

# Cadent

Your Gas Network

## Appendix 09.28

Corporate Property

**XXXX** Capex

**XXXX** Opex



## Investment Decision Pack Overview

This Major Project Engineering Justification Framework outlines the scope, costs and benefits for our proposals. We have prepared a Engineering Justification Paper (EJP) and a Cost Benefit Analysis (CBA) for these property assets.

### Overview

We are undergoing a significant transformation programme in RIIO-2 to reduce costs and improve service to our customers. This programme will include a reduction in the number of centrally-based office staff: from 1,850 to 1,300. As a result the floor area currently provided by the 3 corporate offices (Ashbrook Court, Coventry (ABC), Hinckley Operational Centre (HOC), Leicester Data Hall (LDH)), will be approximately 40% more than required. This presents an opportunity to right size our office portfolio to match future needs – driving further cost reductions.

We have considered five overall programme options:

- Option 1 (**Baseline**): Maintain existing office estate<sup>1</sup>.
- Option 2: Maintain and upgrade HOC, maintain LDH, dispose of ABC.
- Option 3: Maintain and upgrade HOC including rebuild of Block 2-4. Maintain LDH, dispose of ABC.
- Option 4: New office in Hinckley/Coventry area, dispose of HOC & ABC, retain LDH
- **Option 5: New office in Hinckley/Coventry area. Maintain and upgrade HOC, dispose of ABC and LDH<sup>2</sup>.**

We evaluated the whole life Opex and Capex costs, with Option 5 having the lowest overall cost. This was therefore chosen as the preferred option.

Summary of preferred option	£m
RIIO-2 Capex Expenditure	Redacted due to commercial sensitivity
RIIO-2 Opex Expenditure	Redacted due to commercial sensitivity
Project NPV	Redacted due to commercial sensitivity

### Material changes since October submission

Capex costs have increased from XXXX to XXXX due to changes in calculation.

<sup>1</sup> Baseline in the CBA templates

<sup>2</sup> Option 1 in the CBA templates

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## 2. Summary Table

Name of Project	Corporate Property		
Scheme Reference	Cadent Line 33a		
Primary Investment Driver	Cost efficiency		
Project Initiation Year	2020		
Project Close Out Year	2025		
Total Installed cost estimate (£)	XXXX – Capex XXXX – Opex		
Cost Estimate accuracy (%)	+ or – 13 % (Capex only)		
Project Spend to date (£)	XXXX		
Current Project Stage Gate	Study completed to inform RIIO-2 investment case		
Reporting Table Ref	3.05/Other Capex/OtherCapex: Projects >£0.5m Aggregated Sub Table under the Corporate Property line.		
Outputs included in RIIO-1 Business Plan	No		
Spend apportionment	RIIO-1	RIIO-2	RIIO-3
	XXXX	XXXX (Capex) XXXX (Opex)	XXXX

Table 1: Summary Table

### 3. Project Status and Request Summary

Our investment proposal is to fully complete all required planning, commercial negotiations, construction and delivery of required modifications to the corporate offices, currently located at: Ashbrook Court, Coventry; Hinckley Operations Centre and Leicester Data Hall. This transformational project will improve and streamline our property portfolio and generate long term cost reductions.

We have current completed high level study in 2018/19 to develop this investment case for RIIO-2 including planning, surveys, financial modelling and legal groundwork.

## 4. Problem Statement

We are undergoing a significant transformation programme to reduce costs and improve service to our customers. This programme will include a material change in the number of centrally based office staff (see Table 2) and as such presents an opportunity to right size our office portfolio to match future needs – driving further cost reductions.

Item	Value
Office staff numbers - 2019	1,850
Office staff numbers - 2025 (estimated)	1,300
Current office space	249,400 sq. ft
Required office space in RIIO-2	150,000 sq. ft

*Table 2: RIIO-2 Staff Numbers and Required Office Space*

Cadent currently has over 4,000 staff, of which 1,850 are office-based, who provide a wide array of functions, from front line operational staff controlling the day to day gas supply to our customers, to key support staff to keep our business functions running smoothly. Over 45% are currently based in the 3 offices at:

- Ashbrook Court, Coventry (ABC)
- Hinckley Operational Centre (HOC)
- Leicester Data Hall (LDH)

The size and operational costs of the three offices are shown below in Table 3.

Site	Tenure	Floor Area (sq. ft)	Current staff numbers	2016/17 Opex £m	2018/19 (current) Opex £m
Hinckley Operations Centre - HOC	Freehold	174,00	1,300		
Leicester Data Hall - LDH	Leasehold (expires June 2024)	26,300	50	Redacted due to commercial sensitivity	
Ashbrook Court - ABC	Leasehold (expires Dec 2026, break in Mar 2021)	49,100	500		
<b>Total</b>		<b>249,400</b>	<b>1,850</b>		

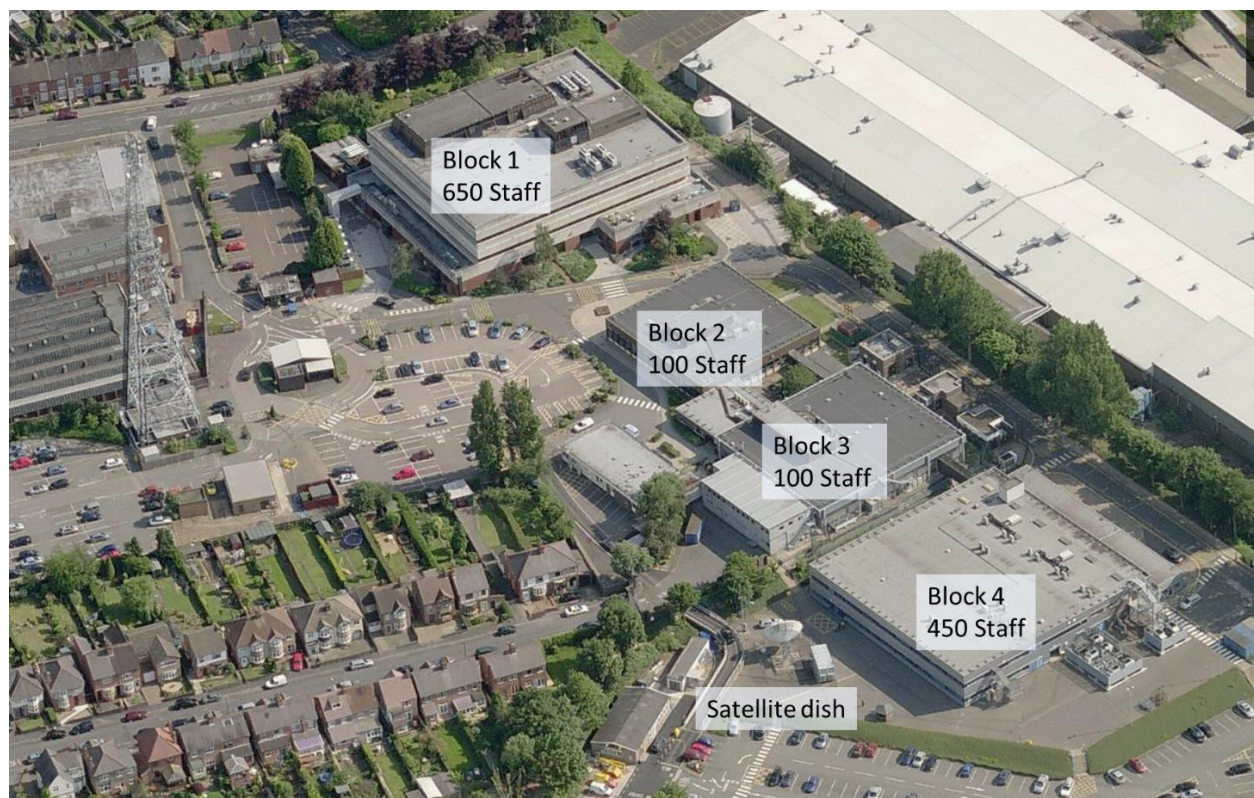
Note: Costs are given in the 2018/2019 price base

*Table 3: Summary of Corporate Offices*

A description of each office is provided below in Table 4 and an aerial view of HOC is shown in Figure 1.

