additional parcels of land (particularly an area of land to the south by the access onto Knowle Drive) for development. Therefore the decision itself is of little relevance to the current considerations. In any event, the proposed developer will need to secure planning permission for the development and therefore all relevant planning issues will need to be addressed / considered at that time (including Policy RE3 of the adopted Local Plan – should it still be relevant – and Strategy 32 of the emerging Local Plan together with paragraph 74 of the NPPF). It is not necessary to have secured planning permission prior to appropriating any land, although it is something that could be done. However,

given the allocation in the emerging Local Plan, it is considered that it would be acceptable to proceed on the basis of an option to purchase (as permitted by the HA 85) and should the planning permission be refused and the site not ultimately allocated in any emerging Local Plan then it would be possible to appropriate the land to a different purpose, which could include (if determined appropriate) reversion to its current purpose.

6.10 'Procedural matters' – there is much criticism of the Council and its approach to this matter. In answer to the concerns raised;

- The Council has complied with its statutory obligation of publishing notice for two consecutive weeks in a paper circulating within the locality of the land. It is not necessary for the paper to circulate within the whole of East Devon, the requirement is for it to be in the locality of the land, which was done. There is no requirement stipulated for the size of the adverts.
- There was no statutory requirement to consult Sidmouth Town Council although they were aware of the notices as they have made comments on them.
- The statutory framework allows the Council to take decisions on matters where it has a vested financial interest and so it cannot be criticised for so doing.
- As the land is within the ownership of the Council it is entitled to appropriate / dispose of land provided it has the statutory powers to do so, which it does, irrespective of the basis upon which the land was acquired by the Council.
- Officers have reviewed the comments made (as appended to this report) and have taken them into account in writing this report. The decision whether to appropriate or not is being taken by Members and not by officers and they too will be taking into account the comments made. Accordingly there can be no suggestion that the decision is being taken behind closed doors. Officers have carefully weighed up the issues, as will the Members, and so provided the appropriate balancing exercise is done, there can be no complaint of ignoring or riding roughshod over people's views.
- The claim that some land not shown on the notice plans should have been included is misplaced. That land forms part of the depot but failing that it is not viewed as open space within the definition. In any event, should it be viewed as forming open space, given that the remainder of the open space was advertised, it is not viewed that this should prejudice the appropriation as the intention was well known and publicized.
- The matter is to be looked at by Overview and Scrutiny before Full Council takes its decision.
- There is no mechanism for the decision whether to appropriate or dispose to be taken by an independent body and provided the Council acts reasonably and in accordance with the statutory framework, it is entitled to take such decisions.
- The Legal team advises the Council on its obligations and duties and not specifically to protect open space. The involvement of the Legal team is entirely appropriate, given the nature of what is proposed.
- The political convention not to take a sensitive decision only applies when 'purdah' commences and the timings of this decision do not co-incide with purdah. Accordingly there is no reason not to take the decisions now.
- An independent auditor (in fact two of them) have been appointed to consider this matter (in respect of financial and procedural issues) and their observations are reported elsewhere in this report.
- The LGA 72 and the relevant sections are still in force. Equally, this is not an appropriation to which the provisions of the Town and Country Planning Act 1990 apply.
- Concerns over changes to the allocation boundary that occurred during the Local Plan process are not relevant to this decision.

- Equally concerns over statements made by the planning consultants commissioned by the Council are not relevant to this decision – that solely relates to the intended purchaser but in any event it is expected that they have sought their own planning advice.
- Finally, the decision to appropriate / dispose does not affect the outcome of the public rights of way inquiry happening later this year. If the order is ultimately confirmed then the rights of way will be registered, irrespective of the appropriation / disposal of land.

6.11 In light of the foregoing it is not considered that the Council will be acting *ultra vires* on the basis of the concerns as set out in that section.

6.12 ‘**Other**’ – the requirement to return the car parks / depot to former use when no longer required does not affect the ability to appropriate the land to a different purpose. The suggestion of the three steps to be satisfied prior to appropriation would be permissible but it does not alter the legal tests necessary to effect appropriation. Similarly, the fact Local Government structures may change in the future does not preclude a decision on appropriation being taken now. The desire to seek a retention of some land as a ‘green wedge’ does not go to the statutory tests required to be considered. It is acknowledged that more land than shown on the notices is to be sold but that is because the notices are only required in respect of the ‘open space’ which is a smaller area.

6.13 The other comments under the headings ‘**Loss of Open Space**’, ‘**Impact of loss**’, ‘**Other Environmental Concerns**’ and ‘**Economic Concerns**’ are covered in the comments further below.

Consideration of appropriation test

6.14 In terms of appropriation of the Knowle Site the critical question for the Council to consider is whether the land is no longer needed, in the broad sense of the local (public interest) needs for public walks or as pleasure grounds. In considering this it is worth bearing in mind the following pieces of information when undertaking that assessment;

Figures to consider;

- The whole of the Knowle (so including offices and parkland) comprises 5.4052ha.
- The total area to be appropriated / disposed of comprises 1.8856ha.
- Of that 1.8856ha, only 0.7764ha comprises an area that is available as public walks / pleasure grounds (being the 0.6030ha of identified open space and the access road).
- The corollary of this is that of the land being appropriated / disposed of 1.1092ha is not currently available for those purposes, comprising either car parks or the office buildings and its immediate environs.
- This means that there will remain for use as parkland 3.5196ha.
- The above figures mean that in terms of total area 34.88% of the whole of the Knowle is being appropriated. However, in light of the current use of the car parks and office buildings, the actual amount of land being ‘lost’ from public use equates to only 14% of the useable parkland (this percentage includes the road / access area).
- This 14% can be further reduced when one considers that the 0.6030ha encompasses steep banks, roadside grass verges as well as unattractive areas (for example the land to the west of the office buildings) that are not realistically used by those visiting the parkland to any great extent.

- Policy RE1 of the Local Plan only applies to 3.63ha of the parkland and therefore the Open Space Study only relies on this figure in the calculation. The amount of land to be appropriated that is subject to Policy RE1 is 0.354ha.

6.15 In 2013 the Council carried out several snapshot surveys of usage across a number of parklands in the district. In terms of the recorded numbers of users of the Knowle parkland, and while acknowledging that this represents snapshots in time rather than sustained surveys, the following figures demonstrate the level of usage;

	Wednesday 13 th March 2013	Wednesday 17 th & Thursday 18 th July 2013	Thursday 12 th December 2013
Manor Gardens, Exmouth	1014	2908	911
Connaught Gardens, Sidmouth	515	1535	312
The Byes, Sidmouth	860	1408	678
Seafeld Gardens, Sidmouth	134	325	170
Knowle, Sidmouth	57 (and 52 EDDC staff)	30 (and 62 EDDC staff)	26 (and 48 EDDC staff)

6.16 The Knowle Site does not need to be in disuse, so the fact that it is actually used does not automatically mean that is needed in the sense of the statutory test. Put another way, the fact that it is still used would still allow the Council to appropriate it if the community needs outweighed the local (public interest) needs. It is clear that part of the Knowle Site is used by members of the public, however the level of usage is low compared to other parks that EDDC own / manage. In addition the majority of the land to be appropriated, while held under the Public Health Act 1875, is not effectively available for such use, being covered in built form or used for car parking. This results in the actual amount of land to be 'lost' from the allocated purpose actually being quite small (14%) in comparison to the amount of parkland retained and even that figure is the upper amount of useable space, which will be lower due to areas being included which are not actually used as such or are not attractive for use. While it is therefore acknowledged that some useable space will be lost, it is not considered that the relatively small area to be lost will in anyway jeopardize the high quality amenity value and appearance of the remainder of the parkland nor the ability to enjoy the space remaining. The remaining land will retain its amenity value and will still present an attractive and highly useable space. Officers do not consider that the loss of this, relatively small area of useable space, will spoil the ambience nor detract from the overall character of this part of Sidmouth. For the same reason it is not viewed that the attractiveness of the town to tourists will be adversely affected by the appropriation.

6.17 Specifically looking at the issue of Policy RE1 of the adopted Local Plan. This policy does not designate or allocate land as open space. Rather it sets out a policy basis for the avoidance of loss of such space (amongst others). Accordingly while some of the land may be shown as being subject to Policy RE1, it would be up to the proposed developer to ensure compliance with Policy RE1 and, to the extent necessary, provide any alternative or replacement open space. However that ultimately is a matter for any subsequent planning application to address. It should be noted that only 0.354ha of the area to be appropriated / disposed of is subject to Policy RE1.

- 6.18 The Council's Open Space Study Review 2014 shows that Sidmouth has 1.75ha above the minimum open space standard for Parks and Recreation Grounds for a settlement of Sidmouth's population. The Knowle parkland is included in the Open Space Study under the Parks and Recreation Grounds typology. Concerns have been raised that The Byes has been included within the calculation and if you were to remove it then there may be under provision. This was an issue raised when the planning application for the Knowle was considered in 2012/13. Following this, the Council undertook the Open Space Study Review 2014 which amongst other things specifically considered the designation of The Byes. Through this process, a large amount of The Byes that had previously been designated as Parks and Recreation Grounds was re-designated as Natural and Semi-Natural Greenspace to more accurately reflect its usage and management by the Sid Vale Association. This (along with other changes in the Review) significantly reduced the amount of Parks and Recreation Grounds from 7.33ha above the minimum standard to 1.75ha above the minimum standard. The remainder of The Byes was considered to be appropriately designated as Parks and Recreation Grounds. The Parks and Recreation Grounds figure for Sidmouth therefore now only includes the appropriate area of The Byes. Accordingly, should the 0.354ha subject to Policy RE1 be lost there would still be an excess of 1.396ha when judged against the assessment criteria.
- 6.19 It should also be remembered that the Council is prepared to offer the remainder of the parkland back to Sidmouth Town Council thereby alleviating residents concerns about the future of the parkland.
- 6.20 The relatively small area of land to be appropriated, it is considered, will not adversely affect wildlife concerns. There will remain a significant proportion of the parkland to act as habitat and wildlife corridors. Concerns over bat protection will be dealt with as part of any future planning application. Similarly with respect to trees, they would form part of the consideration of any future planning application.
- 6.21 Turning to look at the economic issues that are raised.
- 6.22 The Council currently resides in a building that is over twice the size that it needs. For its effective and cost efficient future operation the Council needs significantly smaller office accommodation that is fit for the future and affordable to operate with costs that are low and predictable. It is an operational decision of the Council to relocate and this requires the sale of an identified development boundary on the site including the small amount of open space as advertised. Whilst economic impact of relocation overall is positive for the district the potential loss of local employment was a reason cited by the Development Management Committee for refusal of the original outline planning application. This is a matter that will be addressed in a future planning process.
- 6.23 The financial modelling detailed previously in this report compares the options and identifies the cost effectiveness of relocating. Moving from the Knowle site over a 20 year period would save the Council operating costs of £6m. To meet the additional cost of remaining at the Knowle would place pressure on other budgets of the Council including spend on staffing, contracting and services. Reduced spend from staff wages, reduced local purchasing of goods and services and reduced investment in the district generally by the Council will have a widespread and detrimental effect on the district as a whole. The relocation of the Council will remove Council jobs from Sidmouth and relocate them to Honiton and Exmouth. The economic benefits will be retained in East Devon so there is no loss in economic impact for the district as a whole, indeed with additional jobs at the Knowle there is likely to be a net increase. When compared to the loss of a small proportion of the Knowle open space, we can

reasonably conclude that the economic wellbeing of the district, both residents and businesses, should take priority.

- 6.24 With the creation at the Knowle of a retirement and extra care living facility for over 100 people (potentially including restaurant, spa and other facilities) there will be the new local spend and jobs created within those facilities therefore the Council's relocation and sale of the Knowle site overall is likely to deliver increased spend and employment in the district. The older demographic of Sidmouth in particular and the district as a whole suggests that such a facility will also be meeting a local need.
- 6.25 The Council has determined that it wishes to relocate from its current offices and is recommended to do so elsewhere in this report on the basis of financial and non-financial considerations. Were the Council to relocate or remain at Knowle its operational model relies less on full time office based staff and more on a mobile approach. If the Council is constrained to maintain large and ageing accommodation then the cost factor is likely to impact further on overall finance including the need to reduce staff numbers and purchasing power which will have a direct economic effect on local and district-wide economy. To enable the Council to best use its future budgets and maximize benefits to the district as a whole it is comparably reasonable to dispose of a small amount of land at Knowle.
- 6.26 There are additional potential economic positives and mitigations for Sidmouth. The construction of housing and / or a retirement and extra care complex will involve construction and the potential for local contractors, construction workers and supply of goods and services. The end use of the facility will also require supply of goods and service as well as providing jobs and resident spend in the local economy eg care, personal services, repair and maintenance. The District Council would also be spending several £millions on a new office building and modernisation of existing office space in two locations elsewhere in the district. The overall economic impact in the district is therefore positive in both construction and end use.
- 6.27 Sidmouth's business community was previously concerned about the economic impact of losing the lower car park at the Knowle which has provided free weekend parking for the town. The car park will be offered to Sidmouth Town Council along with the remaining parklands.
- 6.28 It is also worth remembering the Council's transformation strategy and goal for future resilience and flexibility in working patterns and service provision and delivery. Sections A.1.0, 1.2 and 1.4 of this report provides more detail on this aspect.

Conclusion on appropriation

- 6.29 While there are local users of the parkland and there are people concerned about the loss of some of the parkland, the area of useable parkland that is to be lost is relatively small compared to the area that is to be retained (and offered to Sidmouth Town Council together with the lower car park). Further the area of parkland as a whole is according to a number of counts carried out by the Council, used less compared to other parks / gardens (those listed above) and indeed much of the areas to be appropriated, it is considered, is not well used at all. Accordingly the loss of the relatively small area to be appropriated will not result in any detrimental impact in terms of provision or quality of open space in the parkland. Additionally, it is felt that appropriating the Knowle Site will not affect the character, amenity or enjoyment of the remaining parkland which will remain available for use.
- 6.30 In terms of the wider interests, the appropriation of the Knowle Site will ensure that the Council is able to mitigate against increasing operating costs incurred by staying at the

Knowle. To find such increased costs would invariably impact on the provision of services, contracting for services and employing staff and / or result in increased Council Tax to offset the additional costs. While the jobs lost from Sidmouth will be retained with East Devon, there is, in any event, likely to be a net gain of jobs within the district which will continue to support the local economy of Sidmouth and the district.

