

Report to the Cabinet

Report reference: C-044-2018/19
Date of meeting: 11 April 2019



Portfolio: Leader (Councillor C. Whitbread)
Subject: Accommodation Strategy
Responsible Officer: G. Blakemore (01992 564233)
Democratic Services: A. Hendry (01992 564243)

Recommendations/Decisions Required:

- (1) That Cabinet approve the formal marketing of Civic building areas inviting formal expressions of interest following on from the positive soft market test exercise approved by Cabinet in December 2018 and**
- (2) Cabinet agree the approach of interim development of the Civic building over the next 18 – 24 months to support and enable working in more efficient and effective ways.**
- (3) Cabinet are asked to note:**
 - 1. the overall progress made**
 - 2. the governance in place to ensure continued programme delivery**
 - 3. the timeline for future decision points**

Executive Summary:

The accommodation programme continues to progress. The Accommodation Programme board has met monthly since December 2018 and a governance structure has been developed with four distinct projects:

- (i) Construction of New Building;
- (ii) Sale of Land at Back of Civic Offices;
- (iii) Refurbishment of Civic Offices; and
- (iv) Recruitment of Partners/Tenants for Civic Offices

Following on from December 2018 Cabinet decisions further assurances were documented on 14th January 2019 (appendix A) giving clarity around the detail of work required and steps to be taken prior to final decision making to award contracts, sell land and build new accommodation.

This report notes progress made under the four project areas and asks for a decision to move forward on (iv) Recruitment of Partners/Tenants for Civic Offices.

The business case for:

- a) the sale of the rear site

- b) a new build for EFDC staff and potential partners
- c) developing the Civic building into a Customer, Democratic and Civic hub in addition to a mixed use business hub.

remains valid as broadly cost neutral whilst meeting all strategic aims of the programme.

As laid out in the December 2018 Cabinet report the Civic Office building would retain up to 40 EFDC staff supporting Customer, Civic and Democratic activity. The aim for the number of occupants in the Civic building in total would be no less than the existing headcount (446 as at 2016) supporting high street footfall and the local economy. The Civic building would be open to Customers for multiple agencies, Businesses both established and incubation, and the Community with proposed high street access to local supplier food and beverage provision.

Reasons for Proposed Decision:

The decision to move to formal marketing of areas within the Civic building will enable officers to act upon the favourable responses from 'soft market testing'.

The accommodation project and supports the overall aspirations of the Council Corporate Plan – Stronger Council, Stronger Communities, Stronger Place.

Other Options for Action:

Take no interim action within the Civic building and wait for the new build to be constructed. This is considered a less favourable option as an expedited new build would be 2-3 years of no change. The People Strategy is delivering on time and the creation of the new 4 layer management spine is well progressed. There are physical barriers to working in a collaborative way, there are also barriers to working in a digital way that can be overcome without listed consent; particularly the Council Chamber facilities. The interim changes go some way to opening up office spaces and reconfiguring alternative working space i.e. new café – 'work, rest, eat, meet'.

Report :

Below is an update on progress by project (i – iv).

1. Project: (i) Construction of New Building

The North Weald Airfield masterplan process is underway (tender for a masterplan brief consultant April 19 Cabinet). The Local Plan examination is in progress. Communication between EFDC and North Weald Parish Council is ongoing with regard to potential requirements of the Parish Council. A full design and specification brief for a new build is underway but not yet tendered.

2. Project: (ii) Sale of Land at Back of Civic Offices

Further valuation work has been completed by an external consultancy on the development

site to the rear of the Civic building (Condor building area) in order to ensure that a continued appraisal of site value occurs as the market changes due to significant external factors. There are no significant variances and overall final figure differential between SD Smith Consultancy and EFDC make the overall scheme benefit broadly similar.

2.1 Valuation of the Condor Building development site (rear of the Civic building): Simon Smith of SD Smith Consultancy Ltd has prepared an independent external valuation appraisal for the proposed residential scheme. EFDC Estates Team, prior to this, prepared an internal desktop appraisal for the proposed scheme based on the Local Plan.

Simon Smith's figures vary slightly on individual elements of the valuation, for example build costs, gross development value, exact residential scheme/plots. However, there are no significant variances and overall final figure differential between Simon Smith and EFDC Estates is not significant, and it can be said that EFDC would be the best case scenario based on sale prices, with Simon Smith providing a more conservative set of assumptions but which nonetheless still lend themselves to the proposed development.