Site	Key Features
HOC	<p>Four interconnected blocks.</p> <p>Block 1 (B1) contains the Distribution Network Control Centre (DNCC) and call centre functions (gas emergency line) a 24/7 operational team which is essential for the safe-running of our networks. It also contains the data centre, generators and UPS, reception and staff restaurant areas. Accommodates roughly 650 staff.</p> <p>Block 2 (B2) accommodates roughly 100 staff.</p> <p>Block 3 (B3) small office and converted auditorium, roughly 100 staff.</p> <p>Block 4 (B4) large block divided into 4 large offices, accommodates roughly 450 staff.</p> <p>~950 car parking spaces</p>
LDH	<p>Site covers 2 floors; the upper floor is office space and can accommodate ~1,000 staff. Site is used for BCM (Business Continuity) in case of issues at HOC. Lower floor is an old data centre that is being depopulated, part of which is rented to a third party.</p>
ABC	<p>Three storey office block which can accommodate ~550 heads. Site has a staff restaurant and reception area on the ground floor. Office also has good training space and offers 54 meeting rooms.</p>

*Table 4: Key Features of the Corporate Offices*



Bing Maps screen shot reprinted with permission from Microsoft Corporation.

*Figure 1: Hinckley Operation Centre (HOC)*

Cadent has ambitious transformation plans in RIIO-2, which will have an impact on office staff numbers and their location. Reductions will be achieved through the current transformation programme which involves



moving towards a more depot-oriented operating model and a programme of voluntary redundancy in 2019/20. We are therefore estimating that our future need for office space by the end of RIIO-2 will be 1,300 office-based staff and 150,000 sq. ft across similar locations.

The existing 3 corporate offices are therefore expected to provide circa **40% more floor area than actually required**.

Our 3 main office buildings in the West Midlands area are ageing and need increasing Opex costs to remain fit-for-purpose. A recent survey undertaken by CBRE (a large property services firm) on a small number of Critical National Infrastructure (CNI) assets at HOC identified 40+ major deficiencies, with an associated cost of circa **XXXX** to resolve. The assets at HOC are at the end of their useful life and need to be replaced or refurbished.

The asset age, the end of existing leases on some of our office buildings and changing staffing levels during RIIO-2, provides Cadent with an opportunity to rationalise its office buildings to provide value for money to customers and reliable offices that are fit for purpose for staff and critical business functions.

The investment driver is therefore to ensure that we have suitable buildings, depots and office buildings to ensure our business and its support services can deliver a reliable and safe service to customers, at the lowest whole life cost.

## Key challenges

The principal risks and challenges on this project are:

- Impacts to project options and timescales following a staff consultation on the property strategy, which is currently underway and will not be completed until January 2020.
- Delays caused by planning applications, which will take place after the staff consultation is complete.
- These activities must be completed on time, to give certainty to Cadent senior management team to enact the “break-clause” on the Ashbrook Court lease on the 1<sup>st</sup> March 2021.
- Our ability to secure cost effective long-term leasing or purchase options for future office locations.
- Our ability to achieve our headcount reductions in RIIO-2, which enables us to downsize to a smaller office footprint.
- To reduce our environmental footprint in line with customer expectations.

## Key Milestone Dates

Completion of all modifications to corporate offices by 1<sup>st</sup> September 2025. When vacating existing properties, programmes will need to align with leasehold expiration dates and break clauses to avoid additional rent and upkeep costs. The ABC Leasehold expires in December 2026 and has a break clause in March 2021. The LDH Lease expires June 2024.

## Understanding project success

The provision of a reliable, cost efficient set of corporate offices to meet our future office-staff headcount and provide a suitable Distribution Network Control Centre, as part of this office suite.

Our plan is to provide a suite of corporate offices that achieves a base opex reduction by the end of RIIO-2 of **XXXX%** less than RIIO-1 or **XXXX** per annum.

Our preferred option should provide other opportunities to support Cadent's drive to become more energy efficient and carbon neutral by 2026.

### 4.1. Related Projects

The investment case outlined is reliant on delivery of our transformation plans, set out in our Business Plan, to enable us to downsize the corporate office space required.

To support the figures used in the business plan, learnings and estimates have been drawn from recent property refurbishments at Leicester (Aylestone Road).

## 4.2. Project Boundaries

This project includes all expenditure related to modifying and upgrading the three existing offices in Hinckley, Coventry and Leicester or relocating or establishing new corporate property with all required facilities and IT.

This project does not include costs associated with wider Cadent property such as depots, which are covered in the Engineering Justification Paper provided as Appendix 09.29 Other Property.

CPT (Compulsory permanent transfer) for staff has been included in the business plan as an additional operating cost as part of this project, but no further staffing costs that may result as part of this project have been factored in.

## 5. Project Scope

### 5.1. Supply and Demand Scenario Discussion and Selection

This investment case is not impacted by the supply and demand scenario. The supply demand scenario has no material impact on the headcount and office space required to support the safe and efficient running of Cadent's business services.

### 5.2. Project Scope Summary

This investment case covers the required investment to provide appropriate corporate offices to house the office staff, who are currently based on HOC, ABC and LDH.

This investment case does not cover the investments needed to maintain the other depots and minor offices across the four regions.

## 6. Options Considered

### Option Summaries

We have considered 5 options. These have different capital and operating costs in RIIO-2 and importantly different whole life costs. Some options which are more expensive in the short term have lower whole life costs and vice versa.

Option	Description
<b>Option 1</b>	Baseline: Maintain existing office estate.
<b>Option 2</b>	As per Option 1, but dispose of ABC at end of RIIO-2
<b>Option 3</b>	As per Option 2, but HOC block 2-4 will be demolished & rebuilt.
<b>Option 4</b>	New office in Hinckley/ Coventry area, dispose of HOC & ABC, retain LDH
<b>Option 5</b>	Chosen: As per Option 4, but refurbish block 1 of HOC and dispose of block 2-4

*Table 5: Options Summary Table*

### 6.1. Option 1 (Baseline): Maintain existing office estate

This will be the default option if no further action is taken, with the existing offices requiring major upgrade to various blocks and building mechanical & electrical upgrades.

The total future office space provided at the end of RIIO-2 will be 249,400 sq. ft, for an assumed headcount of 1,300 staff, far more space than required.

Option 1 Key Features	HOC	LDH	ABC
<b>Current Headcount</b>	1,300	50	500
<b>Future Headcount (End RIIO-2)</b>	850	50	400
<b>Current Area sq. ft</b>	174,000	26,300	49,100
<b>Required Area (RIIO-2) sq. ft</b>		150,000	
<b>Area to be provided (RIIO-2) sq. ft</b>	174,000	26,300	49,100
<b>Proposed tenure</b>	Freehold	Leasehold	Leasehold

*Table 6: Option 1 Key Metrics*

This programme comprises the following main elements of work, the following table sets a summary of the scope of each element, together with the basis of estimate:

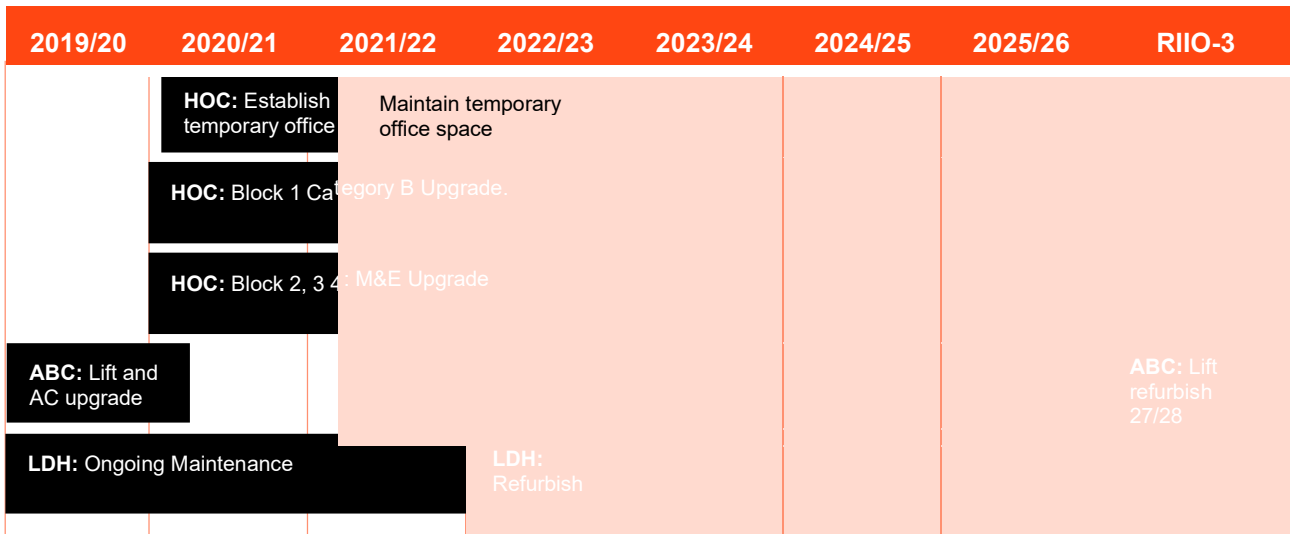
- Provide temporary HOC accommodation
- Major Renovation of HOC Block 1
- Upgrade HOC: Block 2 to 4.
- Major maintenance at ABC
- Maintain LDH