- 6.31 In addition the disposal of the Knowle Site will help the Council deliver its transformation strategy to enable future resilience in both financial terms and service delivery.
- 6.32 When compared to the loss of a small proportion of the Knowle, we can reasonably conclude that the economic wellbeing of the district, both residents and businesses, should take priority. So having balanced the comparative and competing local (public interest) need against the wider community need it is considered that the Knowle Site should be appropriated from a purpose under the Public Health Act 1875 to a housing purpose under the HA 85.

F. Disposal of land

- 7.0 As noted in the section above, it is necessary to demonstrate that in disposing of land pursuant to the HA 85, that the land is being disposed for market value. The final written offers were received on 19th November 2014 and were therefore within the three month period required to establish this requirement. There 'market value' is being obtained for the Knowle Site.
- 7.1 The report demonstrates (in Sections A & B) that the sale of the Knowle Site represents best value following an open market tendering exercise and that therefore the requirements of S.123 LGA 72 are also satisfied.
- 7.2 In determining whether to dispose of the Knowle Site, Members are advised to consider the comments that have been received (as set out in Appendix 6). Officers consider that the issues raised are appropriately addressed in sections 6.7 & 6.13 of Part E above.

G. Summary

- 8.0 This is a public report that details the non-financial and financial reasons, together with the legal basis, that validate the Council's decision to leave the Knowle and move to twin sites in Honiton and Exmouth. The recommendations reflect the extensive detail and advice in the report on the necessary actions and decisions required to agree to appropriate the Knowle Site to an alternative purpose and dispose of that land thereafter. The final decision will be made by Full Council.
- 8.1 The Council has now been given the independent audits of its governance, modelling and assumptions across the office relocation project. Members have previously agreed that they want to leave the Knowle site in a manner that is cost effective and does not add to the Council Tax bill of East Devon's residents. An operationally and financially viable solution exists in term of Honiton and Exmouth that makes the council fit and flexible for the future in a way that the Knowle is unable to do.
- 8.2 This is a significant and sensitive decision for the Council to take. EDDC is not a Council that shies away from major decisions. There will be big decisions as we meet the challenges of the future and deliver on our transformation plans. This is a key moment in the Council's evolution and the point where EDDC takes responsibility for its future rather than waiting for change to happen to it.

SWAP RELOCATION AUDIT – EXECUTIVE SUMMARY

Purpose of Report

The Corporate Governance Framework sets out the systems and processes, cultures and values, by which the Council is directed and controlled, and through which they account to, and engage with stakeholders. The purpose of this review is to look at the Relocation Project's key decision making processes within this structure.

Summary of results

Through discussion with officers and examination of relevant documentation it was established that a suitable level of governance arrangements have been put in place for the Relocation Project.

Overall, our review found the expected governance arrangements to be in place and working effectively, with only 3 areas for improvement identified. These points have been discussed with and accepted by management as follows:

- 1) Although evidence was seen of the Council's intention to have a Terms of Reference for the Officer Working Group, no formal record of this was found at the time of the audit. There are no concerns over the effectiveness of the Officers Working Group or the decision making processes within it. The structure and operation of the Group reflects and supports the Executive Members Group, (where a Terms of Reference had been formally agreed and documented.)

Management have agreed to formally approve the Terms of Reference of the Officer Working group at the next meeting.

- 2) The Monitoring Officer advised that the minutes of the Executive and Officer Working Group should be assessed at the point they are approved to consider the appropriateness of making them available publically. It was not clear from the minutes of these meetings whether this had been formally implemented.

Management have agreed to formally consider the appropriateness of releasing minutes into the public domain at the next Officer Working Group meeting.

- 3) The Council has responded to queries and requests for information whether raised through the Freedom of Information route or directly to officers. For the later to continue, the Council has recognised that a formal structure needs to be in place to guard against duplication of resource and ensure the information is shared appropriately.

Officers involved in this review were found to be candid and transparent in their responses to requests for information from us, and are thanked for their prompt cooperation.



Council Office Relocation Internal Audit Assurance

South West Audit Partnership

Date of last revision	16 February 2015
Auditor	Andrew Ellins/ Moya Moore
Date for next review	N/A

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Council Office Relocation

Management Summary

Project Purpose

Although the detail of the project has evolved over time, the purpose of the project remains largely unaltered. The Council identified a strategic risk in 2011 that the existing office at the Knowle was increasingly unsuitable, both in terms of maintenance and management costs of the building itself, and the restrictions it placed on improvements to service delivery, performance improvement and modern efficient working practices.

The aim of the project has therefore been to relocate the Council to more suitable premises. This is defined in the Project Programme as; "EDDC Office Relocation to a new purpose built office for 170 desks at Heathpark Honiton and refurbishment of Exmouth Town Hall to provide 80 desks". From the outset it has been clear that the current site at Knowle will be sold to fund the new offices.

Audit Objective

The objective of this audit is to independently review the Relocation Project's key decision making process which falls within the Council's Corporate Governance Framework.

Conclusion

Through discussion with officers and examination of relevant documentation it was established that a suitable level of governance arrangements have been put in place for the Relocation Project.

Governance Structure

Corporate Governance Framework

The framework sets out the systems, processes, cultures and values by which the Council is directed and controlled and through which they account to and engage with stakeholders. The Relocation Project is subject to the same principles and processes and have developed an appropriate governance structure as follows:

- Officer Working Group

This officer lead group is made up of key members of staff with the experience and expertise to consider and challenge the viability of options laid before them by the Project Manager and Deputy Chief Executive. Key documents examined in these meetings are the Project Manager's Notes and periodic Progress Reports. The meetings are formally minuted. Standing agenda items ensure that all relevant areas are covered in these meetings, which take place approximately monthly. The content of these meetings is part of this review (see Audit Findings pages 3-7 below).

- Executive Members Group

Following examination by the Officer Working Group, proposals are passed to the Executive Members Group for formal consideration. A Terms of Reference exists for this group and the meetings are minuted. The Group is made up of 4 Council members, and other key officers. They review the proposals of the Officer Working Group and make a decision based on the information provided by the officers.

- Cabinet

The Cabinet receives the recommendations of the Executive Members Group. Depending on the sensitivity of the area, it may be discussed under "Part B" if it is exempt from public disclosure under Section 100(a) (4) Local Government Act 1972. Actions arising from the Cabinet meetings are fed back to the Officer Working Group to progress.

Key Decision Timeline

July 2011	Strategic Risk 010-RK-0141 identified– Office Relocation.
10 June 2013	Establishment of the Project.
17 July 2013	Cabinet instructed Project Team to identify potential relocation sites.
27 November 2013	The Cabinet report short listed 5 out of 15 sites for the new office accommodation. It was agreed that another report would be presented to Cabinet prioritising the 5 sites, following detailed analysis. It was resolved that negotiations for the sale of Heathpark should continue and be reduced to 2 bidders. A report on the viability of the sale of Heathpark would be presented to Cabinet in February 2014.
5 February 2014	A report was presented to Cabinet which recommended the sale of Heathpark and the preferred options for the Council Office were set out (Skypark, Clyst House, Winslade Park). The Cabinet recommended the Skypark option to Full Council.
26 February 2014	Further research into the viability of the Council's office relocation options was required by Full Council.
4 June 2014	Cabinet gave Delegated Authority to appoint Savills and for the commissioning of specialist expertise to analyse office relation options specifically in relation to Skypark.
22 October 2014	Closing Date for bids on Manstone and Knowle properties.
12 November 2014	Interviews with selected bidders for Knowle and Manstone.
21 November 2014	Savills provided recommendation report to EDDC on selected bidders for Knowle and Manstone.
3 December 2014	Cabinet received a report highlighting that Skypark is no longer viable and that Heathpark had received reduced bid offers, making it unviable to sell.
17 December 2014	Full Council approve in principal to sell Knowle.
8 January 2015	Executive Member Project Board examine Savills report and identify a preferred bidder who is granted an exclusivity period.

At the current time the Council has offered the preferred bidder a period of exclusivity so that they can carry out necessary investigations and due diligence on the site. The preferred bidder will be required to confirm their bid on 13 February 2015. A recommendation report will then go to the next Cabinet meeting.

Objectives & Risks

Objective: The Corporate Governance Framework sets out the systems and processes, cultures and values, by which the Council is directed and controlled, and through which they account to, and engage with stakeholders. The Relocation Project is subject to the same principles and processes.

The audit objective is to look at the Relocation Project's key decision making process which falls within the Council's Corporate Governance Framework.

Risks:

1. The Project Team fails to take informed and transparent decisions scrutinised and risk managed.
2. The Relocation Project Team fails to engage with local people to ensure public accountability.

Audit Findings

1. Risk: The Project Team fails to take informed and transparent decisions scrutinised and risk managed.

1.1 Reliability of Management Information

The audit approach has been to confirm that the Council has appropriate structures in place to minimise the risk of errors occurring within management information. The Council has taken the following steps to ensure they base their decisions on accurate information:

- The Council has an experienced Project Manager, formally appointed through the Southwest Consultancy Framework, who prepares and maintains a standard suite of documents. These include a project programme, project risk register, project update reports, cost reports. This structure of documents enables officers to easily track information, identify variances and patterns, make comparisons, and identify missing information.
- The Council has devised a suitable structure for monitoring these documents. An Officer Working Group meets at least monthly. Attendance at this group has been reviewed and is considered reasonable, both in terms of the experience and seniority of officers and their participation in the meetings. A standing agenda ensures that all relevant information is covered in the meeting. Relevant information is provided in advance and the notes from each meeting are agreed formally as a true record at each subsequent meeting.
- Any Officer Working Group observations and recommendations are passed to the Executive Members Group for consideration. Several suitably senior officers are also present at these meetings. Although input was received from the Monitoring Officer concerning the governance arrangements of these groups, recommending that a terms of reference was set up for both, this does not appear to have been formally documented for the Officer Working Group (although it has been for the Executive Members Group).
- Where the need for specific expertise is identified, consultants have been formally appointed. The cost of these consultants is monitored by the Officers Working Group. The Council have also made use of their internal audit resources and the SWAP Audit Manager attends the monthly Officer Working Group meetings as an independent monitor of best practice. The Council's Procurement Officer is also present at these meetings and has confirmed as part of this review that he is not aware of any areas of non-compliance with Contract Standing Orders in relation to procurement of expertise.
- Where there are unknowns or variables to consider, the position has been made clear in working papers and Cabinet reports. A sample of these variables was reviewed and no issues were identified regarding their treatment.

In addition to reviewing the Council's structure to monitor and manage the project, a number of cross checks were completed to verify the accuracy of the project documents on a sample basis:

- Project Programme - this document contains references to specific dates where committee reports and working groups met. These could be cross referenced to relevant agendas and minutes.
- Cost Reports - A sample of consultant's costs were agreed to the Councils Finance System, Cedar.
- Project Progress Report - a sample of statements were selected from report No 11 and agreed to supporting records.

- Project Risk Register - a very minor discrepancy was identified whereby the total number of risks did not reflect actual number of risks on the register. This has now been corrected and was not considered a significant error.

Finally, the Cabinet Report on 3 December 2014 included a cost analysis in Appendix 1. The basis of this report was the calculation of floor space at the Knowle. The Council received a query from an external interested party, questioning the accuracy of the floor space calculation. A review was therefore carried out to consider whether the Council took reasonable steps to ensure the accuracy of this figure.

It was found that the figure was provided by an external survey specialist Thomas Lister. They calculated the gross area of existing buildings to be 7722 square metres (the figure used in the cost analysis).

The Council has taken reasonable steps to ensure the floor space figure is correct by employing external survey expertise.

1.2 Collaboration and joined up working

The Strategic Risk Register identified a need to ensure service delivery quality during the office relocation. This is achieved through collaboration of services and projects. It has been recognised from an early stage in the project that there would need to be close working with ICT and HR in terms of evolving working practices and technology. Specific projects which would help achieve this (explained in the June 2014 report to Cabinet) are the mobile device policy roll-out and Open for Business web channel.

This close working can be demonstrated through the close involvement of the Strategic Lead for Organisational Development, Equality and Transformation. She contributes to a standing item on the agenda of the Officer Working Group, as follows:

- Update on strategy, timescales for roll out of council devices for home, flexible and mobile working including phones and DCMS
- Update on Open for Business website project
- EDDC service provision across the District
- Update on the document management project, including confirmation of performance against timescale.

1.3 Expertise

The need for appropriate expertise in relation to the Office Relocation has been recognised by the Council. Two controls relating to expertise have been identified to mitigate the Strategic Risk of office relocation:

- Use of external expertise where required
- Groups in place to lead the project.

The Council has made extensive use of external expertise throughout the project so far in order to access particular skills and knowledge in the following areas:

- Project Management
- Audit
- VAT advice
- Legal advice
- Architectural services
- Land agent services
- Planning services
- Economic Impact assessments
- Marketing.

Procurement of these experts have been monitored and recorded.

As mentioned in section 1.1 above, the Council has developed an internal structure to manage the project. An Officer Working Group is made up of key staff from across a wide range of Council services and includes senior officers. The South West Audit Partnership also attends to provide ongoing audit advice.

This group formally report to the Executive Members Group. This group is attended by 4 Members and the Strategic lead officers.

Attendance at these meetings has been reviewed and is considered appropriate. The Agendas clearly set out who is responsible for contributing what to the meetings.

No issues regarding the quality or level of internal or external expertise has been identified in this review.

1.4 Risk Management

The Council has actively approached risk management from both strategic and operational directions in relation to the relocation project.

Strategic risk 010-RK-0141 "Office Relocation" is monitored by the Senior Management Team on a regular basis as part of their corporate risk management process. The risk was first identified in July 2011. In addition to the Senior Management Team's review of Strategic Risks, the Audit and Governance Committee review all medium and high risks periodically.

