

Ref. A086/2455

MR WICKS

Richmond Yard

attached

Your minute of 4 August recorded that the Prime Minister would like an explanation of the extra costs which would be incurred if the Department of Education and Science, rather than the Overseas Development Administration, were to occupy Richmond Yard.

2. As presently being constructed (and much of the work is already complete), Richmond Yard is laid out for occupation by 670 ODA staff, predominantly in junior grades but including one Ministerial and one Permanent Secretary Private Office. The requirements of the DES would be different because they have four Ministers, and some 21 more officers than ODA at Grade 5 and above, to provide for.

3. The DES Assistant Secretary responsible for accommodation has been round the Richmond Yard site with the PSA Estates Surveyor and has reported to the Permanent Secretary and the Secretary of State. The Secretary of State is satisfied that the DES could not take on the building exactly as presently planned; some alterations would be necessary to accommodate the DES's greater number of Ministers and the senior staff in policy branches with which Ministers regularly deal.

4. The PSA estimate that the contractors would need to remain on site at Richmond Yard for a further six months, to October 1987, in order to make the necessary changes. On this basis DES could move in by the end of 1987, and work could then begin on preparing Elizabeth House for ODA occupation. The standard PSA basis for estimating full occupational costs for a departmental

I'm afraid we shall have to let ODA for what the alterations ~~otherwise~~ would be for construction



move is £20 per square foot, but in the case of an ODA move to Elizabeth House it is expected that much of the accommodation should prove suitable as it stands, and that therefore occupational works could be kept to a minimum: the estimate for this item is therefore based on £10 per square foot. Assuming that these occupational works can be completed in three months, the lease of Eland House could be determined with effect from March 1988, ie one quarter later than on current plans. The rent for that period, which falls after the rent review to which the landlord is entitled in December 1987, would probably be around double the current rate.

5. On those assumptions, the additional costs, which are set out in more detail in the enclosed supplementary investment appraisal prepared by the PSA, would be as follows:

	1987/88
	£ m
a. replanning costs (design fees etc)	0.1
b. contractor's extra time on site	<u>0.85</u>
c. DES move to Richmond Yard	<u>0.03</u>
d. ODA occupational costs at Elizabeth House	<u>1.4</u>
e. Rent, rates and running costs at Eland House December 1987-March 1988	<u>0.9</u>
	<u>3.28</u>
in today's prices	3.28
discounted at 5 %	3.05

MANAGEMENT IN CONFIDENCE

These figures are designed to give an order of costs rather than a firm estimate, and the PSA have therefore preferred to band the total additional costs as £3-4 million.

RA

ROBERT ARMSTRONG

4 September 1986

SUPPLEMENTARY INVESTMENT APPRAISAL FOR RICHMOND YARD
INCREASED COSTS ASSOCIATED WITH A CHANGE OF OCCUPANT

	NATURE OF COST	JUNE 1987	SEPT 1987	DEC 1987	MARCH 1988
1	ADDITIONAL COST TO DCA TO KEEP CONTRACTOR ON SITE FOR EXTRA SIX MONTHS (APRIL-OCT 1987)	£ 850,000	-	-	-
2	CONTINGENCY ELEMENT - FOR FEES, DESIGN TIME RE: OCCUPATIONAL WORKS (12½%)	£ 106,250	-	-	-
3	DES MOVE (BASED ON EQUIVALENT NO OF ODA STAFF) ie 700 @ £50 PER PERSON	-	£ 35,000	-	-
4	ODA OCCUPATIONAL COSTS @ ELIZABETH HOUSE SAY 140,000 sf (THIS REFLECTS SIZE OF ELAND HOUSE) @ £10.00 PER SQUARE FOOT	-	£ 700,000	£ 700,000	-
5	ADDITIONAL RENT, RUNNING COSTS & RATES @ ELAND HOUSE (DEC 1987 TO MARCH 1988) *		RENT RATES RUNNING COSTS	£ 480,000 £ 345,500 -	- - £80,000
	SUB TOTALS	£ 956,250	£ 735,000	£1,525,500	£80,000
	DISCOUNT FACTOR 5%	0.94	0.929	0.918	0.907
		£ 898,875	£ 682,815	£1,400,409	£72,560
	<u>TOTAL EXTRA COST</u>		<u>£3,054,659</u>		
*	SEE APPENDIX FOR DETAILS				

- Item 1: This figure of £850,000 represents the cost of disruption and delay to the construction programme. It has been provided by DCA's project manager as the cost of a 6 month delay.
- Item 2: A contingency element, £106,250, is necessary as different occupying departments would have different requirements, and replanning of the whole or part of the offices will be necessary.
- Item 3: It is assumed that ODA staff will be required to move to Elizabeth House. Additional costs will be incurred in respect of the DES move from Elizabeth House to Richmond Yard. The actual costs for the move of ODA to Richmond Yard are currently estimated by Crown Suppliers at between £50,000 and £60,000.
- Item 4: The occupational costs for ODA at Elizabeth House are estimated at £1.4m, spread equally, for discounting purposes, between September and December 1987. They are based on the cost of £10 per sq ft, which envisages that a large proportion of the offices in Elizabeth House will suit ODA's requirement. This figure may well be conservative. Full occupational services normally cost in excess of £20 per sq ft.
- Item 5: The figure for additional rent, rates and running costs at Eland House envisages that the tenancy of the building could not be surrendered until March 1988. This will mean that an additional quarter's rent, rate and running costs will be payable as we would otherwise have given up the lease on Eland House at the end of 1987. The landlord has a right to exercise a rent review at Eland House in December 1987, and allowance has been made for the rent to be increased at that date from the present £2.1m (fixed in 1982) to £2.4m p.a.

Prime Minister

● RTA's minute explains the £3-4m extra costs if DES, rather than ODA, get Richmond Yard. He does not say whether DES would be ready to bear these costs on their budget or depend on expenditure before the PA (on which see my minute also below).

So

- i. let ODA have it ; or
- ii ASK DES whether they will pay the costs from their budget ; or
- iii If not ii, then i ?

N.L.W.

6.9



10 DOWNING STREET

To be kept together
for Agel