Summary of scope	
<b>HOC: Provision of temporary HOC accommodation</b>	Provide 2,000 m <sup>2</sup> of temporary cabins in Car Park and fit out with Information Services (IS), telephony etc. to allow refurbishment to take place
<b>HOC: Major renovation of Block 1</b>	Relocate 650 staff from B1 to B4 or temporary accommodation Refurbish/ replace Mechanical & Electrical (M&E) and CAT B furnishings in Block 1 Distribution Network Control Centre (DNCC), Call centre and re-populate.
<b>HOC: Upgrade Block 2 to 4</b>	Relocate Block 2 to Block 4 staff to temporary accommodation. Refurbish/replace M&E and CAT B and repopulate.
<b>ABC: Upgrade to lift &amp; air conditioning</b>	Upgrade M&E assets such as Lifts and plumbing and replace air conditioning (AC).
<b>LDH: Ongoing maintenance &amp; refurbishment</b>	LDH will require Business As Usual (BAU) maintenance and a light refurbishment

Note: M&E upgrades involve improvements to mechanical and electrical services such as air conditioning and heating  
 Note: Cat B upgrades involve improvements to the internal furnishing such as rooms, furniture, kitchen areas

*Table 7: Summary of scope and basis of estimate for Option 1*

## Proposed Plan



*Figure 2: Proposed plan for Option 1.*

## Cost estimates

For each of the major elements of work in Option 1, a detailed cost breakdown has been produced in Appendix 1, covering both Opex & Capex items.

Based on the proposed plan, the following table shows the proposed Opex and Capex spend-profile during RIIO-2:

Work element	RIIO-1	RIIO-1	RIIO-2	RIIO-2	RIIO-2	RIIO-2	RIIO-2	Total RIIO-2	Rest of life
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26		
CAPEX elements									
HOC: Establish temporary office space									
HOC: Category B upgrade Block 1									
HOC: M&E upgrade Block 2 to 4			Redacted due to commercial sensitivity						
ABC: Major upgrade to lift & A/C				Redacted due to commercial sensitivity					
LDH: Ongoing maintenance & refurbish									
Total Capex									
OPEX elements									
Swingspace Opex									
HOC Opex									
ABC Opex									
LDH Opex									
Total Opex									

Note: Cost breakdowns for each element are provided in the Appendices.

*Table 8: Option 1 cost summary and cost profile for RIIO-2*

## 6.2. Option 2

This option fully refurbishes HOC and retains LDH as per Option 1 but maintains ABC in the short term until the end of the lease in 2026, when all staff in ABC are then located to HOC.

The total future office space provided at the end of RIIO-2 will be 200,300 sq. ft, for an assumed headcount of 1,300 staff.

Option 2 key features	HOC	LDH	ABC
Current Headcount	1,300	50	500
Future Headcount at (End RIIO-2)	1,250 (850 +400)	50	Nil, 400 moved to HOC in 2026
Current Area sq. ft	174,000	26,300	49,100
Required Area (RIIO-2) sq. ft	150,000		Nil from 2026
Area to be provided (RIIO-2) sq. ft	174,000	26,300	Nil
Proposed tenure	Freehold	Leasehold	Nil

*Table 9: Option 2 Key Metrics*

This Option 2 programme comprises the following main elements of work, the following table sets a summary of the scope of each element, together with the basis of estimate:

- Provide temporary HOC accommodation
- Major Renovation of HOC Block 1
- Upgrade HOC: Block 2 to 4
- Major maintenance at ABC
- Dispose of ABC / Relocate staff to HOC
- Maintain LDH

The only element of work under Option 2 that differs from Option 1, is underlined.

Summary of scope	
HOC: Provision of temporary HOC accommodation	As Per Option 1
HOC: Major renovation of Block 1	As Per Option 1
HOC: Upgrade Block 2 to 4	As Per Option 1
ABC: upgrade to lift & air conditioning	As Per Option 1
<u>Dispose of ABC / Relocate staff to HOC</u>	14 Forty staff to gradually move staff and furniture across from ABC to HOC at end of lease in 2026. Cadent or ABC owner to return building to original condition.
LDH: ongoing maintenance & refurbishment	As Per Option 1

Table 10: Summary of scope and basis of estimate for Option 2

### Proposed Plan

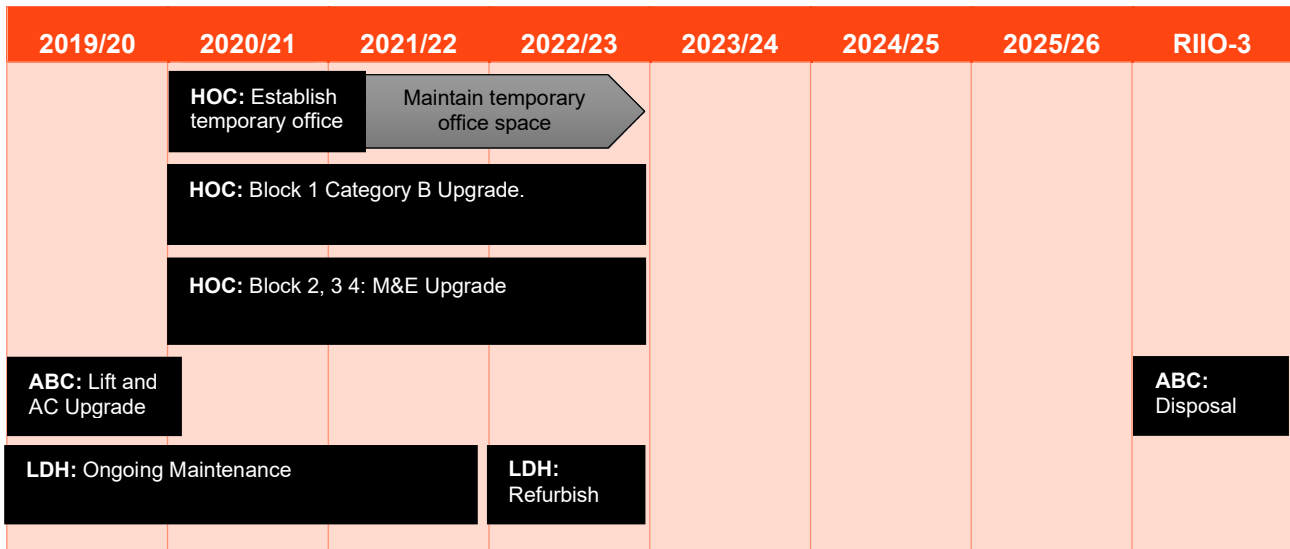


Figure 3: Proposed plan for Option 2

### Cost estimates

Option 2 differs from Option 1 in that ABC is disposed of in 2026 at the end of the lease, and staff are moved to HOC. Disposal costs (primarily dilapidation costs) are estimated at **XXXX** Opex. The lift and Aircon still

require refurbishment to be fit for purpose until 2026, however there is no further refurb work required in RIIO-3. As almost all the cost items in Option 2 are common to Option 1, so reference should be made to Appendix 1 for cost breakdowns.

Opex costs and assumptions are the same as Option 1. The Opex saving from exiting Ashbrook Court will not be realised until RIIO-3.