The Council's Risk Management Policy required the risks to be reviewed at least twice a year and this can be evidenced as having been done.

Responsibility for monitoring this risk has been assigned to the Deputy Chief Executive.

The risk has been described in the Strategic Risk Register in the following way: "Not relocating would mean the continued high cost of management and maintenance of Knowle Offices. Increasing inefficiency of current accommodation and reducing capacity to deliver improving services, modern working practices and performance improvements. Challenged ability to maintain high quality services and projects in a time of reducing funding and resources."

Nine Controls have been identified to mitigate the strategic risk relating to office relocation and these are considered adequate to mitigate the strategic risk.

An operational project risk register is maintained by the Project Manager (AECOM). The process adopted for monitoring, reviewing and updating this register is set out in the progress reports, for ease of reference by relevant officers. The Project Risk Register is included as a standing agenda item for the Officers Working Group, which meet approximately monthly.

A review of this Project Risk Register found it to be detailed, up to date and user friendly. Scoring and statuses had been applied. The risk was clearly articulated, along with the consequence, action taken and actions planned.

1.5 Records and Minutes

The meetings of both the Officer Working Group and Executive Members Group are minuted, with minutes confirmed as being an accurate record at the subsequent meeting, having been circulated in advance to all relevant officers. Responsibility for minute taking has been assigned to the Secretary to the Deputy Chief Executive. Both the agendas and the minutes of both groups are identified as confidential. Minutes are clearly marked as Draft until such time as they are formally confirmed as accurate.

Cabinet is provided with update reports on a periodic basis, written by the Deputy Chief Executive. The latest was provided on 3rd December 2014. Prior to this there was an update in June 2014, and before that was February 2014.

The minutes of the Cabinet meetings are prepared promptly by Democratic Services. Following the Cabinet Meeting of 3 December 2014, for example, the Knowledge Newsletter dated 5 December 2014, advertised the availability of the minutes. To ensure anything requiring action is acted on promptly, the agenda of the Officer Working Group includes an update from the Deputy Chief Executive.

Where a key decision is identified by the Officer Working Group and confirmed by the Executive Members Group, it is reported to Cabinet.

2. **Risk: The Relocation Project Team fails to engage with local people to ensure public accountability.**

2.1 Monitoring Officer

Although the post of Strategic Lead - Legal, Democratic Services, Licensing and Monitoring Officer is currently vacant, the Council has taken advantage of its close links with SSDC to fill this post as a temporary measure. Although this officer from SSDC is not closely involved in the Relocation Project, the Deputy Monitoring Officer (the Service Lead for Legal Services) is a member of the Officer Working Group.

Prior to leaving, the Council's monitoring officer played an active part in the Project, giving advice on relevant governance arrangements.

Public disclosure of information

A clear desire was expressed by officers interviewed as part of this review, to share information as far as possible with the public. The last two cabinet reports have been published under Part A, making them accessible to everyone.

The Council maintain a web page called "Moving and Improving" which was last updated on 28 January 2015.

The decision to take a report to Committee under Part B (public exclusion) is made by the Deputy Chief Executive, in consultation with the Officer's Working Group members. The Agenda of the Committee Meeting makes it clear that the report will be considered under Part B and confirms the reasons why.

The Council also publishes more detailed guidance on the legislative background to exclusion of information in this way on its website.

A number of requests for information have been made under the Freedom of Information Act, and these are published along with the Council's response for all to see. Freedom of Information requests are monitored by the Officer Working Party.

On 2 occasions, requesters for information under the Freedom of Information have been dissatisfied with the responses received from EDDC. Complaints were made to the Information Commissioner in relation to the project.

In one case, EDDC's decision to withhold information was upheld (July 2013). In the other case, it was only partially upheld (March 2014).

EDDC have gone to Court to defend their decision regarding the partially upheld decision. The request is in relation to the publication of the project update reports (Numbers 1-6), used by the Officer Working Group. The complainant felt that they should be made available but EDDC considers that they contain commercially sensitive information. The case is currently ongoing.

In January 2014 the Monitoring Officer advised the Deputy Chief Executive and Project Manager that discussions with the Information Commissioner in respect of these cases had been helpful in guiding the Council into making appropriate decisions over the availability of minutes and reports. She commented that she was liaising with the Democratic Services Manager to update the committee report template to prompt the author to assess when a confidential committee report may be considered appropriate to put in the public domain.

The Monitoring Officer further advised that it could be appropriate for the same assessment to be made at the time meeting notes are agreed at the Executive and Officer Group. It was not clear from the minutes of these meetings whether this had been implemented. There is a risk that a consistent approach to the publication of Executive and Office Group meeting notes may not be operating effectively.

2.2 Additional Requests for Information

In addition to responding to Individual Access Requests under the Freedom of Information Act, the Council also receives and responds to queries received directly from interested members of the public, (as well as Members). Often, the responses to these queries are necessarily time consuming to collate.

By receiving and responding to queries outside the Individual Access Request scheme there is a risk that work is duplicated where the same query is received more than once. It also means that there is no complete record of queries raised and that transparency is compromised.

Requests submitted under the Individual Access Request scheme would also receive a response within a defined timescale, which cannot be guaranteed through other means.

Financial Model services for the Council's office relocation project and benchmarking exercise of cost assumptions

East Devon District Council

03 March 2015



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Our work has been conducted and our report prepared for East Devon District Council in accordance with a specified set of requirements. Accordingly, any use third parties may choose to make of our report is entirely at their own risk and we accept no responsibility whatsoever in relation to such use.



Glossary of Terms

Due to the technical nature of this review we have included this glossary to explain some of the key terms used.

Term	Description
Additional Council Funding	Contributions to the project by the Council used to cover any cashflow shortfall where Betterment does not fully cover the long term funding costs.
Betterment	Operational savings for each option as compared to the Current Base scenario.
Capex	Capital expenditure on New Buildings and improvements to Knowle.
Cash inflows	Cash receipts to the project. These include sale proceeds from existing buildings and Betterment cashflows.
Cash outflows	Cash payments from the project. These include debt service costs.
Cashflow	The net periodic sum of all cash inflows and outflows.
Council Internal Funding	£1m initial funding by the Council for project costs. This is repaid by short term funding during construction.
Dashboard	Output worksheet included in the Model.
Debt Drawdown	Cash receipt from Debt provider.
Debt Servicing	The payment of debt interest and capital in line with standard loan terms.



Term	Description
Financial Model or the Model	The option appraisal Model developed by Grant Thornton UK LLP.
Inputs (including TB and NTB)	Time Based ("TB") and Non Time Based ("NTB") Input worksheets included within the Model.
Internal Rate of Return or IRR	The return required to provide a net present value of zero
Long Term Funding	Assumed to be a debt repaid on an annuity basis (similar to a mortgage contract with payments covering both interest and principle).
NPV	Net Present Value of future cashflows. The cash equivalent in today's value of future cashflows.
Outputs	Outputs from the Model, included on the Dashboard.
Short Term Funding	Maturity based debt. Short term debt funding used to fund construction costs. This type of debt allows multiple drawdowns on a regular basis. This debt is then repaid via long term funding and capital receipts.
RPI	Retail Price Index.



1. Introduction

1.1 Background

- 1.1.1 East Devon District Council ("the Council") is seeking to dispose of the existing Council office (Knowle) in Sidmouth and complete a relocation to two other sites. The Council, with the support of Davis Langdon / Aecom, has compiled a relocation business case and developed an associated financial model. The relocation business case includes the development of two other Council sites in Exmouth and Honiton.
- 1.1.2 Summary "snapshot" outputs of the Council's financial model were presented during a Members' Briefing on 3 December 2014.
- 1.1.3 This section sets out the scope of our work and the key terms of our report.
- 1.1.4 Section 2 of our report summarises how the Financial Model (the "**Model**") was developed to evaluate the options of the relocation project, and the key findings of this work. The final version of the updated Model was handed over to the Council on the 27 February 2015. The Model includes revisions and recommendations recommended by Gleeds and Grant Thornton LLP which have been accepted by the Council.
- 1.1.5 Section 3 of our report summarises the findings from the benchmarking exercise which was undertaken by an external cost consultant Gleeds UK ("Gleeds"), in respect of the input costs assumptions. Appendix A contains the full Gleeds report.
- 1.1.6 Section 4 summarises the conclusions from our review in relation to the Model development and benchmarking exercise in respect of the input costs.

1.2 Scope of our work

- 1.2.1 Our work focused on the following areas summarised below:
 - 1. The Council has asked Grant Thornton to develop a parallel Model which will use the same cost assumption inputs as contained within the Council's current model to recalculate the forecast project costs. The Model will independently calculate the projected costs based upon the set of cost assumptions and will include sensitivity analysis, discounted cash flow analysis including Net Present Value (NPV) and Internal Rate of Return (IRR) calculations. The Model will include a 'dashboard' to allow the user to easily see the results and compare outputs from using different sensitivities. We have passed the Model to the Council, to allow the Council to update the inputs following the completion of this engagement.

2. Benchmarking exercise - the Council also required us to perform a benchmarking assessment of the cost assumptions used in the Model that underpins the Council's business case for office relocation. Given the specialist nature of many of these assumptions, with the Council's prior approval we agreed to engage Gleeds, to support us in carrying out a benchmarking assessment of the assumptions within the Model and comment on the reasonableness of the assumptions used by the Council. For clarity, the assessment was limited to a review of the construction costs and running costs contained within the existing Model, and supporting information provided in the accompanying excel spreadsheets.

1.3 Period of our fieldwork

- 1.3.1 Our review was performed in the period between 23 January and 27 February 2015. We have not performed any further work since 27 February 2015 and, in agreement with the Council, our report may not take into account matters that have arisen since then.

1.4 Limitation of liability

- 1.4.1 We draw the Council's attention to the limitation of liability clauses in paragraphs 3.1 to 3.9 contained in appendix 1 of our engagement letter dated 23 January 2015.

1.5 Forms of report

- 1.5.1 For the Council's convenience, this report may have been made available to the Council in electronic as well as hard copy format, multiple copies and versions of this report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

1.6 Confidentiality and reliance

- 1.6.1 Our report will be addressed to the Council. We stress that our report and other communications are confidential and prepared for the addressee only. They should not be used, reproduced or circulated for any other purpose, whether in whole or in part without our prior written consent, which consent will only be given after full consideration of the circumstances at the time.
- 1.6.2 We agree that an addressee may disclose our report to its employees, officers, directors, insurers and professional advisers in connection with the Purpose, or as required by law or regulation, the rules or order of a stock exchange, court or supervisory, regulatory, governmental or judicial authority without our prior written consent but in each case strictly on the basis that we owe no duties to any such persons. We also agree that our report may be disclosed to Members of the Council.
- 1.6.3 We have discussed with the Council and agreed that our report can be included on the public part of the council agenda for the Joint Overview & Scrutiny and Audit &

Governance Committee on the 12th March 2015. The Council has agreed that the Model will not be included due to issues of commercial confidentiality.

1.7 General

- 1.7.1 The report is issued on the understanding that the management of the Council have drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our report up to the date of signature of this report. Events and circumstances occurring after the date of our report will, in due course, render our report out of date and, accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date report. Additionally, we have no responsibility to update this report for events and circumstances occurring after this date.
- 1.7.2 We would like to thank the Council officers for making themselves available during the course of the review.

Grant Thornton UK LLP

February 2015



2. Financial Model

2.1 Financial model options appraised

2.1.1 The Financial Model has been developed to evaluate the following 6 Scenarios:

1. **Current Base** – Under this option the existing site is continued unchanged. This options is calculated to provide comparative figures for operating expenditure and betterment calculation only. This is not considered as a viable option as the Knowle office is in a state of disrepair that requires the corrective actions included in the "Do Minimum" scenario below.
2. **Do Minimum** – Under the Do Minimum option c£1.5m of capital expenditure plus associated fees, indexation and funding costs, are required to update the existing site to replace windows and other major maintenance. Operational savings are expected to be minimal as the nature of the works is essential repair rather than upgrade.
3. **Heathpark 2,776 m2 New Office BREAM Very Good** – Under the Heathpark 2,776m2 option a 2,776m2 facility is developed at Heathpark. Exmouth is refurbished to accommodate an additional 80 desks.
4. **Heathpark 2,776 m2 New Office BREAM Excelent** – Under the Heathpark 2,776m2 option a 2,776m2 facility is developed at Heathpark. Exmouth is refurbished to accommodate an additional 80 desks.
5. **Heathpark 3,352 m2 New Office BREAM Very Good** – Under the Heathpark 3,352 m2option a 3,352 m2facility is developed at Heathpark.
6. **Heathpark 3,352 m2 New Office BREAM Excelent** – Under the Heathpark 3,352 m2option a 3,352 m2desk facility is developed at Heathpark.

2.1.2 The Model has been developed to compare the cashflows of each Heathpark option (scenarios 3 – 6) to both the Do Minimum and the Current Base Scenarios cashflows.

2.2 Overview of the Model development

2.2.1 The Model has been prepared to calculate the cashflow impact of the options to the Council. It has been developed in line with generally accepted financial modelling best practice principles (<http://www.icaew.com/en/technical/information-technology/excel/twenty-principles>) and designed with functionality to allow the Council to compare multiple options.

