



Moving and Improving

**EDDC New Office Project
Member Presentation
3 December 2014**



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1. Recent Progress

Developments since Feb 2014

- Marketing of Knowle and Manstone Depot sites
- Successful defence against TVG application
- Opened detailed negotiation with Skypark developer
- Continued engagement with Heathpark developer
- Conducted Serviced Business Space Review
- DCC leave Exmouth Town Hall
- Commenced roll out new mobile technology
- Part A update report in June 2014
- Reporting back to Cabinet/Council later in year
- Project Development spend - just over £500K over 3½ yrs

2. Knowle/Manstone

Knowle and Manstone

Marketing completed 22 Oct followed by long and shortlist by Member Executive Group against weighted criteria:

- 28 different enquiries
- 10 firm bids from 7 bidders
- 4 bidders shortlisted on basis of:
 - Price
 - Viability
 - Additional benefits eg economic, social

Ongoing process of selection of preferred developer

Anticipated range of bids (Red Book)

- Projected - £5.8 -10.3m

Actual

- Bids of continued interest - £7-8m (range)
- Mid rather than upper range reflects:
 - Lack of interest in Manstone opportunity
 - Market's view of planning context
 - Perception of local authority as seller

Proposals

Knowle

- Firm market interest in developing Knowle site
- Leading propositions to be explored:
 - Retirement residential community
 - Care, extra care and assisted living community
- 100 approx 1-2 bed apts/rooms in retirement/care design
- Draft LP proposes 50 houses (2-4+ bedrooms)
- No bids to retain any of the existing buildings*
- No bids for continued employment use
- Further detail required prior to selecting preferred developer

Manstone

- No viable interest in Manstone Depot development
- Retain for foreseeable future -transfer Knowle Depot across

3. Skypark

Skypark – Pros and Cons Reminder

Pros

- Guaranteed Max Price and Turnkey deal
- Showed surplus at higher values of Knowle/Manstone and Heathpark sale
- Site prominence and statement
- Good location for joined up Loc Gov working
- EDBC replacement costed in
- District heating and BREEAM excellent build
- Resale value

Cons

- Expensive with deficit if EDDC land sale has lower values
- Western edge of district a problem for some
- Additional risk - requires sale of EDDC Heathpark site
- Least attractive option for staff
- Business Rate charges are the highest

Skypark Viability

- Originally an ambitious and business-like statement of intent for East Devon
- Dependent on:
 - Sufficient receipt from sale of Heathpark
 - Higher values for Knowle/Manstone sites
 - Detailed negotiation
- Outcomes following Cabinet and Council in Feb 2014
- Skypark no longer deliverable as a cost effective option

4. Honiton, Heathpark

Honiton, Heathpark - Pros and Cons Reminder

Pros

- EDDC owned so low risk
- Geographically central
- Good site capacity
- Positive impact on Honiton
- Preferred location of staff
- Road, rail and local amenities

Cons

- Use of site would preclude funding of Skypark
- EDBC remains rather than a more modern replacement
- Value of building not as good as Skypark
- Business Rate lower than Skypark/higher than Knowle
- S106 contribution to Turks Head Junction

Honiton, Heathpark Value

- Supermarket Developer offer: £4.7m
 - 37,000 sq ft supermarket
 - Petrol station
- Reduced to: £3.6m
 - 25,000 sq ft Supermarket
 - Retail (pet store?)/drive thru fast food
- Price and quality of offer decreased
- Uncertainty and complexity

5. Dual Solution – Honiton/Exmouth

Honiton, Heathpark

- 170 desk equivalent new build
- EDBC facility retained and kept separate or designed into new office
- BREEAM Excellent

Exmouth, Town Centre

- 80 desk equivalent modernised Town Hall
- Retention of existing tenants inc Exmouth Town Council
- BREEAM Very Good

Honiton/Exmouth – Logic

- **Affordable** - Combined capital receipt with prudential borrowing and 20 year operating cycle
- **Positive Impact** - Overall economic uplift to District
 - EDDC workforce moving to preferred locations
 - New resident spend and potential for alternative jobs in Sidmouth
 - Sidmouth Depot facility and jobs retained
 - New construction contracts and jobs in three towns
- **Presence** - EDDC available in two significant centres of population and service demand. Service presence provided in other towns including Cranbrook, Axminster and Sidmouth
- **Connectivity** - Mobile working and ICT solutions to dual site operation
- **Finance** - EDDC Cost effective on capital plus 20 yr operating basis
- **Continuity** – Retained bases for EDDC operation and Exmouth Town Council and other Town Hall tenants.

6. Viability

Viability - Dec 2014

Income/Spend	Skypark	Honiton/Exmouth
Capital Receipt	11.7	7.5
Project Expenditure	14.7	10.4
Plus 20 yr Interest Charges	1.4	1.3
Difference - Receipts v Expenditure	-4.4	-4.2
20 yr Betterment*	0.8	5.5
Overall net benefit over 20 years	-3.6	1.3

*Improvement of running costs over 20 yrs compared to Knowle (2% pa general inflation and 10% pa energy costs)

Viability Analysis

- **Borrowing** – Honiton/Exmouth will require borrowing of 4.2m (capital and interest) on top of the capital receipt for Knowle over 20 yrs
- **Repayment** – Annual repayment costs will be £195,000 pa for 20 yrs
- **Running Costs**

	Year 1	Year 20
– Knowle:	£428K	£1,014
– Honiton/Exmouth	£348K	£664K
– Borrowing repayment	£195K	£195K
Total	£543K	£859k
Difference	-£115K	£155K

- By end Yr 10 Honiton/Exmouth running costs and debt repayment together will be less than the running costs if you stay at Knowle (even without the costs of repair, maintenance or modernisation).

7. Understanding Risk

Risk and Risk Management

Reduced Complexity

- Relocation to sites in EDDC ownership. No additional land purchase.
- An extra 2 yrs temp borrowing to allow for delays

Finance

- All costs are calculated into total budget inc lifetime project management
- Knowle value now market tested and bid prices known
- 20% contingency in design and build

Control of Decisions

- Return to Cabinet and Council for sign off before selling Knowle
- Gateway decisions at key points in project process
- Internal oversight – legal, financial, HR and SWAP engagement

Planning

- Independent planning advice taken
- Preferred developer to engage in early pre-app with Planning Authority

Resource

- Dedicated project management

What a new future will offer

- Better working environments in efficient offices
- Availability in centres across the district
- Making best use of our existing assets
- Keeping a business centre operation going
- More popular options for our workforce
- No additional cost on the Council Tax
- Reduced energy usage
- Running costs from Day 1 cheaper than now
- Planned and managed borrowing repayment
- Capacity and flexibility to face the future
- Stronger base from which to represent and deliver for East Devon

8. Next Steps

Next Steps

If Cabinet agrees recommendations:

1. Implement process to select preferred developer
2. Confirm end to Heathpark sale and Skypark acquisition negotiations
3. Advise EDDC staff and EDBC business users
4. Further public engagement – press, public communications, stakeholder event
5. Project finance surgeries for Members
6. Report back to Cabinet and Council seeking agreement to progress project including sale of Knowle subject to negotiation

Discussion