Based on the above plan, the following table shows the proposed spend-profile during RIIO-2:

Work element	RIIO-1	RIIO-1	RIIO-2	RIIO-2	RIIO-2	RIIO-2	RIIO-2	Total RIIO-2	Rest of life
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26		
<b>CAPEX elements</b>									
HOC: Establish temporary office space									
HOC: Category B upgrade Block 1									
HOC: M&E upgrade Block 2 to 4									
ABC: Major upgrade to lift & A/C									
LDH: Ongoing maintenance & refurbish									
<b>Total Capex</b>									
<b>OPEX elements</b>									
Swing space Opex									
HOC Opex									
ABC Opex									
ABC dilapidation									
LDH Opex									
Compulsory Permanent transfer (CPT)									
<b>Total Opex</b>									

Note: Cost breakdowns for each element are provided in the Appendices.

*Table 11: Option 2 cost summary and profile for RIIO-2*



## 6.3. Option 3

This option is a variation on Option 2, in that it retains LDH, maintains ABC in the short term until the end of the lease in 2026, when all staff in ABC are then located into HOC, but it differs in the way it remediates HOC; for Option 3 Block 1 of HOC will be refurbished as per Option 1, but Blocks 2 & 4 will be demolished and a new purpose block built created, on the same site.

The total future office space provided at the end of RIIO-2 will be 176,300, for an assumed headcount of 1,300 staff.

This option would have a tight timescale to deliver, if the new build was to be completed around the start of RIIO-2 work would need to begin now to allow for the length of time required to demolish and build a new office. Time required would be 2 years to complete construction and fit out. Demolition work will be complicated given the age of the site and the nature of construction.

Option 3 key features	HOC	LDH	ABC
Current headcount	1,300	50	500
Future headcount (End RIIO-2)	1,250 (850 +400)	50	Nil 400 moved to HOC in 2026
Current Area sq. ft	174,000	26,300	49,100
Required Area (RIIO-2) sq. ft	150,000		Nil from 2026
Area to be provided (RIIO-2) sq.ft	150,000	26,300	Nil
Proposed tenure	Freehold	Leasehold	Nil

*Table 12: Option 3 Key Metrics*

This programme comprises the following main elements of work, the following table sets a summary of the scope of each element, together with the basis of estimate:

- Provide temporary HOC accommodation
- Major Renovation of HOC Block 1
- Demolish HOC Block 2 & 4
- Rebuild new HOC building
- Major maintenance at ABC
- Dispose of ABC / Relocate staff to HOC
- Maintain LDH

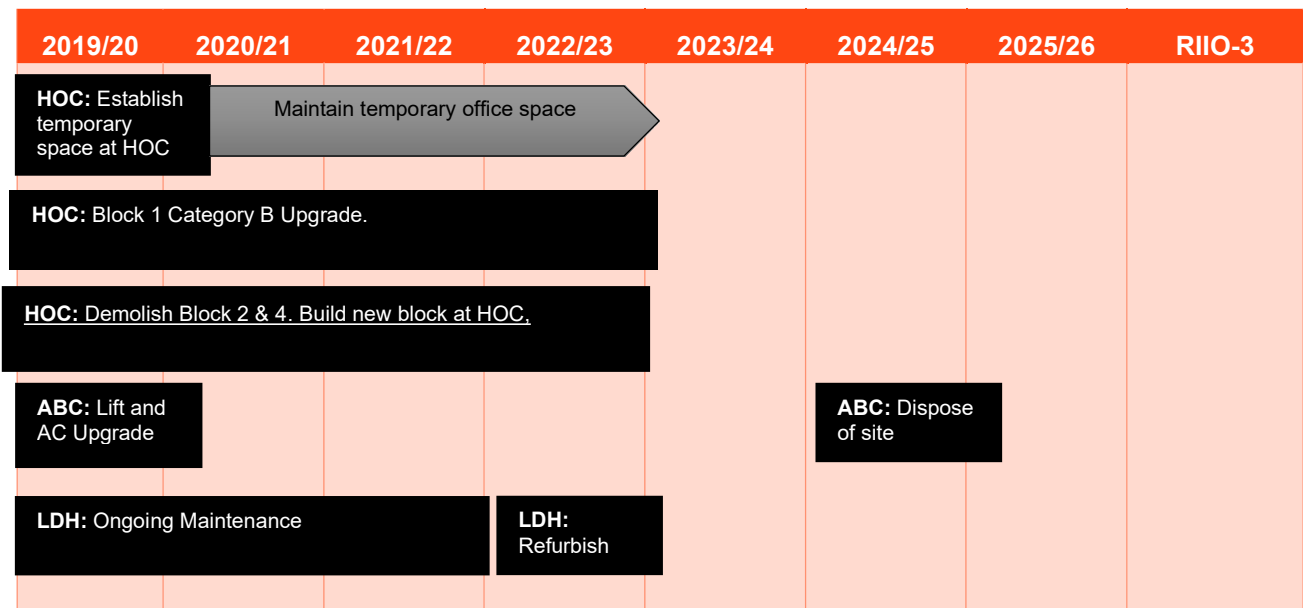
The underlined items above, are the only elements of scope that differ from Option 1 & 2.

Summary of scope	
<b>HOC: Provision of temporary HOC accommodation</b>	As per Option 1
<b>HOC: Major renovation of Block 1</b>	As per Option 1
<b>Demolish HOC Block 2 &amp; 4. Rebuild new HOC building</b>	Demolition works will be complicated given the age of the site and nature of construction. Complete build and fit out of a new fit for purpose site.
<b>ABC: upgrade to life &amp; air conditioning</b>	As per Option 1
<b>Dispose of ABC &amp; relocate staff</b>	As per Option 2
<b>LDH: ongoing maintenance &amp; refurbishment</b>	As per Option 1

Note: Cat A upgrades involve improvements to basic services such as toilets, air conditioning and lighting.

*Table 13: Summary of scope and basis of estimate for Option 3*

### Proposed Plan



*Figure 4: Proposed plan for Option 3*

## Cost estimates

Based on the above plan, the following table shows the proposed spend-profile during RIIO-2:

Work element	RIIO-1		RIIO-2		RIIO-2		RIIO-2		Total RIIO-2	Rest of life
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26			
<b>CAPEX elements</b>										
HOC: Establish temporary office space										
HOC: Category B upgrade Block 1										
HOC: New build on the site of Block 2 to 4										
ABC: Major upgrade to lift & A/C			Redacted due to commercial sensitivity							
LDH: Ongoing maintenance & refurbish										
<b>Total Capex</b>										
<b>OPEX elements</b>										
Swing space Opex										
HOC Opex										
ABC Opex										
ABC dilapidation										
LDH Opex										
Compulsory Permanent transfer (CPT)										
<b>Total Opex</b>										

Note: Cost breakdowns for each element are provided in the Appendices.

*Table 14: Option 3 cost summary and profile for RIIO-2*

## 6.4. Option 4

This option retains LDH, develops a new office location in Hinckley/ Coventry area, which then allows both the current HOC & ABC sites to be disposed of.

The total future office space provided at the end of RIIO-2 will be 166,300 sq. ft, for an assumed headcount of 1,300 staff.

Option 3 key features	HOC	New Site 'A'	LDH	ABC
Current Headcount	1,300	Nil	50	500
Future Headcount at (End RIIO-2)	Nil	1250 (850 +400)	50	Nil, 400 moved to New site in 2026
Current Area sq. ft	174,000	Nil	26,300	49,100
Required Area (RIIO-2) sq. ft	Nil	150,000		Nil from 2026
Area to be provided in (RIIO-2) sq. ft	Nil	140,000	26,300	Nil
Proposed tenure	Disposed	Leasehold	Leasehold	Nil

*Table 15: Option 4 Key Metrics*

This programme comprises the following main elements of work, the following table sets a summary of the scope of each element, together with the basis of estimate:

- Lease New Site & carry out Cat B fit out
- Relocate HOC & ABC staff to new site
- Dispose of HOC
- Dispose of ABC
- Maintain LDH

The underlined items above are unique to Option 4.