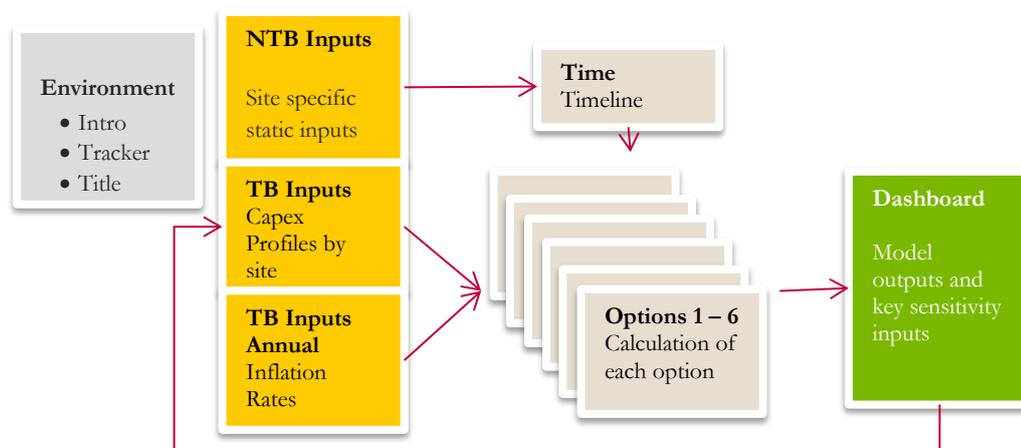
2.2.2 Initial results from the Model were compared to the original Council Model and the differences discussed and agreed. The remainder of this report summarises the outputs of

the revised model which has the additional functionality to allow for NPV and sensitivity analysis. Due to the nature of the cashflows IRR analysis has not been considered.

2.3 Model Structure

2.3.1 The Model is structured to calculate the Options (as defined in section 2.1.1 above) simultaneously. Each option is represented by a worksheet, which is identical to all other calculation worksheets contained within the Model. The Model is structured as per the Figure 1 below.

Figure 1: Model Structure



2.3.2 The model has been structured so there is a clear separation of worksheets used to capture inputs, worksheets used for calculations and outputs. Inputs are split between Non Time Based ("NTB") and Time Base ("TB").

2.3.3 Operational cost inputs have been taken from Davis Langdon / Aecom, which provides operations estimates for Heathpark 3,352 m2. The Model apportions the 3,352 m2 costs to 2,776 m2 New Office based upon the expected floor areas of the proposed buildings. The operational cost inputs into the model therefore represent the 3,352 m2 option.

2.4 Project Cashflow

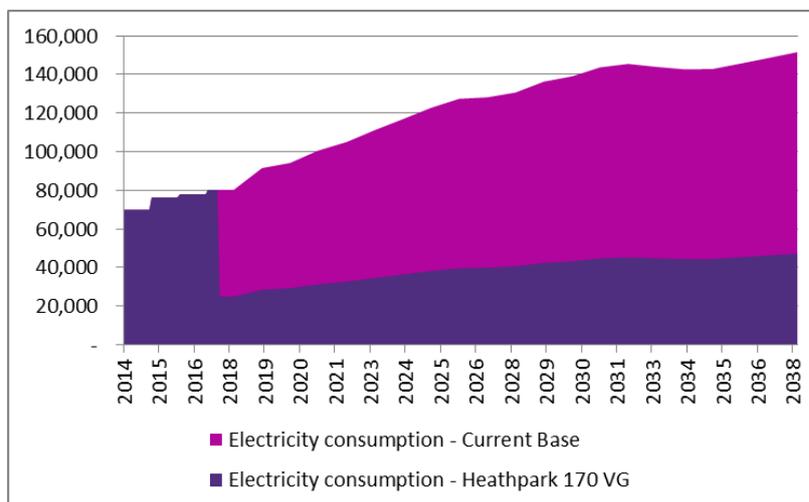
2.4.1 Project cashflows are defined as the cashflows directly attributable to this project. As capital expenditure is expected to be funded via debt the cash outflows represent debt service plus running costs after the Council has relocated and debt service begins. Prior to this date all capital expenditure and associated costs are funded from debt drawdown resulting in nil cashflow for the Council.

2.4.2 The proposed Heathpark buildings provide operational cost savings as compared to the Knowle building. The Model calculates these operational savings ("**Betterment**") for each option as compared to the Current Base scenario.

2.4.3 Betterment is calculated as the cashflows under the Current Base Scenario minus the cashflow under the chosen Heathpark option.

2.4.4 This is represented by the pink area in the graph in Figure 2 below:

Figure 2: Betterment



2.4.5 Due to the effects of inflation the Betterment increases over time. Table 1 below shows the Betterment for each option versus Current Base.

Table 1: 20 year Betterment vs Current Base

Scenario	Betterment (£)
Do Minimum	240,591
Heathpark 2,776 m2 VG	5,950,551
Heathpark 2,776 m2 EX	5,926,470
Heathpark 3,352 m2 VG	5,481,578
Heathpark 3,352 m2 EX	5,455,182

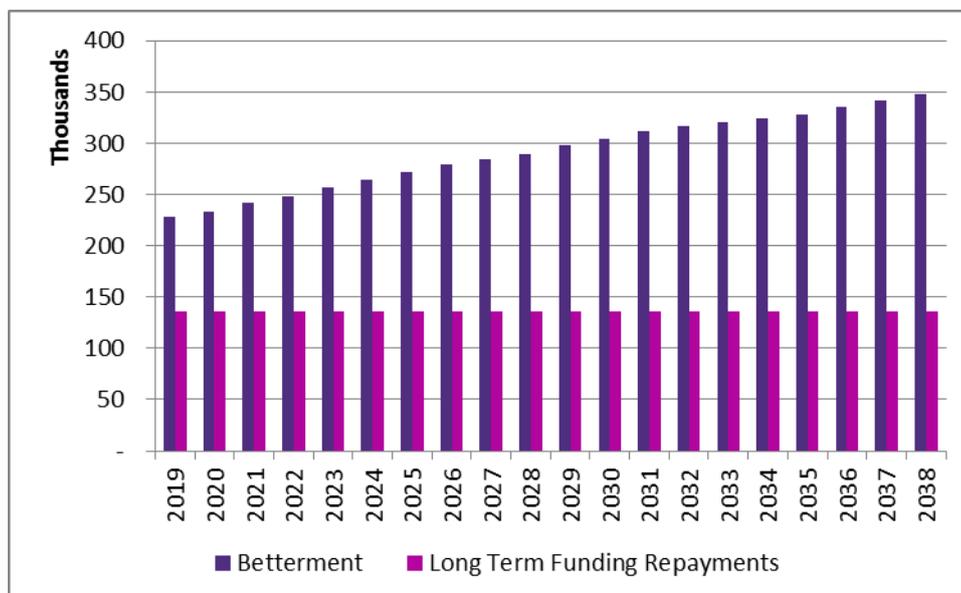
2.5 Funding

2.5.1 Construction period cashflows are funded via debt drawdown. The funding structure is the same for all options, as follows:

1. Council internal funding – Up to £1m – fully repaid upon drawdown of short-term funding. Interest is applied at an input rate
2. Short-term funding – drawdown to cover all costs up to the date of capital receipt. Interest is charged monthly at an input rate.
3. Long-term funding – Drawn to cover short-term funding less capital receipt. Repaid via annuity profile over 20 years from the date of capital receipt. Interest is charged at an input rate.

4. Additional Council funding – Used to cover any shortfall in cash requirement to pay debt service on long-term funding after Betterment. This is discussed further below.
- 2.5.2 Additional Council Funding is used to cover any cashflow shortfall where Betterment does not fully cover the long term funding costs.
 - 2.5.3 The Additional Council Funding balance represents the net cashflow to the Council. All other cashflows are covered by either funding drawdowns or Betterment.
 - 2.5.4 As seen in Figure 3 below, the Betterment cashflows exceed the long term funding costs. This is primarily driven by Lifecycle savings. Under the Do Minimum option, continued lifecycle to maintain the building in its current state are expected to be approximately £145k per annum. Under the Heathpark options these all to approximately between £45k and £55k per annum.
 - 2.5.5 Short Term Funding is repaid partly by capital receipt. We note that there is no capital receipt for Exmouth on the Heathpark 3,352 m2 options. We understand that the Council would consider alternative uses for this site and as there is no Member wish to sell the building, no capital receipt has been included. It should be noted that this represents an opportunity cost to the Council, which could be reflected via the inclusion of a capital receipt equal to the cost of acquiring an alternative site to accommodate the alternative use being considered. We understand the value of the capital receipt is supported by a draft heads of terms. For the avoidance of doubt we have not undertaken any validation of the quantum of this capital receipt, because this was outside the scope of our work..

Figure 3: Long Term Funding Cashflows vs Betterment



- 2.5.6 Each option, with the exception of the Current Base requires long term finance as per the table below.



Table 2: Long Term Finance Drawdown

Scenario	Total Short Term Funding	Long Term Funding Drawdown
Do Minimum	2,378,594	2,584,537
Heathpark 2,776 m2 VG	9,208,829	2,094,366
Heathpark 2,776 m2 EX	9,578,584	2,490,775
Heathpark 3,352 m2 VG	9,602,659	2,473,169
Heathpark 3,352 m2 EX	10,041,506	2,937,920

2.6 Results

2.6.1 Results are displayed on the Dashboard of the Financial Model. The sections below summarise the key results in terms on Council Funding Cashflows and Net Present Value (NPV) analysis.

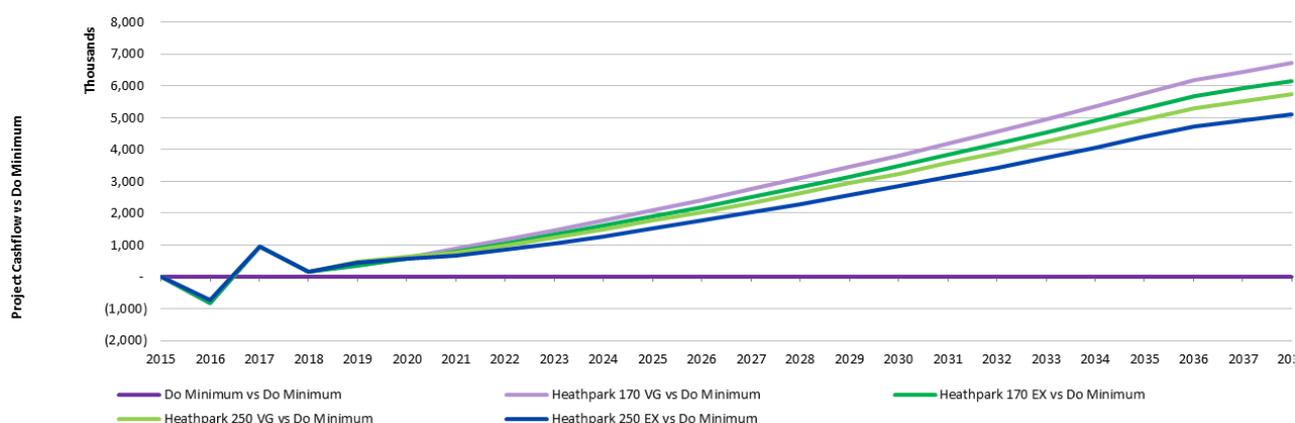
2.6.2 Results are ranked to determine the best option available for the Council.

2.7 Cashflow Comparison

2.7.1 Each Heathpark option cashflow has been appraised against the Do Minimum scenario. Figure 4 shows the net Council Cashflow versus the Do Minimum scenario.

2.7.2 It should be noted that under this assessment the capital expenditure required under the Do Minimum scenario is effectively avoided. This is represented as a positive cashflow movement on the graph in Figure 4. These projected cashflows represent an incremental improvement to the Council from the Do Minimum and, for the avoidance of doubt, does not represent a positive cash balance to the Council.

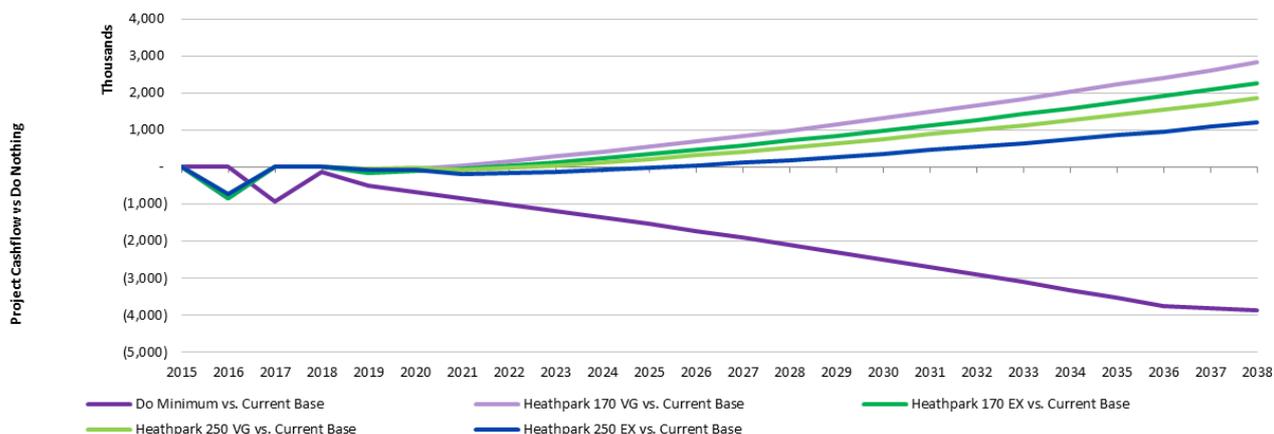
Figure 4: Summary of Cashflows vs Do Minimum



2.7.3 The net Council position should be considered in comparison to the current position of Current Base.

2.7.4 Figure 5 below shows the Net Council Cashflow versus the Current Base, which represents the cashflow incremental to the current position.

Figure 5: Summary of Cashflows vs Current Base



2.7.5 The presentation does not change the results, both graphs clearly show an incremental improvement in the Councils cashflow in comparison to the Do Minimum scenario. The results are summarised in Table 3 below:

Table 3: Cashflow

Scenario	Net Council Cash Position	Incremental Cashflow vs Do Minimum	Ranking
Do Minimum	(3,881,356)		5
Heathpark 2,776 m2 VG	2,828,467	6,709,823	1
Heathpark 2,776 m2 EX	2,279,090	6,160,445	2
Heathpark 3,352 m2 VG	1,864,858	5,746,214	3
Heathpark 3,352 m2 EX	1,212,936	5,094,292	4

2.8 Net Present Value - NPV

2.8.1 NPV analysis is traditionally used to evaluate projects, where a positive NPV is commonly an indication that the project should be committed to. With only Betterment as a "positive" cashflow it is possible for an option to have a negative NPV. In this case, to ensure a fair appraisal, the NPV of each option should be compared to the NPV of the Do Minimum, to take into account the avoided cashflows as discussed above.