Headline comparisons are as follows:

Element	S. Smith Independent Valuation	EFDC Estates Internal Appraisal
Sale Price Per Unit	£285,000 / £445,000	£250,000 / £600,000
Units/ Plots / Scheme	25 one bed, 40 two bed	65 two bed, with affordable £250k
Total Sale Price Achieved	£20,600,500	£30,250,000
Construction Costs per M2	£1,500	£2,150
Construction Costs Total	£10,985,600	£10,204,900
Gross Development Value	£9,350,000	£10,200,580
Net Land Value	£7,500,000	£9,532,300
Profit on Land Value	24.7%	31.5%
Total Benefit to EFDC	£9,175,000	£9,532,320

The main area of difference between the valuations is the scheme adopted and sale price of the units.

EFDC have used the Old Court House on Hemnall St as the most direct comparable, consisting of the old police station conversion into a modern flat scheme. At the time of valuation the developer informed us that they expected to sell these units at £600,000, however these are now listed at £525,000. It should be noted that these are a conversion and not a new build so we may reasonably expect a premium to be paid for a new build.

If EFDC adopt the same figures for sale price as Simon Smith, we reach a figure of £24,925,000 total in comparison to our previous figure of £30,250,000. This new figure *does not include affordable housing*, which would also have to be factored in, further reducing the total sale price and bringing EFDCs indicative early figures much closer in line with the latter independent valuation by Simon Smith.

EFDCs construction costs adopted were also somewhat lower than Simon Smith in aggregate, albeit more per M2. This reflects the assumed size of the scheme and size of individual units, where EFDC have adopted a broad indicative scheme based on early indications from PwC whereas Simon Smith has gone into considerable depth and detail on a specific scheme based on others in the area, detailed planning considerations and other factors beyond the scope of the original early appraisal.

Both costs and sale price differentials therefore factor into the GDV, net land values, profits etc between the two appraisals.

The aim is to establish project costs for 20/21 budget setting process which will include further work on development options and from that a revised sale of land estimate.

3. Project: (iii) Refurbishment of Civic Offices

As the soft market test for partner organisations and potential letting of space to businesses has proved favourable the future demands on the Civic building are clearer. Briefs to engage expertise with mechanical and engineering (M&E), space planning and the development of conference facilities specialisms are underway.

The initial development of specific areas of the Civic building are not planned to involve listed building consent or planning permission and are intended to support staff and members to work in efficient and effective ways.

Interim developments would include: new café provision, letting of 1st floor office space to external business, council chamber refurbishment to support digital working, maximisation of any open office space to enable more collaborative working.

Within 18 months a full refurbishment plan including changes requiring planning permission and listed building consent will begin delivery. This would include any building changes such as new public entrance to café and terrace, removal of some office partitions, new M&E, additional facilities such as toilets and kitchens, work on customer reception to include layout changes to accommodate partner services such as Library and registrars and refurbishment and repair of listed areas. The aim is to establish project costs for 20/21 budget setting process.

4. Project: (iv) Recruitment of Partners/Tenants for Civic Offices

The 'soft market testing' of areas within the Civic building has been positive and informative. The decision to test the market has built confidence in the opportunities for the Civic building, given a clearer picture of the requirements for a remodelled café area, and confirmed that there is interest from agents to act on EFDC behalf to let office space. Cabinet are asked to agree to formal marketing of Civic building following on from the 'soft

market test' approval in December 2018 Cabinet meeting.

The engagement of an agent and formal marketing of the Civic site will include the production of a prospectus laying out the vision of what the Civic Building will offer to customers, residents, visitors and businesses. This prospectus will reflect the interim opportunities available as well as the vision of the future.

4.1 Marketing / Options for the Canteen Space: Four independent commercial agents, with local knowledge and expertise, have been engaged by the Estates Team to provide initial marketing advice and costs:

- a. Kemsley LLP (Chelmsford Office);
- b. Fenn Wright Commercial (Chelmsford Office);
- c. GCW (London Office)
- d. Derrick Wade & Waters (DWW) (Harlow Office)

Currently, Kemsley, Fenn Wright and DWW have attended the Civic Offices and inspected the proposed space. GCW are inspecting 16 March. Kemsley have provided initial marketing advice, with Fenn Wright, GCW and DWW to confirm by 18/03/2019 with their written advice.