Summary of scope	
Lease new site & carry out Cat B fit out	Activity to locate and lease a suitable site to accommodate HOC and ABC staff. Carry out searches, agree HoT and take the leasehold for several years Carry out CAT B fit out – significant allowance for telephony and IT needed to build a new call centre and DNCC
Relocate HOC & ABC staff to new site.	Restack to building and relocate staff. Further consultation required.
Dispose of HOC site	Dispose of site as is. Other option to demolish buildings not costed.
Dispose of ABC site	Carry out dilapidation work and return site
LDH: ongoing maintenance & refurbishment	As per Option 1

*Table 16: Summary of scope and basis of estimate for Option 4*

## Proposed Plan

2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-3
			Lease new Sit & Cat B fit out				
			Relocate HOC and ABC staff	HOC: Disposal			
			ABC: Dilapidation costs				
		LDH: Maintain and refurbish for Business Continuity	LDH: Refurbish				

Figure 5: Proposed plan for Option 4

## Cost estimates

Based on the above plan, the following table shows the proposed spend-profile during RIIO-2:

Work element	RIIO-1	RIIO-1	RIIO-2	RIIO-2	RIIO-2	RIIO-2	RIIO-2	Total RIIO-2	Rest of life
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26		
CAPEX elements									
HOC: New site in the immediate area									
LDH: Ongoing maintenance & refurbish									
Total Capex			Redacted due to commercial sensitivity						
OPEX elements									
New leased location Opex									
HOC Opex									
ABC Opex									
ABC dilapidation									
LDH Opex									
Compulsory Permanent transfer (CPT)									
Total Opex									

Note: Cost breakdowns for each element are provided in the Appendices

Table 17: Option 4 cost summary and profile for RIIO-2

## 6.5. Option 5 (Chosen)

This option is a variant of Option 4, in that it leases a new (different) location in the Hinckley / Coventry area, ABC is disposed of with staff relocating to the new site. Part of HOC site (Block 1) where the DNCC and call centre are located is retained and refurbished, a new car park adjacent to Block 1 is then built and the remaining part of the HOC site is demolished.

The total future office space provided at the end of RIIO-2 will be 150,000 sq. ft for an assumed headcount of 1,300 staff.

Option 5 key features	HOC	New Site 'B'	LDH	ABC
<b>Current Headcount</b>	1,300	Nil	50	500
<b>Future Headcount (End RIIO-2)</b>	700, 150 moved to new site in 2022	600	Nil, 50 moved to New Site in 2022	Nil, 400 moved to New Site in 2022
<b>Current Area sq. ft</b>	174,000	Nil	26,300	49,100
<b>Required Area (RIIO-2) sq. ft</b>	150,000		Nil from 2022	Nil from 2022
<b>Area to be provided in (RIIO-2) sq. ft</b>	75,00	75,000	Nil	Nil
<b>Proposed tenure</b>	HOC B1 Freehold, Car park at top of site disposed	Leasehold	Nil	Nil

*Table 18: Option 5 Key Metrics*

This programme comprises the following main elements of work, the following table sets a summary of the scope of each element, together with the basis of estimate for:

- Lease New Site 'B' & carry out Cat B fit out
- Major Renovation of HOC Block 1
- Demolish Blocks 2 – 4 & build new car park for Block 1. Dispose of cleared HOC site
- Dispose of ABC / Relocate staff to New Site
- Relocate staff from LDH and dispose of site/ dilapidation

The underlined items above are unique to Option 5.

Summary of scope	
<b>Lease New Site 'B' &amp; carry out Cat B fit out</b>	Potential site located at the Ansty Business Park, Mans Opus to build site, CAT A and CAT B works to be carried out by an appointed supplier (Potentially Mans Opus).  Construction of site may start in RIIO-1 but first payment due in 2021/22.
<b>HOC: Major renovation of Block 1</b>	As per Option 1 but furniture reused.
<b>HOC: Demolish Blocks 2 – 4 &amp; build new car park for Block 1</b>	Once B1 is refurbished, relocate staff back to B1 and begin demolition of B2-4. The cleared site will become a car park, and the old carpark will be demolished.
<b>Dispose of ABC / Relocate staff to New Site</b>	As per Option 2. Staff to be relocated to the new site.
<b>Dispose of LDH</b>	Dilapidation work to clear old data centre and office areas, BCM processes to move to new site

Table 19: Summary of scope and basis of estimate for Option 5

## Proposed Plan

RIIO-1 2020/21	RIIO-2 2021/22	RIIO-2 2022/23	RIIO-2 2023/24	RIIO-2 2024/25	RIIO-2 2025/26
	Lease new Site 'B' & Cat B fit out/. Populate ground floor in 23/24.				
	Refurbish HOC Block 1				
		ABC: Dispose of site/ Dilapidation		HOC: Demolish Block 2 / 4, build car park.	
			LDH: Relocate staff to B1 and new build. Dispose of site.		

Figure 6: Proposed plan for Option 5

## Cost estimates

### Capex estimates

A Capex cost breakdown for each new work element for option 5 is provided in Appendix 5.

### Opex estimates

ABC running costs reduce after the building is vacated in 2022/23. LDH running costs have been projected forwards until 2024/25 where the lease break clause is activated. HOC running costs reduce when Blocks 2-4 are demolished, HOC disposal generates no addition costs as it will be completed gradually by 14 Forty as part of their business as usual works.

Based on the above plan, the following table shows the proposed spend-profile during RIIO-2:

Work element	RIIO-1	RIIO-1	RIIO-2	RIIO-2	RIIO-2	RIIO-2	RIIO-2	Total RIIO-2	Rest of life
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26		
<b>CAPEX elements</b>									
Prospero Development									
HOC: Category B upgrade Block 1									
HOC: Block 2-4 demolition									
Total Capex									
<b>OPEX elements</b>			Redacted due to commercial sensitivit /						
Prospero Opex									
HOC Opex									
ABC Opex									
ABC dilapidation									
LDH Opex									
LDH dilapidation									
Compulsory Permanent transfer (CPT)									
Total Opex									

Note: Cost breakdowns for each element are provided in the Appendices

*Table 20: Option 5 cost summary and profile for RIIO-2*

## 6.6. Options Cost Estimate Details

A bottom up estimate of both the capital and operating costs for each option have been derived using expert judgement and advice from specialists and subcontractors (GVA surveyors & Pick Everard) to provide estimates of refurbishment, leasing and construction costs.

Refer to Appendix 5, for a summary of the costs for Option 5. This appendix also shows how each typical solution-option is broken down by design, material, management, direct costs, contingency & risk.

For Corporate Property has various estimates of confidence stages. Some elements of this project can be defined as being within Detailed Design stage and where there is less certainty (Prospero Development) has been defined as being at Conceptual Design. When applying the weighted position our confidence is at Detailed Design stage with a range of +/-13%.



## 6.7. Options Summary

	Option 1	Option 2	Option 3	Option 4	Option 5
<b>Option description</b>	Baseline: Maintain existing office estate.	Maintain and upgrade HOC, maintain LDH, dispose of ABC.	Maintain and upgrade HOC including rebuild of Block 2-4. Maintain LDH, dispose of ABC.	New office in Hinckley/Coventry area, dispose of HOC & ABC, retain LDH	Chosen: New office in Hinckley/Coventry area. Maintain and upgrade HOC, dispose of ABC and LDH.
<b>Programme start date</b>	2020	2020	2020	2020	2019
<b>Programme completion date</b>	2023	2024	2024	2024	2025
<b>Office space available at end of RIIO-2 (sq. ft)</b>	249,000	201,000	176,000	166,000	150,000
<b>Design life</b>	Buildings with M&E and CAT B upgrades will not require any major refurbishment until RIIO-4 (10 years +)	Buildings with M&E and CAT B upgrades will not require any major refurbishment until RIIO-4 (10 years +)	Buildings with M&E and CAT B upgrades will not require any major refurbishment until RIIO-4 (10 years +)	Buildings with M&E and CAT B upgrades will not require any major refurbishment until RIIO-4 (10 years +)	Buildings with M&E and CAT B upgrades will not require any major refurbishment until RIIO-4 (10 years +)
<b>RIIO-2 Operating costs</b>	Redacted due to commercial sensitivity				
<b>Total installed cost</b>	Redacted due to commercial sensitivity				
<b>Cost estimate accuracy</b>	+ or – 13%	+ or – 13%	+ or – 13%	+ or –13%	+ or – 13%
<b>Benefits</b>	Reliable and refurbished office estate	Reliable and fit-for-purpose office estate. This option gets closer to the target 150,000 sq. ft forecast	Allows a complete functional redesign of HOC to make it truly fit-for-purpose for staff	Provides a modern build that allows all staff to collaborate more freely	Lowest cost to deliver and returns the highest Opex saving into RIIO-3 and RIIO-4.
<b>Drawbacks</b>	The estate will be too large, with associated Opex costs. Significant cost required to bring the existing estate up to date.	Lack of BCM (Business continuity) options as if HOC fails we cannot rely on LDH to support long-term BCM activity.	Expensive to deliver, significant capex required.	As with Option 2, BCM is a concern. Would also significantly increase running costs.	This option has several complex stages, and will result in an estate very different to the one staff are used to.