Table 4: NPV

Scenario	NPV	Incremental NPV vs Do Minimum	Ranking
Do Minimum	(1,896,903)		5
Heathpark 2,776 m2 VG	1,060,637	2,957,540	1
Heathpark 2,776 m2 EX	809,825	2,706,729	2
Heathpark 3,352 m2 VG	644,304	2,541,207	3
Heathpark 3,352 m2 EX	346,137	2,243,040	4

2.9 Sensitivities

2.9.1 The Model is designed to be able to run sensitivities on key assumptions. The benchmarking review undertaken by Gleeds (see Appendix A), together with further discussions with the Council, notes that the following balances were identified as key sensitivities:

i. Contingency

As recommended by Gleeds the base contingency input is 15% contingency, we have run sensitivities to identify the impact of contingency.

Table 5: NPV – Contingency Sensitivity 10%

Scenario	NPV	Incremental NPV vs Do Minimum	Ranking
Do Minimum	(1,896,903)		5
Heathpark 2,776 m2 VG	1,231,928	3,128,831	1
Heathpark 2,776 m2 EX	991,542	2,888,445	2
Heathpark 3,352 m2 VG	850,289	2,747,192	3
Heathpark 3,352 m2 EX	567,418	2,464,322	4

Table 5 indicates there is no impact on the ranking of the options if the sensitivity is reversed to increase the contingency, and therefore the total capital expenditure

Table 6: NPV – Contingency Sensitivity plus 20%

Scenario	NPV	Incremental NPV vs Do Minimum	Ranking
Do Minimum	(1,896,903)		5
Heathpark 2,776 m2 VG	889,031	2,785,934	1
Heathpark 2,776 m2 EX	627,276	2,524,179	2
Heathpark 3,352 m2 VG	436,125	2,333,029	3
Heathpark 3,352 m2 EX	118,942	2,015,845	4

Table 6 indicates there is no impact on the ranking of the options if the sensitivity is reversed to increase the contingency, and therefore the total capital expenditure

The tables above indicate that the ranking of the options is not sensitive to the construction contingency for Heathpark. For Do Minimum to be ranked highest the construction contingency would have to increase to 60% of construction costs.

ii. Inflation - RPI

As described in paragraph 2.4.5 Betterment is a function of inflation. Two downside scenarios have been prepared to analyse the ranking:

a. Zero Indexation on operational costs

Table 7: NPV – Zero Indexation

Scenario	NPV	Incremental NPV vs Do Minimum	Ranking
Do Minimum	(1,919,969)		5
Heathpark 2,776 m2 VG	526,650	2,446,619	1
Heathpark 2,776 m2 EX	276,523	2,196,492	2
Heathpark 3,352 m2 VG	149,372	2,069,341	3
Heathpark 3,352 m2 EX	(166,344)	1,753,625	4

b. Deflation – minus 5% RPI on operational costs

Table 8: NPV – Deflation

Scenario	NPV	Incremental NPV vs Do Minimum	Ranking
Do Minimum	(1,958,046)		5
Heathpark 2,776 m2 VG	(374,093)	1,583,953	1
Heathpark 2,776 m2 EX	(658,891)	1,299,154	2
Heathpark 3,352 m2 VG	(731,916)	1,226,129	3
Heathpark 3,352 m2 EX	(1,065,230)	892,816	4

Table 7 and Table 8 above indicate that the ranking is not affected by inflation sensitivities under the range tested. It should be noted that for the purposes of the RPI sensitivity the Nominal discount rate has been maintained.

iii. Construction Costs

The long term funding costs are proportional on the capital costs. Table 9 shows capital cost sensitivities that would result in the Do Minimum option being comparable to the Heathpark.

Table 9: Capital Cost Sensitivity

Scenario	Capex Sensitivity
Do Minimum	(179%)
Heathpark 2,776 m2 VG	72%
Heathpark 2,776 m2 EX	62%
Heathpark 3,352 m2 VG	51%
Heathpark 3,352 m2 EX	42%

2.10 Modelling Conclusion

- 2.10.1 The results detailed above reflect the outputs from the Model named East Devon Council Relocation – v12a, provided to the Council via email on 27 February 2015.
- 2.10.2 The key cashflows to the Council are Long Term Funding costs and Betterment Costs. The Long Term Funding requirement under each option is within £0.5m to that under the Do Minimum scenario, therefore the ranking is dependent upon the Betterment under each option.
- 2.10.3 As can be seen from the sensitivities the total Construction Costs, would have to increase by at least 42% before the Net Council Cashflow under the Do Minimum option becomes comparable. This is equivalent to a contingency of 60%.
- 2.10.4 Both the Cashflow Analysis and the NPV Analysis indicate that the Heathpark 2,776 m2 VG option represents the best value as compared to the Do Minimum scenario.



3. Benchmarking exercise over cost assumptions

3.1 Introduction

3.1.1 Grant Thornton engaged Gleeds as an external cost consultant to undertake the specialist benchmarking exercise relating to the input costs which underpin the Council's Model options appraisal for the core civic offices requirements. The benchmark data compiled by Gleeds is based on their work with other local authorities on their office portfolios and other relevant data indices such as Building Cost information Service (BCIS).

The benchmarking covers two principal areas:

- Capital costs, which includes the assumptions on space and construction costs.
- Revenue costs, which includes the full range of operating costs that should be considered as part of an options appraisal.

3.2 Summary findings

Capital Costs

- 3.2.1 In completing a review of the work undertaken to date, Gleeds generally found the capital allowances made to be cautious in nature. This was considered as understandable given the early stages of the project and the absence of any design, however it should be remembered that consistent caution will have a cumulative effect that may lead to an overstatement of the capital costs.
- 3.2.2 The current cost/m² for the BREEAM Excellent 2,776 m² desk scheme equates to £2,439/m² which Gleeds believe to be high, albeit acknowledging the basis on which this figure has been reached (other options are slightly lower cost). We would expect this number to fall as the design develops and risk is reduced, and would suggest that any initial decision making within the Council is undertaken in full awareness of the levels of contingency that are likely to exist in this allowance, particularly if decisions relate to affordability.
- 3.2.3 It is acknowledged that the Council has considered this advice and as a result the general level of contingency for the new build has been reduced in the model from 20% to 15%

Operating Costs

3.2.4 In completing a review of the work undertaken to date, Gleeds found the following anomalies in the revenue costs that:

- i. have generally caused these costs to be understated; and
- ii. will have a material bearing on the options appraisal process, as the costs fail to account for some of the differing revenue costs associated with each option

3.2.5 Examples of these anomalies, and the changes made to the Model include:

Anomaly	Comment	Action
Reduction in energy consumption that would be realised as a result of increasing the BREEAM standard	No account is made of the likely reduction in energy consumption that would be realised as a result of increasing the BREEAM standard to Excellent in the construction. Whilst there will be a payback period for this additional capital investment, we would expect this to fall within the 20 year appraisal window. Thereafter, reduced energy consumption would provide savings to EDDC.	A saving has been added to the BREEM Excellent options of 5% per annum on Electricity, Gas and Water costs. All other costs are expected to be consistent.
Lifecycle Costs	No account is made for lifecycle costs in any of the options (noting that the maintenance allowances made would not account for capital replacements). It is reasonable to expect that the lifecycle costs on wholly new assets would be lower than that on options that retain existing assets where liabilities will be greater.	An annual allowance for Lifecycle costs has been included for all options. For Do Minimum a 10 year capital improvement plan has been developed indicating lifecycle costs of equivalent to £145k per annum, reflecting the age and size of the building. For Heathpark the lifecycle costs are expected to be much lower. It should be noted that these cashflows would not accrue evenly over the life of the building and a reserving mechanism should be considered. The model represents the annual contributions to such a reserving mechanism.

3.2.6 Appendix A contains the detailed results of the benchmarking exercise carried out by Gleeds.

4. Conclusions

4.1 Benchmarking

- 4.1.1 The benchmarking exercise highlighted some key considerations for the Council. The two key recommendations of BREEAM excellent savings and Lifecycle costs have been included, following consideration and agreement by the Council, in the cashflow analysis as part of the modelling exercise undertaken.
- 4.1.2 Gleeds identified that capital costs are potentially overstated for the Heathpark options. As shown in the sensitivity analysis in section 2.9, construction contingency costs would be required to increase 60% for the Do Minimum option to become comparable. It should be noted that the Knowle essential works are benchmarked to recent quotes for the work received by the Council.
- 4.1.3 Any potential saving identified by Gleeds in capital costs would therefore strengthen the financial case for the Heathpark options.

4.2 Financial Case

- 4.2.1 The key cashflows to the Council are Long Term Loan costs and Betterment Costs. The Long Term Funding requirement under each option are comparable to those under the Do Minimum scenario. Therefore the ranking is highly dependent upon the Betterment under each option.
- 4.2.2 As can be seen from the sensitivities the Construction Costs would have to increase by at least 42% before the Net Council Cashflow under the Do Minimum option becomes comparable.
- 4.2.3 Both the Cashflow Analysis and the NPV Analysis indicate that the Heathpark 2,776 m² VG option represents best value from a financial perspective compared to the Do Minimum scenario based upon the stated assumptions. However, it should be noted that there is an opportunity cost under the Heathpark 3,352 m² options in the sale of the Exmouth site, which is not reflected in the results above. Should this be reflected, Heathpark 3,352 m² may represent better value than Heathpark 2,776 m² VG. However the Council has informed us that there is no intention to sell this asset
- 4.2.4 The conclusions above are based solely on the results of the Model and therefore do not consider any qualitative aspects of the options, and nor have we considered the extent to which the office relocation project will meet the Council's service or efficiency aspirations/objectives

Appendices



Appendix A: Draft Gleeds Benchmarking Report





gleeds[®]

EAST DEVON DISTRICT COUNCIL
REVIEW OF COUNCIL OFFICE
RELOCATION PROJECT PROPOSALS

Version 4
3 March 2015

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Executive Summary

Gleeds, via Grant Thornton, has been engaged to complete a review of the costs underpinning East Devon District Council's Office Relocation Project proposals.

This report sets out the findings of this review. Where appropriate, we have provided suitable benchmark data compiled from our work with other local authorities on their office portfolios. Our construction benchmarks are more widely informed by similar developments for public or private sectors.

This review has been undertaken on an 'independent review' basis: we have had minimal engagement with the Council to understand its detailed requirements and offices strategy: as such we have again identified possible opportunities to enhance outcomes based on our work with other Councils.

We would of course be delighted to discuss any aspect of this report further with the Council. In the first instance, queries should be addressed to:

Darren Crocker, Director:
Gleeds Advisory Limited

m: 07790 004919

e: darren.crocker@gleeds.co.uk

We have conducted our review in two principal areas:

- Capital costs, which includes the assumptions and construction costs.
- Revenue costs, which includes the full range of operating costs that should be considered as part of an options appraisal.

Capital Costs

In completing a review of the work undertaken to date, we have generally found the capital allowances made to be cautious in nature. This is considered as understandable given the early stages of the project and the absence of any design, however it should be remembered that consistent caution will have a cumulative effect that may lead to an overstatement of the capital costs.

The current cost/m² for the BREEAM Excellent 2,776 m² desk scheme equates to £2,439/m² which we believe to be high, albeit acknowledging the basis on which this figure has been reached (other options are slightly lower cost). We would expect this number to fall as the design develops and risk is reduced, and would suggest that any initial decision making within the Council is undertaken in full awareness of the levels of contingency that are likely to exist in this allowance, particularly if decisions relate to affordability..

Revenue Costs

In completing a review of the work undertaken to date, we have found a number of anomalies in the revenue costs that:

- have generally caused these costs to be understated; and
- will have a material bearing on the options appraisal process, as the costs fail to account for some of the differing revenue costs associated with each option

Examples of such anomalies include:

- No account is made of the likely reduction in energy consumption that would be realised as a result of increasing the BREEAM standard to Excellent in the construction. Whilst there will be a payback period for this additional capital investment, we would expect this to fall within the 20 year appraisal window. Thereafter, reduced energy consumption would provide savings to EDDC.
- No account is made for lifecycle costs in any of the options (noting that the maintenance allowances made would not account for capital replacements). It is reasonable to expect that the lifecycle costs on

wholly new assets would be lower than that on options that retain existing assets where liabilities will be greater.

Conclusions

We understand that, in adopting many of the recommendations within this report, the Financial Appraisal will be re-run using the revised data highlighted at various points throughout this report. This will serve two purposes:

- To provide an updated assessment of overall cost that can be used to inform any wider discussions on affordability and deliverability
- To ensure that the various options are compared with improved recognition of the benefits and drawbacks associated with each across their respective capital and operational phases.

In reviewing the information made available, we note that the Council has defined a series of project review points as the scheme develops. With these in mind, the current level of cautiousness is understandable and we would expect these review stages to progressively firm up elements of the scheme, reducing the need for conservatism and risk allowances.