Indicative verbal and written advice from external agents indicates:

- i. The provision of a new entrance onto the High Street elevation adjacent to the canteen is essential.
- ii. Any occupier needs to be suitable both to the general public, the existing staff (particularly in the short term) and in keeping with the proposals for the mixed use business hub in the medium term;
- iii. Assumption of A3 (Café) / A4 (Restaurant) Use will be granted by Planning which would be essential to let the space;
- iv. Assume a Café operating 8am – 6pm Monday to Friday, but if also a restaurant offering this could be opened up to further hours and the weekend subject to Planning and the right occupier;
- v. A tenant would likely expect a rent free period, which would be dictated by both the market at the time and the extent to which EFDC have already stripped out the space or are offering the space 'as is'. We would expect a rent free period of 3-6 months.
- vi. Occupiers would likely be local occupiers similar to other independent operators on the High St in the short term. This may develop as the wider re-development (both of the Civic Office business hub and the Condor Building site residential scheme) comes to fruition which could potentially attract national occupiers if there is significantly increased footfall and more intensive use of the site. It will be impossible to know exactly however until formal marketing is commenced and we can clearly test the market.
- vii. Marketing would be undertaken by a hybrid approach of details issued to applicant databases, writing to local occupiers, local commercial agents, targeted mailing to suitable occupiers in a 15-20 mile radius, plus a prominent marketing 'to let' V board at the front elevation. This is in addition to an online

marketing campaign. The appointed agent would handle all of this and accompany any viewings. Additionally the details would be set out on the EFDC website.

- viii. An Energy Performance Certificate would be required, and would have to achieve a minimum rating of 'E' to legally market and let the space.

It should be noted that if an agent is appointed with 'sole letting rights' and EFDC separately found or was approached by a tenant independently and we subsequently agreed a letting independently to that occupier, a full letting fee would still be due to the sole agent. Generally any agent is going to expect 'sole letting rights' (whether a sole or jointly appointed agent i.e. one or two agents are instructed) to make the instruction worthwhile for them accepting.

We are aware that given the bespoke nature of the café requirement, there may also be suitable occupiers that prefer a more turnover/management based agreement where the capital costs/risks are borne by EFDC or shared between the parties with an agreed share of the resulting revenue/benefits.

It is proposed that the marketing exercise captures all of these requirements and ensures the most appropriate occupier and offer in keeping with our vision for the entire space.

Following on from formal marketing and upon receipt of expressions of interest Cabinet will be presented with options and a recommendation on any contract award which will include full appraisal (including financial) of the offers.

4.2 Other potential partners – progress report

Further meetings with Police, CCG and Essex County have been attended by relevant officers and the Project Sponsor in order to continue building good relationships and identifying the most appropriate opportunities for an excellent Customer Public Service Hub at the Civic Centre and other partnership options on other sites. Essex County Council Library and Registrar services continue to develop the plan to locate in the Epping Civic building.

The opportunities for 323 House continue to be negotiated separately from the remainder of the Civic building and a working group consisting of interested parties is in formation. The timeline for consideration of the 323 House proposal is June 2019 Cabinet. All dependencies with other programmes are fully considered and for April 19 and June 19 Cabinet are appraised of inter dependant programmes to ensure decisions are aligned.

Resource Implications:

The engagement of specialist resources will be funded from the £425,000 agreed in December 2018.

Soft market testing data has indicated Rental levels for A3/A4 space in the High Street ranges from £12 to £25 per square foot with the latter being for prime location space in the centre of the High St. As the Civic Offices are at the very end of the High St and set back

from the main road, we anticipate rental levels in the region of £15 per square foot. This equates to an offering at £37,500 assuming typical lease terms for say 3 years initially, assuming further negotiation would then achieve £30,000-35,000 per annum in practice.

For Civic building letting agent fees are expected to be in the region of 10% of the final negotiated rent subject to a minimum fee of circa £2,000+VAT assuming one agent is appointed (Sole Agent with sole letting rights).

Legal and Governance Implications:

Any professional consultancy services will be procured in line with the Council procurement rules. The Civic Offices site has a draft allocation of housing within the Local Plan to be bought forward in the early years. There will be a Governance Board in place and regular reports of progress back to Cabinet.

Safer, Cleaner and Greener Implications:

The new building and will be safer by design and energy efficient.

Consultation Undertaken:

Since Sept 2018 a number of partners and agencies have been approached or have approached EFDC to discuss the opportunity of locating services in the Civic building. Interest continues to be expressed from Essex CC, Police and CCG.

Parish and Town Council opportunities working within EFDC estate are also being explored where this accommodation project could work for customers, residents and organisations.

Exploratory discussions with a variety of businesses are ongoing. The soft market testing with four agents has returned positive results hence the decision to move to formal marketing.

In addition there is ongoing dialogue with the lease holders of the canteen provision regarding future plans. Going forward the intention is for any opportunity to be open to any interested party including current providers.

Background Papers:

Cabinet Report 10 December 2018

Risk Management:

A full risk register will be produced at both programme and project level. The management of risk will be the responsibility of the Board.

Two risks have been identified by the project board relating to the decision and subsequent activity.

1. Having no provision in place for food and beverage from June 2019
2. Potential change to food and beverage offer being negatively received by some staff

Mitigation will be in place to minimise these risks.