*Table 21: Option summary table*

Option 2 to 4 require considerably higher totex within the RIIO-2 period, and Option 2 and 4 have significant disadvantages in that they would not provide adequate Business Continuity in the event that HOC had a failure. For this reason, these have been discounted prior to carrying out any cost benefit analysis.

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## 7. Business Case Outline and Discussion

Five different options have been considered to enable Cadent to provide a cost-effective, low carbon, and fit for purpose set of corporate offices.

Option 2 to 4 have been discounted because they have a higher totex than Option 5, and therefore will have a higher whole life cost. Option 2 to 4 also have a major disadvantage in that they do not provide adequate business continuity in the event that HOC was damaged or unavailable for any reason.

We have therefore chosen to compare the two remaining options using CBA:

- **Option 1:** maintain the existing offices (***CBA Baseline case in the CBA template***)
- **Option 5:** New office in Hinckley/Coventry area. Maintain and upgrade HOC, dispose of ABC and LDH. (***CBA Option 1 in the CBA template***)

We have developed a robust whole life cost, factoring in Opex and Capex investment over a 25 year profile. No wider environmental or social benefits have been added to either option, although a newer-fit-for purpose office will have staff welfare benefits and a lower carbon footprint.

A full cost benefit analysis has been undertaken to ensure value for money. Our approach is compliant with HM Treasury's Green Book and the relevant Ofgem guidance. We have followed the Ofgem approach, spreadsheet and societal benefit values and calculations.

Costs have been included for the RIIO-2 and RIIO-3 periods.

### 7.1. Key Business Case Drivers Description

The choice of the preferred option within the cost benefit analysis is driven primarily by the benefit of **longer-term cost savings** resulting from smaller and newer offices with lower maintenance and operating costs.

We have not included the benefits associated with significantly extending the useful life of M&E and CAT B at all three offices. This will mean no major refurbishment will be required until RIIO-4 (10 years +)

### 7.2. Supply and Demand Scenario Sensitivities

Changes in supply and demand forecast within RIIO-2 will not affect Cadent's property requirements.

### 7.3. Business Case Summary

The following table sets out the 5 main options considered for this investment case.

	Option 1	Option 2	Option 3	Option 4	Option 5
<b>Option description</b>	Maintain existing office estate.	Maintain and upgrade HOC, maintain LDH, dispose of ABC.	Maintain and upgrade HOC including rebuild of Block 2-4. Maintain LDH, dispose of ABC.	New office in Hinckley/Coventry area, dispose of HOC & ABC, retain LDH	New office in Hinckley/Coventry area. Maintain and upgrade HOC, dispose of ABC and LDH.
<b>Programme start date</b>	2020	2020	2020	2020	2019
<b>Programme completion date</b>	2023	2024	2024	2024	2025
<b>Office space available at end of RIIO-2 (sq. ft)</b>	249,000	201,000	176,000	166,000	150,000
<b>Design life</b>	10+yrs	10+yrs	10+yrs	10+yrs	10+yrs
<b>RIIO-2 Operating costs</b>			Redacted due to commercial sensitivity		
<b>Total installed cost RIIO-2 spend</b>					
<b>Cost estimate accuracy</b>	+ or – 13%	+ or – 13%	+ or – 13%	+ or –13%	+ or – 13%
<b>Benefits</b>	Reliable and fit-for-purpose office estate	Reliable and fit-for-purpose office estate. This option gets closer to the target 150,000 sq. ft forecast	Allows a complete functional redesign of HOC to make it truly fit-for-purpose for staff	Provides a modern build that allows all staff to collaborate more freely	Lowest cost to deliver and returns the highest Opex saving into RIIO-3 and RIIO-4.
<b>Drawbacks</b>	The estate will be too large, with associated Opex costs. Significant cost required to bring the existing estate up to date.	Lack of BCM (Business continuity) options as if HOC fails we cannot rely on LDH to support long-term BCM activity.	Expensive to deliver, significant capex required.	As with Option 2, BCM is a concern. Would also significantly increase running costs.	This option has several complex stages, and will result in an estate very different to the one staff are used to.
<b>NPV</b>	<b>Baseline</b>	Discounted prior to CBA due to lack of adequate business continuity.	Discounted prior to CBA due to very high RIIO-2 capex.	Discounted prior to CBA due to lack of adequate business continuity.	<b>XXXX</b>

Table 22: Business Case Summary Table

The following table sets out the results of the CBA analysis for Option 1 & Option 5 in more detail. (CBA Baseline & CBA Option 1 in the CBA template).

CBA Option No.	Total NPV	NPV relative to Baseline	Cost beneficial	Payback Year	RIIO-2 Totex Spend	Ratio relative NPV to RIIO-2 spend
Baseline						
New Offices Option			Redacted due to commercial sensitivity			

*Table 23: Results of Cost Benefit Analysis for Corporate Property (£m)*

**Table Notes:**

- For each option, we estimate the Total NPV. This is the discounted sum of costs over time relative to our do-nothing position (known as the baseline position)
- All costs are discounted in line with Ofgem’s recommended approach, for example financial impacts are discounted using Ofgem’s Spackman approach.
- A positive NPV means an option reduces the profile of costs relative to the do nothing (baseline) position and is therefore cost beneficial. The option with the highest positive NPV is the most cost beneficial option.
- Payback shows the year when the sum of costs associated with an option is lower than the baseline i.e. this is the point at which the option can be considered to be cost beneficial. This is driven by the profile of the costs and the capitalisation rate.
- The table shows the RIIO-2 proactive expenditure; the ratio of NPV to RIIO-2 spend shows how much NPV per £ spent in RIIO-2 the options generate. A positive figure means the investment is cost beneficial. The higher the figure the most cost beneficial the option is.

In conclusion, CBA Option 1 (Option 5 within this document) shows a positive cost beneficial NPV over the baseline of **XXXX** with an immediate payback (**XXXX**). This short payback is created benefits emerge quickly and the costs of construction are discounted through time.

The option of moving to the New offices in Hinckley (CBA Option 1 / Option 5 within this document) is cost beneficial relative to the baseline option and achieves a cost-effective set of offices that has an optimum floor-space for the predicted staff numbers. As such is it our chosen option for this investment case.

Our preferred option provides other opportunities to support Cadent’s drive to become more energy efficient and carbon neutral by 2026. The lease of this new modern building is significantly more efficient than the current sites. **The new site will adopt as many energy-reducing and sustainable design principles as is possible within the cost constraints.** Items that are included in the CAT A design are:

- **Modern heating and cooling system** controlled by a BMS (building management system) to optimise efficiency and reduce energy consumption and costs.
- **Integrated photo-voltaic arrays** for the roof and car-park, used for either electric vehicles charging or car park lighting.
- **Internal and external lighting controls**; Internal lighting controls measure the daylight and adjust the lighting levels accordingly to reduce consumption, and external photo sensors ensure the external lighting energy consumption is kept to a minimum. LED lighting is included in the standard design.

- 
- **Green wall area**, which studies suggest improves productivity and wellbeing of occupants.

Also under consideration pending detailed design decisions are:

- **Ground to Air heat exchanger** to help warm or cool supply air for the mechanical ventilation plant, reducing energy demand, as an add on to the heating and cooling emitters within the Air Handling plant.
- **Battery storage** has been considered but are not cost-efficient enough at this stage. We expect that as we increase the number of electrical vehicles in our fleet, the demand for on site charging will also increase, and so the business case for investing in generation and storage options will becomes more viable in the years to come.

The new site will have the capability for further sustainable technology options to be added in future to help Cadent achieve its goals of becoming Carbon neutral by 2026.

## 8. Preferred Option Scope and Project Plan

### 8.1. Preferred Option for the Request

Our preferred option is Option 5 – Lease a new property in the Hinckley / Coventry area, relocating staff from ABC and LDH which will not have their leases extended. Block 1 of HOC, where the DNCC and call centre are located, is to be retained and refurbished. HOC Block 2-4 will be demolished with a new car park built adjacent to Block 1, and the remaining land disposed of.

### 8.2. Project Spend Profile

The following table sets out the spend profile of the preferred Option 5 programme in RIIO-2.