REVIEW OF CAPITAL
AND REVENUE
BASED
ASSUMPTIONS

1



Review of capital and revenue Based Assumptions

DATA SOURCES

This review has been undertaken based on a number of documents provided by the Council:

- A financial model (*Preferred Site Options CVR Review – MASTER – Rev R (1) with redundant pages and links deleted.xls*), within which is a significant amount of data pertaining to several options. Our understanding is that the key options are:
 - The provision of a single new facility at Heathpark, based on 3,352 m2 New Office; or
 - The provision of a new facility at Heathpark of 2,776 m2 New Office, plus the refurbishment of Exmouth Town Hall.
 - Against the above two options, the ‘do nothing’ option of remaining in the Council’s offices at Sidmouth.
- A number of supporting reports and spreadsheets that inform the above, including:
 - 20130604 Knowle Energy Use and Maintenance Cost Analysis Report Final.pdf
 - EDDC Office Accommodation – Rates Evaluations FY 14 15. Rev E 9 Feb 2015.xls
 - Spatial analysis_Rev I-3,352 m2desk.pdf
 - b1. Copy of 141029 DG EDDC New Offices – Order of Costs Rev A – 2776 m2 GIA – 2,776 m2 New Office.xls
 - b2. Copy of 141029 DG EDDC New Offices – Order of Costs Rev J – 3352 m2 GIA – 3,352 m2 New Office.xls
 - c1. EDDC Office Accommodation – Cashflow – Heathpark – 2,776 m2 New Office BREEAM VG – Rev E – 3 December 2014.xls
 - c2. EDDC Office Accommodation – Cashflow – Heathpark – 2,776 m2 New Office BREEAM EX – Rev D – 3 December 2014.xls
 - c3. EDDC Office Accommodation – Cashflow – Heathpark – 3,352 m2 New Office BREEAM VG – Rev D – 3 December 2014.xls
 - c4. EDDC Office Accommodation – Cashflow – Heathpark – 3,352 m2 New Office BREEAM EX – Rev D – 3 December 2014.xls
 - Annual Running Costs – Reference Scenario (+ Knowle Ess Reprs) Rev C – 27 1 15.xlsx

The above documents include data relating to additional schemes considering a separate turnkey solution, depots, etc. On advice from the Council, we have not considered these at this stage, instead focussing on the constituent parts of the 3 schemes above.

REVIEW AND COMMENTARY

In the interests of providing clarity, we have sought to break down our review and findings into discreet areas as set out below. There are of course interfaces and dependencies between these areas and as such, the report should be considered as a whole.

SPATIAL ALLOWANCES

We understand that the Council has already engaged professional advice from Kensington Taylor Architects and ADG Architects in respect of space allowances. In light of the above and as requested, we have not commented on the assumptions relating to space that underpin the cost assumptions.

CONSTRUCTION COSTS

Indices

Based on current BCIS data (overleaf), we would expect office accommodation (adjusted for East Devon) to cost in the region of £1,378 / m² including preliminaries and O/H&P at 4Q2014 prices. The proposed EDDC Cost Plans equate to £1,592.75 / m² for the smaller office facility and £1,566.39 / m² for the larger facility. This exceeds the benchmark costs even for an air-conditioned building, which we understand is not EDDC's intention. We understand that this higher figure has been derived from tender prices received on similar type office developments in the south west region on which AECOM are advising.

In light of the above, we have reviewed the breakdowns provided for the Initial Order of Costs estimates. Whilst we have no drawn information or specifications to undertake a detailed review of the rates used, a general overview of the rates identifies the following:

- The rate used for the substructure element appears high, particularly as it assumes that piling will not be required. We recognise however that this is one of the major risk items at this early planning stage, and caution needs to be exercised until such time as ground conditions are better understood.
- The estimate is based on a concrete framed structure. As the detailed design develops, it may be possible to switch to a more economical structural steel structure.
- The rate used for the roof finish appears high
- The rate used for cavity wall construction is high

Whilst we believe some of the M&E rates are high and some are potentially low, overall the Mechanical and Electrical installations element is circa 10-15% higher than we would expect it to be. We acknowledge however that pricing in this area is experiencing greater pressures at present than other construction trades, so caution may be appropriate.

The rate used for Preliminaries and O/H&P is reasonable, although may prove to be a little low if current market pressures continue. The BCIS all-in TPI has been updated and the data available at 9th February 2015 (below) shows inflation over this period at 4.3%, a slight reduction on that currently included. As with all indices, this remains subject to change and the TPI index remains relatively volatile at present. We would recommend that modelling exercises undertake some sensitivity analysis around these rates as part of any decision making process

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 24-Jan-2015 12:19

Rebased to 4Q 2014 (255; forecast) and East Devon

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Offices							
Generally (15)	1,378	580	1,024	1,303	1,508	4,381	189
Air-conditioned							
Generally (15)	1,501	580	1,210	1,397	1,587	4,381	67
1-2 storey (15)	1,309	580	1,075	1,309	1,395	2,609	23
3-5 storey (15)	1,518	938	1,223	1,413	1,566	4,381	35
6+ storey (15)	1,911	1,334	1,504	1,631	2,172	3,330	8
Not air-conditioned							
Generally (15)	1,305	662	960	1,206	1,483	2,494	84
1-2 storey (15)	1,200	662	923	1,130	1,360	2,354	45
3-5 storey (15)	1,396	715	1,098	1,343	1,535	2,494	36
6+ storey (20)	1,805	1,378	-	1,880	-	2,084	4

BCIS All-in TPI #101

Base date: 1985 mean = 100 | Updated: 06-Feb-2015 | #101

Date	Index	Sample	Percentage change		
			On year	On quarter	On month
1Q 2013	234	36	8.8%	4.5%	
2Q 2013	236	31	2.6%	0.9%	
3Q 2013	234	32	4.9%	-0.8%	
4Q 2013	237	32	5.8%	1.3%	
1Q 2014	241	25	3.0%	1.7%	
2Q 2014	251	22	6.4%	4.1%	
3Q 2014	251	Forecast 11	7.3%	0.0%	
4Q 2014	255	Forecast 5	7.6%	1.6%	
1Q 2015	257	Forecast	6.6%	0.8%	
2Q 2015	261	Forecast	4.0%	1.6%	
3Q 2015	264	Forecast	5.2%	1.1%	
4Q 2015	266	Forecast	4.3%	0.8%	
1Q 2016	268	Forecast	4.3%	0.8%	
2Q 2016	272	Forecast	4.2%	1.5%	
3Q 2016	275	Forecast	4.2%	1.1%	
4Q 2016	278	Forecast	4.5%	1.1%	
1Q 2017	282	Forecast	5.2%	1.4%	
2Q 2017	287	Forecast	5.5%	1.8%	
3Q 2017	290	Forecast	5.5%	1.0%	
4Q 2017	293	Forecast	5.4%	1.0%	
1Q 2018	297	Forecast	5.3%	1.4%	
2Q 2018	302	Forecast	5.2%	1.7%	
3Q 2018	306	Forecast	5.5%	1.3%	
4Q 2018	309	Forecast	5.5%	1.0%	
1Q 2019	313	Forecast	5.4%	1.3%	
2Q 2019	318	Forecast	5.3%	1.6%	
3Q 2019	321	Forecast	4.9%	0.9%	
4Q 2019	324	Forecast	4.9%	0.9%	

The construction timescales have been reviewed and would appear reasonable assessments for the scale of projects.

20% has been included in the estimates for 'Design & Construction Risk / Contingency' on instruction from within the Council. This figure is considered high even recognising the limited information available and we would advise that it should be reduced: typically we would expect this to be in the range 10-15%, with the upper end of this used given the immature level of design detail at this stage. We note that from discussions during the production of this report, that the Council has agreed that a reduction to 15% is appropriate.

With the exception of the points raised above generally with regards to on-costs, the rates used for calculation of the external works appear reasonable.

We would also note that a number of allowances have been made on an equal basis, when we would more usually expect these to be ‘calibrated’ to the scale of project i.e. we would expect the larger development to have a slightly higher Section 106 cost associated with it given it is almost a third larger. We recognise however that this level of granularity has not yet been reached, and therefore standard allowances are to be expected.

BREEAM Allowances

Using BRE published data “Delivering Sustainable Buildings”, based on 2011 BREEAM standards, the ‘premium’ for capital costs is:

- 0.22% for Very Good
- 0.96% for Excellent

The new 2014 standard is more onerous, however the improved standards required to satisfy current Building Regulations have meant that the gap between a building compliant with current Building Regulations and BREEAM excellent has reduced. Current benchmark data within Gleeds implies that this increase should fall within the range of 1% to 4%, which is above the above statistics.

We would suggest a premium of around 2.5% of capital cost would be adequate to allow the step from Very Good to Excellent. However we do note that the current allowance of 6% has been derived by AECOM from their own experiences on local projects.

The actual costs of this difference can be properly calculated at minimal cost via a pre-assessment.

Refurbishment Costs

The costs and assumptions relating to the refurbishment of Exmouth Town Hall are noted however it is not possible to validate these with any credibility without a more detailed inspection of the property itself. This can be undertaken if desired.

We would note that work undertaken on historic buildings is typically more expensive and time consuming than that on other building types. We would also note that there are inherent risks in any refurbishment project. Whilst an effective contracting strategy will enable these to be effectively managed, it is prudent nonetheless to make reasonable allowances for these items.

In our view, the current allowance of £450/m² would secure:

- Some reconfiguration of services to allow alternative layouts to be implemented
- Minimal M&E upgrades in support of the above
- Cosmetic refurbishments – fabric repairs, replacement finishes to floors/walls/ceilings

The allowances in terms of Preliminaries and OHP appear reasonable, albeit the former will be substantially influenced by the delivery programme and the extent to which the construction process is affected by continued occupation. The contingency allowance is generous, but considered appropriate for such an early stage in the project process on a refurbishment scheme.

Similarly, we would need to understand additional information in respect of the existing Knowle building before we were able to validate the allowance of £1,566,000, albeit we understand that this figure is based on historic quotations received, updated using BCIS indices¹. We note that the current schedule contained within the Knowle Report makes no allowances for enabling/consequential works, for example:

- Making good decorations and finishes following the works – in particular window replacements, removal of life-expired heating systems, lighting upgrades, etc.
- It is unclear whether costs for access are included in window replacement – this could necessitate substantial scaffolding erections
- It is unclear how much would be required in terms of pipework diversions, electricity installation upgrades, etc. in order to bring systems worked on up to current legislative standards.
- It is unclear how the works would be programmed, and whether or not there would be a need for temporary relocations

Again, these costs can be reviewed in more detail if desired. It is noted that the level of contingency for this scheme is lower at 10%, which is inconsistent with assumptions made elsewhere and given the nature of refurbishment works, should perhaps be increased to 15%.

Client Capital Costs

We are able to trace back the calculations that make the split in costs between the 2,776 m² workstations facility and the e/o for Exmouth Town Hall to the differences in proposed total area. Whilst this is a reasonable approach for initial budgetary purposes, the calculation above identifies that the two scales of building have different dynamics and as such, a straight pro-rata calculation may not be appropriate.

In terms of each individual element:

- £93.21/m² as FFE cost – we would usually anticipate seeing FFE costs in the first instance developed on a cost per workstation basis, as this better reflects intensity of use (such a calculation would make allowance for standard additional items such as storage, meeting rooms, etc.). There is clearly a very significant range in quality and price on FFE, but we would ordinarily expect a cost in the order of £1,200 to £1,400 per workstation to allow for a standard of it out commensurate with a local authority environment.
- We have no basis on which to validate relocation costs. ICT/Equipment costs appear to have been generated internally and therefore cannot really be validated. We would note that if a move to more

¹ This is an appropriate methodology at this stage, however we would recommend that, due to the changes in the economic climate, there has been substantial movements in tender prices with some types of work more prone to increase than others. To that end, it would be prudent to validate quotations received in the event that this option remains under serious consideration.

agile working practices is sought, then our experience suggests that ICT systems require investment in order to support this. Key areas for consideration include:

- E-storage – capacity and accessibility
- Follow me technologies for mobile working – telephones, printing, computers
- Security and connectivity for remote working
- Further allowances for staff, etc. equally have been internally generated and cannot be validated. Again, our experience suggests that any adoption of more modern working practices does require some investment in HR systems, processes and procedures. In addition to updating corporate documentation, there is a need for an effective change management process at a staff level to ensure people are ‘taken on the journey’.

REVENUE COSTS

Business Rates

We are not able to comment on these, as we have no means of verifying the proposed valuations. We understand that they are based on data provided by the Valuation Officer.

We note that different rates are applied to different locations which provides some differentiation, from £11.15/ft² at the lowest end to £17.19/ft² at the higher end.

Insurances

We are not able to comment on these. Any validation would necessitate the Council to engage professional insurance advice.

Energy Costs

In general terms, the methodology used to calculate energy consumption (gas and electricity) is a standard one, drawing upon relevant DECC data. When looking at how this data has been applied to the EDDC schemes, no account appears to have been taken of the slightly higher performance that should be expected from an ‘Excellent’ building when compared to a ‘Very Good’ building. In particular, it is likely that additional measures will be taken to reduce fuel consumption to achieve an ‘Excellent’ rating, either through thermal efficiency or increasing renewables.

Water consumption has been ‘flat lined’ against current use. We do not believe this to be appropriate, as water conservation is one of the key areas in BREEAM and as such, we would anticipate that consumption should decrease, especially if grey water/rainwater harvesting systems are utilised to achieve higher BREEAM ratings.

With the above in mind:

- Energy costs should be reviewed to account for increased build standards (see below)
- Water costs should be reviewed to identify if there are savings available. Given that these savings would apply to both options (albeit to a lesser extent on the smaller facility), then the impact of this on any options appraisal is thought to be minimal.

The BRE report cited in the section on BREEAM costs above identifies a range of time periods over which this investment will be returned (dependent on the individual technology used) ranging from 2 years out to 20 years. The continued lower energy costs beyond this point represent a real saving. The below table assumes a payback period of 12 years, which we believe to be very conservative.

	Base Cost – BREEAM Very Good (£)²	Additional Cost for BREEAM Excellent (£)	Annual Energy Cost Saving on Excellent Facility	20 year saving after investment recovered
Larger Building	6,388,429	159,711	13,309	106,474
Smaller Building	7,586,329	189,658	15,805	126,438

We note that the energy costs for Exmouth Town Hall are taken from existing actual data. This is a prudent approach, however the following does need to be considered:

- Is the current use of the building being changed (in particular, is use being intensified)?
- Will the refurbishment works improve efficiency in any way?

Planned & Reactive Maintenance Costs

We generally believe these costs to be low, especially when considering a 20 year period where there will be:

- A progressive deterioration in the environment through wear and tear
- A need for more substantive capital replacement/servicing works.
- There will be a number of statutory servicing requirements on lifts, etc. that are usually managed on an annual contract basis that would most likely subsume most of the current allowance.