	RIIO-1		RIIO-2		RIIO-2		RIIO-2		
Work element	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total RIIO-2	
CAPEX elements									
Prospero Development									
HOC: Category B upgrade Block 1			Redacted due to commercial sensitivity						
HOC: Block 2-4 demolition									
Total Capex									

Table 24: Option 5 cost summary and profile for RIIO-1 and RIIO-2

### 8.3. Efficient cost

We are confident the costs included in this investment case are efficient because:

- We have employed lessons learnt from past projects that have been carried out in haste during separation from National Grid, such as the refurbishment at Ashbrook Court. For this project, suitable time and resource has been spent on researching the location and specification of a new site.
- Ongoing costs will be more efficient in a new building when compared to the older HOC building, particularly in utilities and facilities management costs (reactive maintenance); we have conservatively estimated a 10% improvement in efficiency and cost reduction in these areas.
- Our proposed building occupancy rates are acceptable and equivalent to industry norms as confirmed by AECOM (a design consultant used for the previous National Grid Property projects). The occupancy rates will be more fully defined in the detailed design stage of the project.
- Cadent have sought the advice of GVA (a firm of consulting surveyors) on the proposed investment and future costs and have confirmed that it is on comparable to terms to the current market. Cadent has also made extensive use of the financial and legal knowledge within the business to assess the investment.
- Time and cost efficiencies have been made through the decision to adopt a ‘turn-key’ approach; one supplier will deliver both the CAT A and CAT B components of the build and deliver a finished building. This avoids Cat B suppliers needing to remove parts of the (different) Cat A supplier’s work.

## 8.4. Project Plan

The following figure shows the proposed plan for RIIO-2.

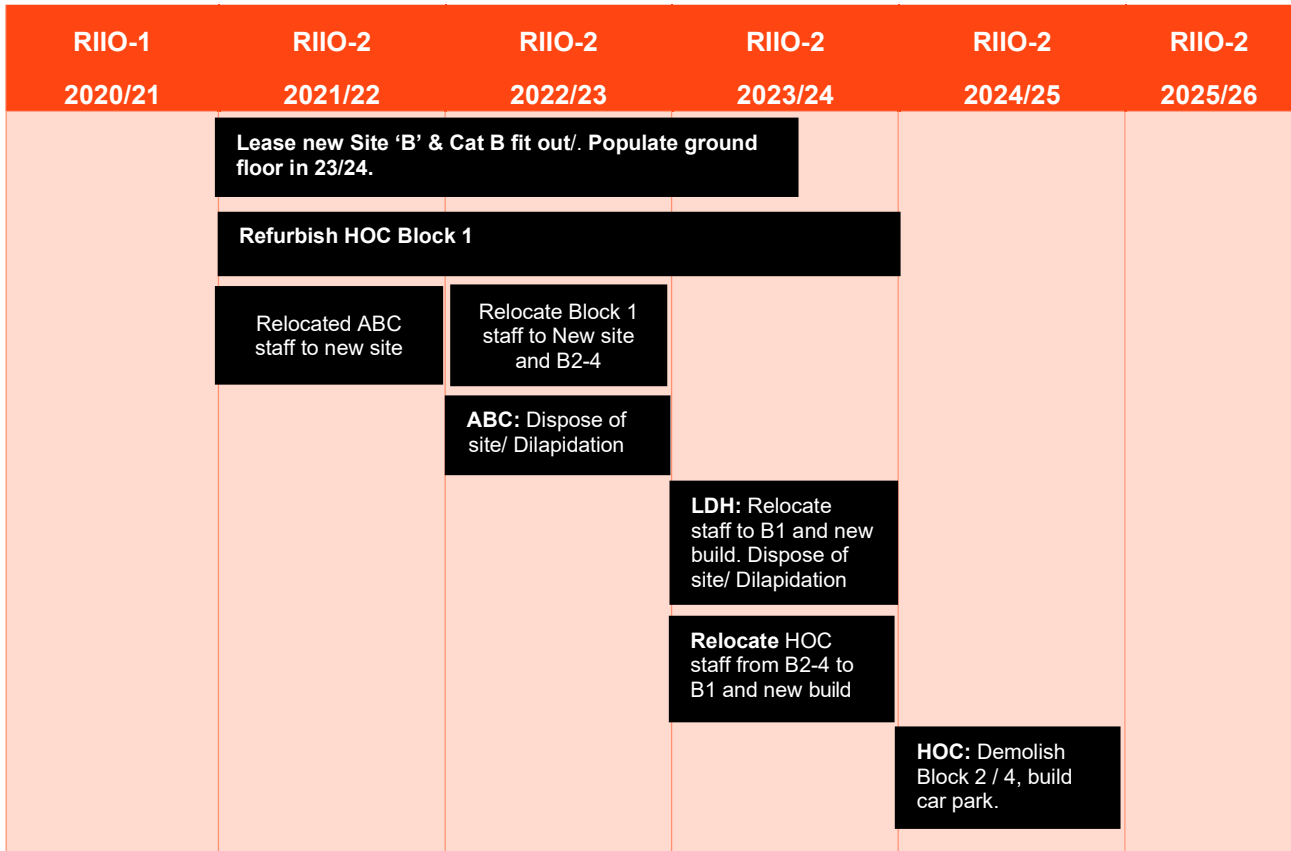


Figure 7: Proposed plan for Option 5

## 8.5. Key Business Risks and Opportunities

### Risks Register

Reference	Risk Description	Impact	Likelihood	Mitigation /Control
09.28 - 001	Supply & Demand deliverability risk of Resource availability within the Gas industry	Potential cost increases in labour / commodity markets as demand is greater than supply	Low	Intelligent procurement and market testing. Apprenticeship and Training programmes to fill skills gaps
09.28 - 002	Stretching efficiency targets may not be deliverable (unit costs increase)	Outturn costs are not met increasing overall programme costs.	Low	Established market place - ability to manage the known commodity market
09.28 - 003	Unforeseen outages and failures restrict access for planned work	Programme and delivery slippage due to delay of planned outages and or site access	Low	Proactive asset management with ongoing condition surveys and response plans to prevent failures
09.28 - 004	Legislative change - There is a risk that legislative change will impact the delivery of our work.	Potential increase in the amount of consultation and information exchange required and require us to align our plans with the safety management processes operated by 3rd Party landowner / asset owners. The potential impact is more engagement and slower delivery	Med	We have established management teams to address these issues. We have also identified UMs for key areas.
09.28 - 005	Delay to preferred option of new headquarters impacts upon the break clause for Ashbrook House	Cost increase and risk to relocation timetables	Med	Continued negotiations with strict time constraints to meet forecast dates / deliverables
09.28 - 006	Inability to meet the reduced headcount through planned voluntary redundancy	impact the scope, feasibility, or cost of the different options and potentially change the preferred option	Med	Ongoing management of the transformation and VR process to achieve required headcount

*Table 25: Risk Register*



The effects of a higher staff headcount has been modelled and Option 5 is still financially the best option, however costs would increase for all options in this eventuality.

## 8.6. Environmental Improvement Opportunities

The lease of a new site brings the opportunity to use a modern building which is significantly more efficient than the current sites and help Cadent meet its energy reduction targets in RIIO-2. The new site will adopt as many energy-reducing and sustainable design principles as is possible within the cost constraints. Items that are included in the CAT A design are:

- **Modern heating and cooling system** controlled by a BMS (building management system) to optimise efficiency and reduce energy consumption and costs.
- **Integrated photo-voltaic arrays** for the roof and car-park, used for either electric vehicles charging or car park lighting.
- **Internal and external lighting controls**; Internal lighting controls measure the daylight and adjust the lighting levels accordingly to reduce consumption, and external photo sensors ensure the external lighting energy consumption is kept to a minimum. LED lighting is included in the standard design.
- **Green wall area**, which studies suggest improves productivity and wellbeing of occupants.

Also under consideration pending detailed design decisions are:

- **Ground to Air heat exchanger** to help warm or cool supply air for the mechanical ventilation plant, reducing energy demand, as an add on to the heating and cooling emitters within the Air Handling plant.
- **Battery storage** has been considered but are not cost-efficient enough at this stage. We expect that as we increase the number of electrical vehicles in our fleet, the demand for on site charging will also increase, and so the business case for investing in generation and storage options will become more viable in the years to come.

The new site will have the capability for further sustainable technology options to be added in future to help Cadent achieve its goals of becoming Carbon neutral by 2026.