Based on a 'bronze standard' maintenance regime typically associated with a local authority environment³, a reasonable annual budget would be around £5/m² pa for a naturally ventilated office building. This equates to:

² This takes the capital costs as provided by the Council, and does not account for any adjustments to this detailed elsewhere in this report.

- £16,760 pa for the larger 3,352m² building
- £13,880 pa for the smaller 2,776m² building. In addition to this, there would need to be an allowance for the Exmouth Town Hall building; whilst this will have been refurbished, as it is older we would suggest using the upper end of the bronze benchmark of £6.50/m² for this site. This secondary allowance does not appear to be included in the overall financial model.

In our experience, it is commonplace that benchmarked budgets do not deliver the savings expected from existing budgets. This is usually because:

- Existing budgets are frequently supplemented from other local budgets or centrally held ‘emergency’ reserves
- Current maintenance regimes are designed on a ‘fix it when it is broken’ basis – this inevitably leads to decreased operating life of components and an increased backlog maintenance (see below). We note that the ‘planned maintenance’ budget allowance is a pro-rata reduction in the existing budget, which we believe to be inappropriate.

Other Operating Costs

We note that the model does not account for other operating costs. Some of these may be material in determining the most cost effective option over a 20 year period. These include:

Cleaning Costs	The nature of modern, open plan spaces allows more efficient cleaning solutions than older/more cellular buildings.
Lifecycle Replacement Costs	<p>Capital replacements are an inevitable part of long term building occupation – from decorative finishes to major items of plant. New buildings will generally provide a low requirement in the first 20 years, with a more significant commitment in the following 10 years.</p> <p>As a broad allowance we would suggest that the equivalent of 0.7% of capex should be set aside annually for a basic lifecycle replacement strategy. Allowances for existing buildings are more complicated to estimate as it is clearly dependent on asset age and condition in each case, but these would be progressively higher. It would not be unreasonable to include a premium of 50% to 75% on the above allowances for a similar type and size building.</p> <p>More often than not, this element is seen as an ‘additional’ cost line for local authorities, whose planned maintenance budgets do not properly account for life cycle replacements. The discretionary nature of spend from one year to the next and the long term funding plan for future liabilities is not consistent with</p>

³ The ‘bronze standard’ generally equates to an environment where finishes, installations and equipment are ‘standard’ specifications (i.e. non-specialist/complex/maintenance intensive) and the repairs regime is not carried out under a performance based regime.

	local authority accounting arrangements. Nonetheless, this should be properly considered in any long term asset management strategy and options appraisal.
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Indices

As property is a long term consideration, the EDDC study is rightly applied over a longer period of time – in this case 20 years (attention is drawn to the comments on lifecycle above).

A number of indices have been proposed to be applied to the various cost headings. We would generally agree with the proposed indices, with perhaps the exception of:

- Those costs more closely related to property values – rates, insurance, etc. where an index including property (say RPI) would be more appropriate than CPI
- Those costs that have a high level of staff costs – employee costs, grounds maintenance, etc. where a wages index (e.g. Average Earnings Index) may be more appropriate.

It should of course be noted that any index is indicative and inherently imprecise. We would recommend that any modelling exercises allow for sensitivities to be applied to any indexation assumptions, especially where the differences between alternative options are relatively small. This will allow the robustness of any options appraisal conclusions to be properly tested.

Financing Costs

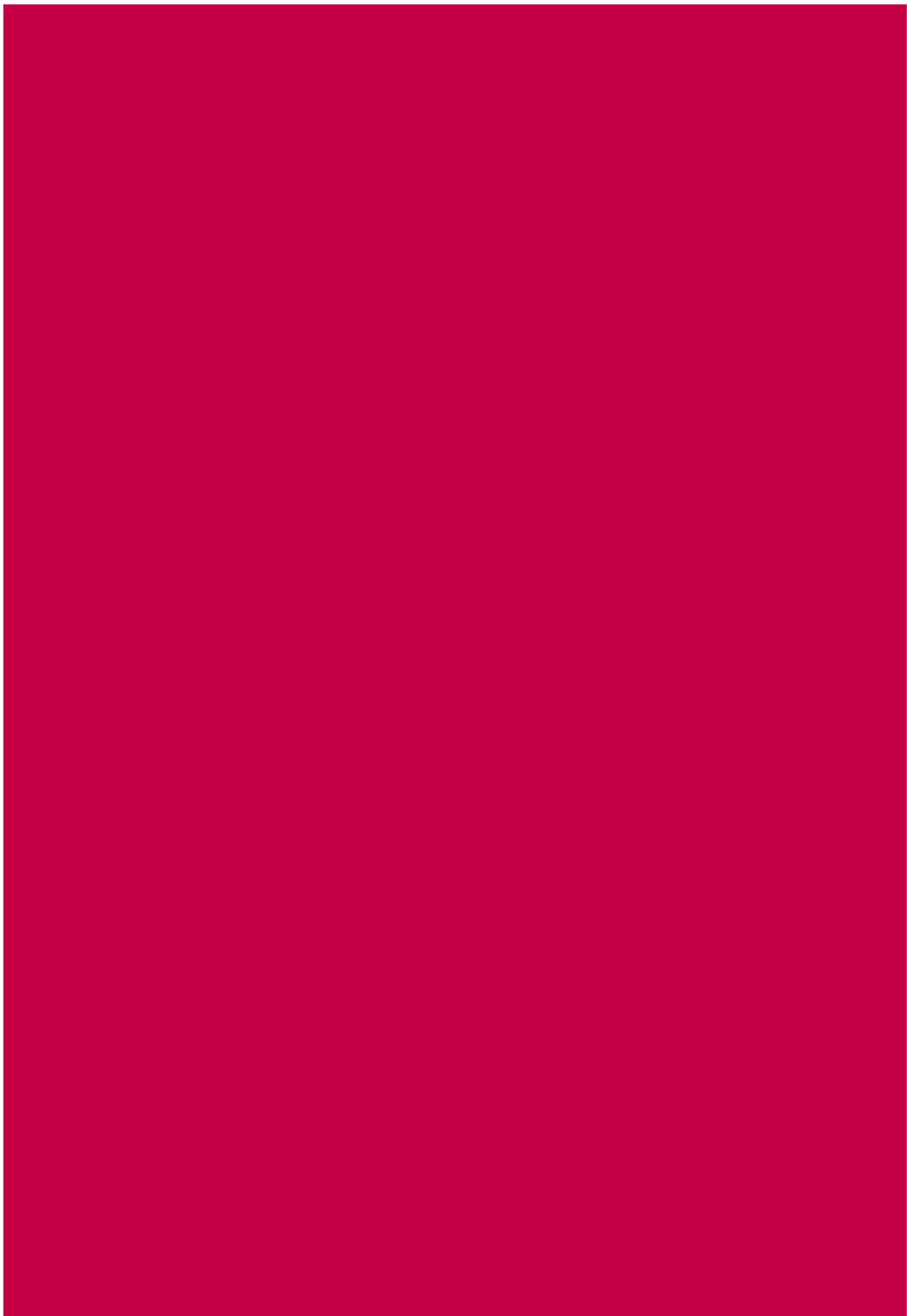
We have not commented on these, as this will be addressed by Grant Thornton.

gleeds^G

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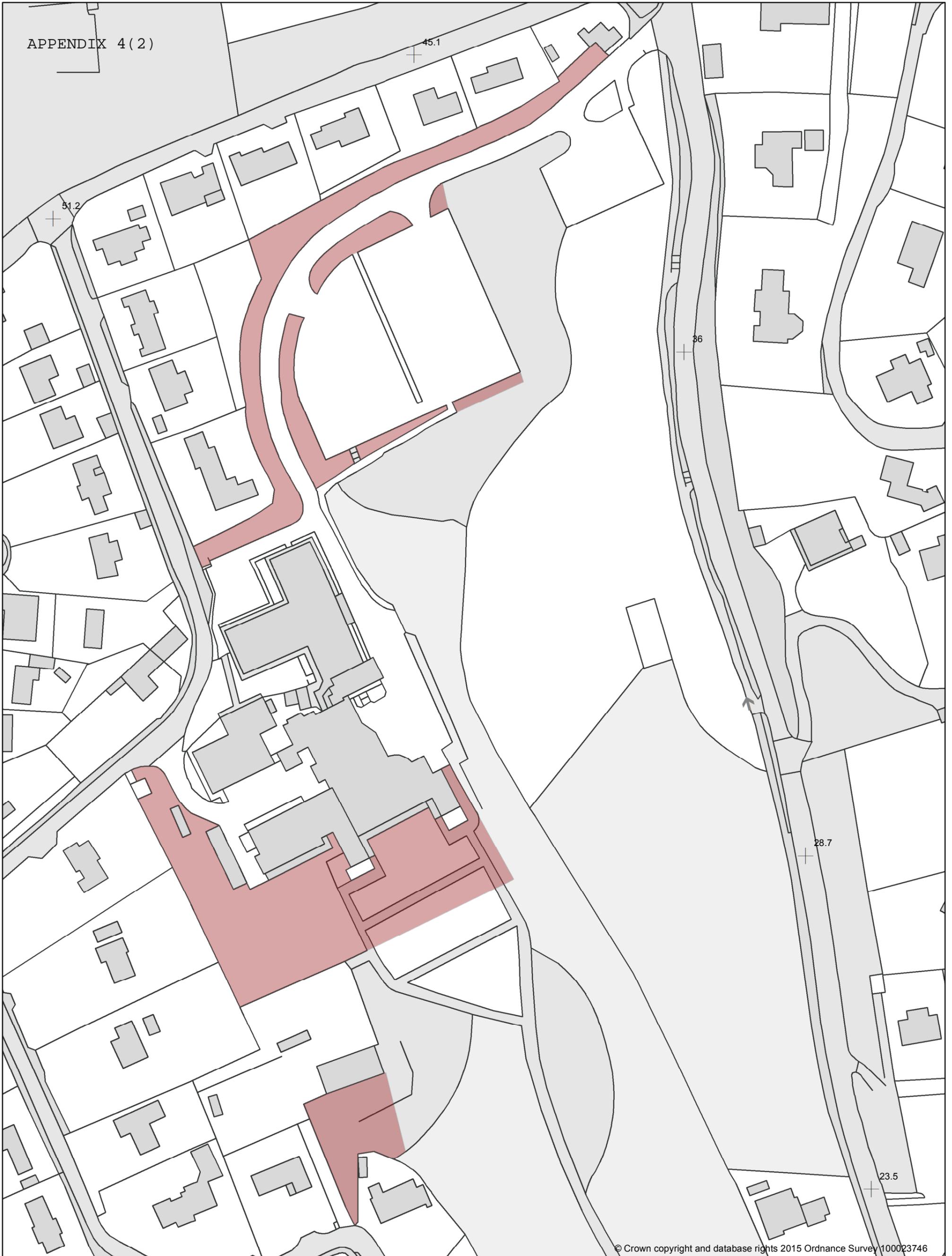




EDDC OFFICE ACCOMMODATION PROJECT

SITE LOCATION OPTIONS TWENTY YEAR ANNUAL RUNNING COSTS BETTERMENT COMPARED WITH KNOWLE CURRENT BASE

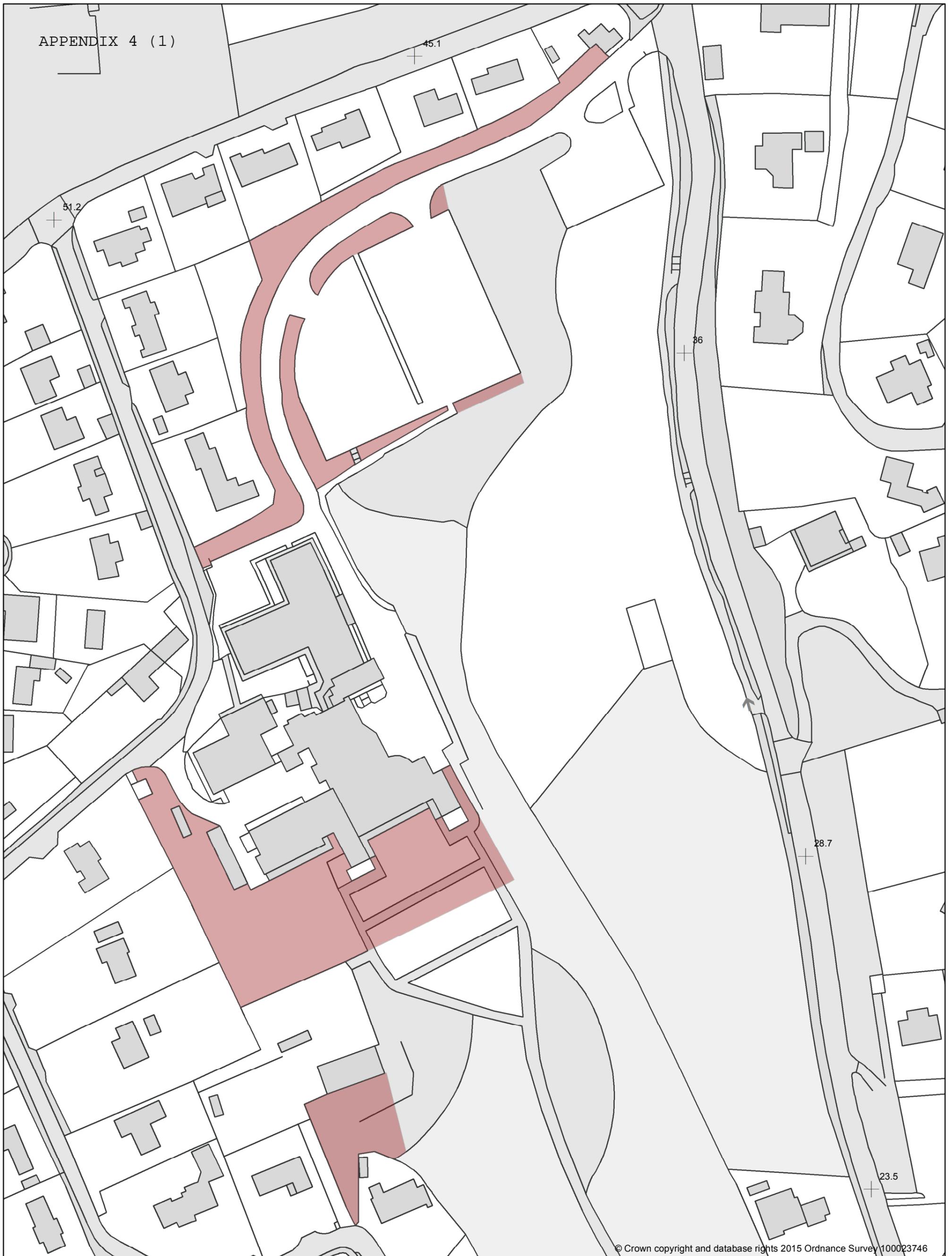
		KNOWLE - CURRENT BASE	KNOWLE - DO MINIMUM	2,776 M2 OFFICE AT HEATHPARK AND REFURBISHMENT OF EXMOUTH TOWN HALL BREEAM VERY GOOD	2,776 M2 OFFICE AT HEATHPARK AND REFURBISHMENT OF EXMOUTH TOWN HALL BREEAM EXCELLENT	3.352 M2 OFFICE AT HEATHPARK BREEAM VERY GOOD	3.352 M2 OFFICE AT HEATHPARK BREEAM EXCELLENT
Total Betterment	Indexation	£	£	£	£	£	£
Business Rates	RPI		-	-1,286,906.39	-1,286,906.39	-1,991,707.30	-1,991,707.30
Planned Maintenance	RPI		-1,034,566	-30,741.83	-30,741.83	114,124.34	114,124.34
Reactive Maintenance	RPI		367,533	358,188.11	358,188.11	358,188.11	358,188.11
Electricity consumption	Electricity prices - Medium		877,627	1,801,066.42	1,829,412.49	1,930,177.75	1,964,405.43
Gas consumption	Gas prices - Medium		-27,456	359,700.28	373,413.78	394,978.82	411,537.76
Water consumption	RPI		-	38,652.76	47,967.01	71,077.43	82,324.31
Building Insurances	RPI		-	175,394.03	175,394.03	178,242.06	178,242.06
Content Insurances	RPI		-	-	-	-	-
Employee costs	RPI		57,453	1,351,779	1,351,779	1,441,651	1,441,651
Grounds Maintenance / Estate Servicing Costs	RPI		-	197,069	197,069	201,112	201,112
Other costs associated with property maintenance	RPI		-	295,231	295,231	293,859	293,859
Other running costs	RPI		-	135,546	135,546	79,937	79,937
Miscellaneous running costs	RPI		-	153,440	153,440	-48,455	-48,455
Lifecycle	RPI		-	2,402,132	2,326,678	2,458,394	2,369,964
Total Betterment			240,591	5,950,551	5,926,470	5,481,578	5,455,182



1:1,000

 Open Space to be appropriated





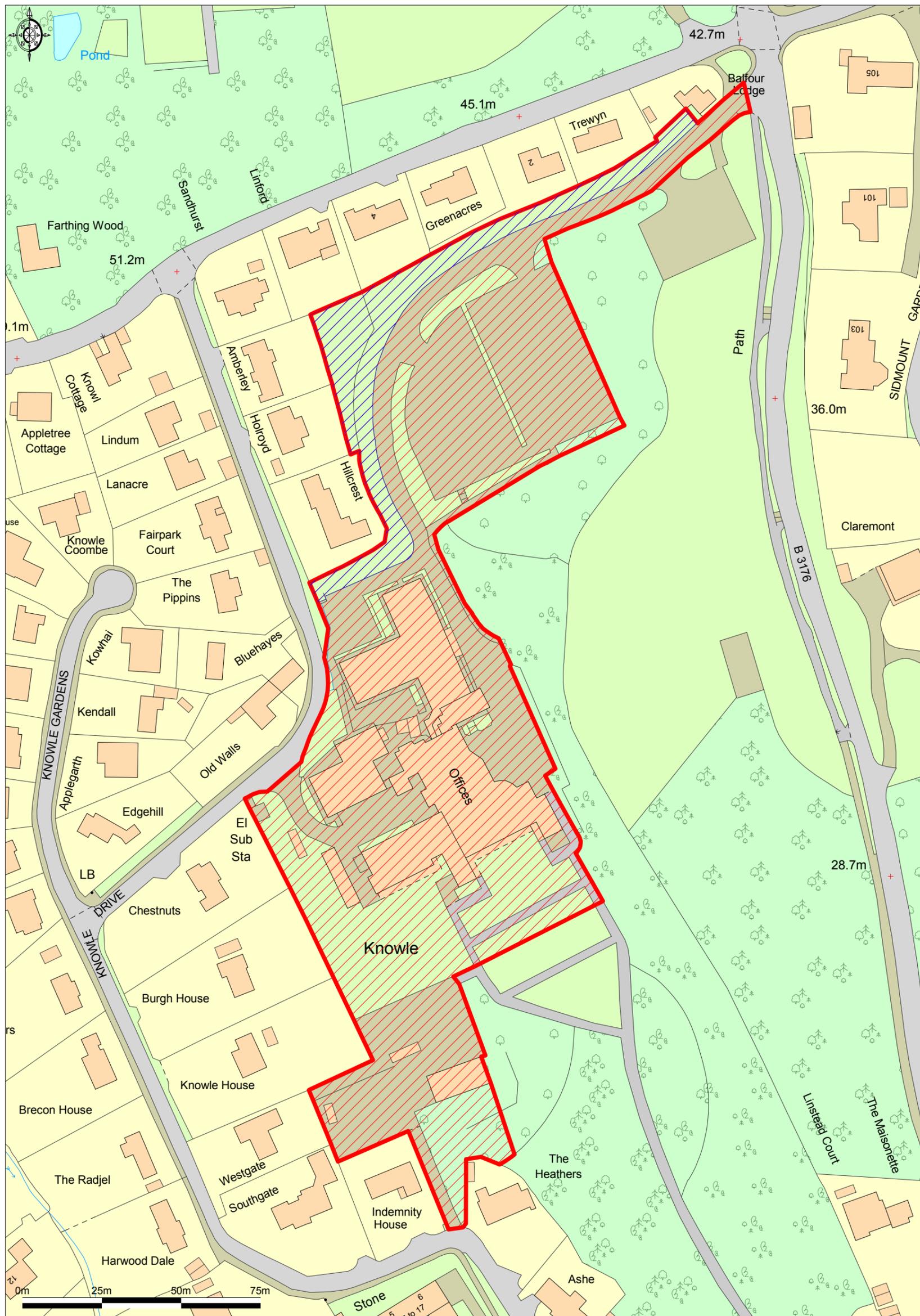
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1:1,000

 Open Space to be disposed of



The Knowle Station Road, Sidmouth, Devon



Promap
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For illustrative purposes only.

savills

Summary of responses to public notices of intention to dispose / appropriate

Loss of open space

Area to be lost is part of an important local amenity which is of high amenity value
Land is required, has been used for many years by the public for recreation / public open space (including garden / workshop area) and should be retained for the benefit of the local community for the designated purpose.

Land is designated recreation land within Policy RE1 of the current Local Plan (2006 – 2011) which also acknowledges (at para 13.121) that '*the town has an overall under supply of formal recreation land*'.

Public Open Space Study includes land owned by the National Trust in its calculations (The Byes) and also says that Knowle Gardens of special quality.

Should be finding an equivalent area to compensate.

No justification for the extent of areas (particularly the terraces which are the most visually prominent and attractive part of the Parkland) being appropriated / disposed of.

Not necessary to change the designation of land to the north of the access drive.

Impact of loss

Loss would spoil ambience of this part of Sidmouth

Loss would seriously adversely affect the appearance of the remainder of the public gardens.

Small area of land left after development would destroy character of the park and leave little land for enjoyment of visitors and residents.

Green spaces enhance the environment and add value to local land and businesses as well as attracting tourists - in danger of eroding characteristics of Sidmouth that make it the thriving tourist town.

Loss would reduce enjoyment of the gardens

Once sold, no retrieving public open space.

Other environmental concerns

Loss would result in loss of important trees and wildlife (including the bat colony).

Park is a wildlife corridor between various sites.

Economic concerns

No figures produced to evidence need for a care community and any replacement employment would not be 'like for like' in terms of salaries, therefore resulting in detriment to economy of Sidmouth and reduced chance for youngsters to pick up well paid employment .
No justification to leave Sidmouth.

Council doesn't need new offices – there is sufficient provision which can be updated.

No business case made to the electorate and whole relocation project a waste of tax payers money.

Basis for appropriation / disposal is purely economic to raise funds for relocation purposes.

Other open spaces to be used across the district to fund relocation.

Intended future use

Incorporation of the terraces into housing would be visually disturbing and lead to diminution of quality of the landscape from the rest of the parkland.

Houses would be clearly visible and would be a major intrusion.
Spoil the view for Upper Knowle Residents including impact on health due to development
Greater risk of major flooding and increased air pollution.
Loss of weekend overflow carparking or car parks which could be used due to parking issues in the town.
Loss of heritage asset (old hotel building).
Unsure how public / private distinction would be managed on the terraces and use by residents would be unfair on Council Tax payers.
Drainage and roads would not cope with any more traffic.
Concerns over depot access and additional traffic to Knowle Drive.
Sidmouth Town Council voted against building on anything other than the existing footprint.
Safe route into Sidmouth.
Emerging Local Plan carries little / no weight therefore shouldn't be relying on proposed allocation.

Planning

Development Management Committee rejected the Council's own application on the basis of intrusion into designated open space, which should be retained for benefit of community.
Development proposals would result in the loss of employment opportunities (in conflict with Local Plan Policy RE3 and Strategy 32 of emerging Local Plan).
Paragraph 74 of the NPPF requires an assessment to be carried out prior to being built on and no assessment has been carried out, so disposal / appropriation contrary to NPPF.
Should not proceed without satisfying Local Plan policy requirements and having a planning permission in place.

Procedural matters

A part of the land for disposal which is open space has not been included.
EDDC has a vested financial interest and the appropriation / disposal of open space should not proceed when underlying reason is so widely and significantly questioned.
Gifted by people of Sidmouth to EDDC for its protection, is held in trust for the public and intentions contravene this.
Partially owned by residents and no moral (possibly legal) right for Council to sell.
Abuse of power since appropriating contrary to public view and LPA decision.
Land is affected by claimed footpaths and appropriation / disposal now would prejudice forthcoming inquiry and future use (including concerns over the shutting off of the access off Upper Knowle Drive).
Concerns over statements made by Heynes Planning in tender information about extent of land covered by RE1 .
Changes to the boundary of the southern terraces during the Local Plan process with the intent to deceive.
Concerns over whether officers can report to Members in an unbiased and fair way on the comments made following public notices.
Following Code of Recommended Practice on Local Authority Publicity, decision should be delayed until after elections due to controversial nature.
Chinese Walls broken between Planning Department and Relocation Project Team
Inappropriate for Legal Department to be involved in process.
Legal Department should be seeking to protect the Open Space.

Should have published in a paper circulating in the whole of East Devon, not just Sidmouth area.

Matter should be considered by an independent body.

Concerns that decision will be taken by officers and will be behind closed doors.

Concerns over ignoring of responses.

Council not prepared to 'consider any objections'

Query over whether Local Government Act 1976 is still in force.

Council cannot take impartial decision and therefore acting 'ultra vires'.

Sidmouth Town Council not consulted.

Querying of process and that decision to appropriate and dispose should be in public.

Appointed auditor to be satisfied Council acting lawfully.

Suggestion that this is a compulsory acquisition under Town and Country Planning Act 1990 and that Secretary of State consent is required.

Ignoring local feeling and riding roughshod over views of residents.

Secretive due to small notices in paper.

Should be referred to Overview and Scrutiny to review.

Other

Depot and car park areas should be returned to previous condition (following requirement to revert to former use when no longer required) and not appropriated to an alternative purpose.

Should only proceed where (1) unambiguous support by overwhelming majority of stakeholders, (2) move would result in financial savings which are transparent, demonstrable and realizable within short to medium term and (3) enrich citizens culturally, socially, politically and financially and not enrich the already powerful and rich financially.

No development should take place until future Government structures have been decided upon (this is also the view of local MP).

Want retention of 'green wedge' between Heathers and gardening depot and object to change of use of gardening depot.

More land to be sold than shown on the notices.

EDDC OFFICE ACCOMMODATION PROJECT

GATEWAY DECISION PARTICULARS

Gateway Decision	Particulars	Forecast Date	
Gateway Decision Nr 1	Agreement to Relocate Office to Twin Option of a New Office at Heathpark and a Refurbished Office at Exmouth Town Hall	25 March 2015	
Gateway Decision Nr 2	Agreement to employ EDDC's procured Design Team	22 July 2015	*
Gateway Decision Nr 3	Approval of EDDC's Design Team Design to RIBA Workstage C, and agreement to proceed to RIBA Stage D	07 September 2015	*
Gateway Decision Nr 4	Approval of EDDC's Design Team Design to RIBA Workstage D, and agreement to proceed to RIBA Stage E. Approval to proceed to submission of Heathpark / Exmouth (if applicable) Planning Application(s). Approval to issue Notice and commence Contractor Procurement	30 October 2015	*
Gateway Decision Nr 5	Approval of EDDC's Design Team Design to RIBA Workstage E, and agreement to proceed to RIBA Stage F & G.	11 December 2015	*
Gateway Decision Nr 6	Approval of final design	27 April 2016	*
Gateway Decision Nr 7	Confirmation of Preferred Developers unconditional bid following Planning determination. Receipt of Planning Approval for New Office at Heathpark (and Exmouth Town Hall if applicable). Agreement to Appoint procured Contractor(s).	03 June 2016	*

Notes

* - Final dates to be confirmed pending issue of Council Meeting Timetable
 Gateway Decisions 2 - 6 are generally subject to the Project Executive Board Approval, who have the option to refer to Cabinet / Council for consideration and decision.
 Information extracted from Full Overview Programme Rev AS (2) dated 28 January 2015