## 8.7. Outputs included in RIIO-1 Plans

There were no defined outputs associated with this investment case within the RIIO-1 plan.

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## 9. Regulatory Treatment

This investment will not be processed through the NARMs reporting tool.

Cost variance for low materiality projects such as this will be managed through the Totex Incentive Mechanism (TIM).

This investment is accounted for in the Business Plan Data Table 3.05/Other Capex/OtherCapex: Projects >£0.5m Aggregated Sub Table under the Corporate Property line.

## Appendix 1. Option 1 Cost Breakdown

For the main work elements of this option a Capex and Opex cost breakdown has been presented.

HOC: Provide Temporary Office			
Scope element	Estimated cost (£)	% of total installed cost	Assumptions / Basis.
Studies & Design			
Materials			
Project Management			
Construction / subcontractor costs		Redacted due to commercial	
Specialist Services		sensitivity	
Direct Cadent Costs			
Indirect Cadent Costs			
Contingency/ Risk			
Total installed cost			
Cost estimate accuracy			
Spend Profile			

Table 26: Option 1 cost breakdown: HOC Provide temporary offices

HOC: Block 1 M&E and CAT B Refurb			
Scope element	Estimated cost (£)	% of total installed cost	Assumptions / Basis.
Studies & Design			
Materials			
Project Management			
Construction / subcontractor costs		Redacted due to commercial	
Specialist Services		sensitivity	
Direct Cadent Costs			
Indirect Cadent Costs			
Contingency/ Risk			
Total installed cost			
Cost estimate accuracy			
Spend Profile			

Table 27: Option 1 cost breakdown: HOC Block 1 CAT B and M&E refurbishment

HOC: Block 2 - 4 M&E and CAT B Refurb			
Scope element	Estimated cost (£)	% of total installed cost	Assumptions / Basis.
Studies & Design			
Materials			
Project Management			
Construction / subcontractor costs		Redacted due to commercial sensitivity	
Specialist Services		Redacted due to commercial sensitivity	
Direct Cadent Costs			
Indirect Cadent Costs			
Contingency/ Risk			
Total installed cost			
Cost estimate accuracy			
Spend Profile			

Table 28: Option 1 cost breakdown: HOC Block 2-4 CAT B and M&E refurbishment

ABC: Lift and AC Refurb/replacement			
Scope element	Estimated cost (£)	% of total installed cost	Assumptions / Basis.
Studies & Design			
Materials			
Project Management			
Construction / subcontractor costs		Redacted due to commercial sensitivity	
Specialist Services		Redacted due to commercial sensitivity	
Direct Cadent Costs			
Indirect Cadent Costs			
Contingency/ Risk			
Total installed cost			
Cost estimate accuracy			
Spend Profile			

Table 29: Option 1 cost breakdown: ABC Lift and Aircon refurbishment

LDH: Maintain and Refurbish			
Scope element	Estimated cost (£)	% of total installed cost	Assumptions / Basis
Studies & Design			
Materials			
Project Management			
Construction / subcontractor costs		Redacted	due to commercial sensitivity
Specialist Services			
Direct Cadent Costs			
Indirect Cadent Costs			
Contingency/ Risk			
Total installed cost			
Cost estimate accuracy			
Spend Profile			

Table 30: Option 1 maintain and refurbish LDH

The table below details the Opex costs for each site as recorded for 2017/18. **XXXX**

Although HOC is owned as a freehold by Cadent group, internal rent is charged between businesses. We expect the internal rent to increase from **XXXX** p/a to **XXXX** p/a. Operating costs are based on a continuation of current operating costs from RIIO-1.

Property operating costs (£) for 2017/18*			
	Ashbrook Court	Hinckley	Leicester Data Hall
Business Rates			
Utilities and Paper			
Lease rent and service charge		Redacted	due to commercial sensitivity
Hard Facilities Management (CRBE)			
Soft Facilities Management (14 Forty)			
Grand Total			

\*Note: 2017/2018 Opex costs adjusted to 2018/2019 prices

Table 31: Cost breakdown of site Opex

## Appendix 2. Option 2 Cost Breakdown

Cost Breakdowns for Option 2 match those for Option 1 provided in Appendix 1; with the exception of ABC Lift and AC refurbishment which is discussed in Table 18.

## Appendix 3. Option 3 Cost Breakdown

Option 3 differs from Option 1 & 2 in that Block 2 to 4 at HOC are demolished and replaced with a new building to meet the requirement for future headcount. For this reason, we have only summarised the HOC Block 2 to 4 demolition and rebuild costs.

### HOC: Block 1 M&E and CAT B Refurb

Scope element	Estimated cost (£)	% of total installed cost	Assumptions / Basis.
Studies & Design			
Materials			
Project Management			
Construction / subcontractor costs			Redacted due to commercial sensitivity
Specialist Services			
Direct Cadent Costs			
Indirect Cadent Costs			
Contingency/ Risk			
Total installed cost			
Cost estimate accuracy			
Spend profile			

Table 32: Option 3 cost breakdown: HOC Block 1 refurbishment

HOC: New build on the site of B2-4			
Scope element	Estimated cost (£)	% of total installed cost	Assumptions / Basis.
Studies & Design			
Materials			
Project Management			
Construction / subcontractor costs			Redacted due to commercial sensitivity
Specialist Services			
Direct Cadent Costs			
Indirect Cadent Costs			
Contingency/ Risk			
Total installed cost			
Cost estimate accuracy			
Spend Profile			

Table 33: Option 3 cost breakdown: HOC: Block 2 to 4 demolition and rebuild

## Appendix 4. Option 4 Cost Breakdown

A cost breakdown for the following new elements of work are included below:

HOC: Lease a new location in the immediate area & fit-out			
Scope element	Estimated cost (£)	% of total installed cost	Assumptions / Basis.
Studies & Design			
Materials			
Project Management			
Construction / subcontractor costs			Redacted due to commercial sensitivity
Specialist Services			
Direct Cadent Costs			
Indirect Cadent Costs			
Contingency/ Risk			
Total installed cost			
Cost estimate accuracy			
Spend profile			

Table 34: Option 4 cost breakdown: Lease New Site & Cat B Fit out of site

Operating costs for the new leased location are estimated as per the table below.

New Leased site		
	Running costs £p/a	Sources / assumptions
Rent for new premise p. a		
Rates for new premise		
Utilities for new premise		Redacted due to commercial sensitivity
Facilities management		
Other costs		
Total		

Table 35: New leased site cost estimates

## Appendix 5. Option 5 Cost Breakdown

A cost breakdown for the new work elements of are included below:

Prospero: New build to accommodate ABC staff and part of HOC staff (B2-4)			
Scope element	Estimated cost (£)	% of total installed cost	Assumptions / Basis.
Studies & Design			
Materials			
Project Management			
Construction / subcontractor costs		Redacted due to commercial sensitivity	
Specialist Services			
Direct Cadent Costs			
Indirect Cadent Costs			
Contingency/ Risk			
Total installed cost			
Cost estimate accuracy			
Spend profile			

Table 36: Option 5 cost breakdown: New build at Prospero

HOC: Block 1 M&E and CAT B Refurb			
Scope element	Estimated cost (£)	% of total installed cost	Assumptions / Basis.
Studies & Design			
Materials			
Project Management			
Construction / subcontractor costs		Redacted due to commercial sensitivity	
Specialist Services			
Direct Cadent Costs			
Indirect Cadent Costs			
Contingency/ Risk			
Total installed cost			
Cost estimate accuracy			
Spend profile			

Table 37: Option 5 cost breakdown: HOC Block 1 refurbishment



HOC: Block 2 - 4 Demolition			
Scope element	Estimated cost (£)	% of total installed cost	Assumptions / Basis.
Studies & Design			
Materials			
Project Management			
Construction / subcontractor costs			
Specialist Services			
Direct Cadent Costs			
Indirect Cadent Costs			
Contingency/ Risk			
Total installed cost			
Cost estimate accuracy			
Spend profile			

Table 38: Cost breakdown for Block 2-4 demolition

Running costs for new build (Prospero) are estimated as per the table below. Other cost estimates are as above.

Prospero		
	Running costs £p/a	Sources / assumptions
Rent		
Rates		
Utilities		
Facilities management		
Other Postage etc)		
Total		

Table 39: Option 5 Cost estimates for new site