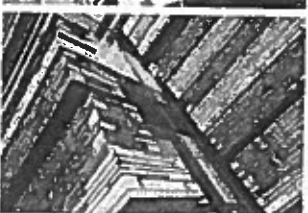


Strategy Report on the possible relocation of:

**East Devon District Council's offices currently at
the Knowle, Sidmouth**



Prepared on behalf of:

East Devon District Council

3 DECEMBER 2009

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Executive Summary

East Devon District Council have commissioned Alder King to provide strategic advice on a number of issues relating to a potential relocation from their existing offices at The Knowle in Sidmouth; including:

- A strategic site selection exercise to inform the Council on the most appropriate site for a relocation of the Council's offices. The report is to focus on no more than 3 strategic sites with a reasoned justification for the order of sites selected and a clear recommendation on the most strategic fit.
- Advice on the relative merits of commissioning a new building on a site, and owning the freehold or a leasehold arrangement for 15 or 25 years.
- Advice on approaching developers for the preferred site and accommodation requirements including the commercial offer.
- The likely cost implications of pursuing a relocation to the site selected to be the best fit with the Council's aspirations.

The findings of this report are as follows.

- The Knowle offices have been valued at £1,920,000 although this value is restricted by planning guidance received to arrive at this figure. It is our opinion that if residential development were permissible on the three car parking terraces as opposed to being allocated for employment use, EDDC could expect values closer to £2,650,000 to £2,700,000.
- The Knowle is populated by approximately 350 staff in total, including Chief Executive, Corporate Directors, Heads of Service and Senior Managers. We have adopted figures based on the British Council for Offices (BCO) 2009 Summary Report on Occupier Densities, which indicate a local government office density of 10.1 m² per work space to arrive at a Net Internal Area (NIA) operational requirement of 3,535 m² (38,052 ft²). A further 604 m² (6,500 ft²) of accommodation for the Council's civic functions has been assumed.
- We have estimated the following costs associated with the development of a BREEAM 'excellent' building:

Item	Costs
Base Build cost (including 5% contingency)	£7,484,954
Category B works	£1,620,120
Professional fees	£986,167
Finance cost (over 23 months at 4%)	£216,304
TOTAL*	£10,307,545

*The following items are excluded from the above costs:

- Any costs associated with Section 106/278 agreements, public art and public realm;
- EDDC's internal costs.
- Land costs
- Land assembly and relocation costs.
- Any potential undercroft parking requirements, or multi-storey parking facilities beyond a s.106 contribution.

- Any potential contamination issues.
 - Disturbance to any existing tenants.
 - Any equipment associated with information communication technology (computers, servers, printers, telephones, faxes and any other hardware/software).
 - Generator and/or UPS installations.
 - The above list of bullet-points is not exhaustive
- Should the Council consider occupation on a leasehold basis, we would anticipate the following leasehold liabilities:

Lease	New full repairing and insuring lease for a term of years between 15 to 25.
Net Internal Area	4,139 m ² (44,552 ft ²)
Rent	£735,100 per annum (Based on a rental rate of £16.50 per ft ²).
Rent Reviews	The lease is likely to incorporate 5 yearly upward only rent reviews and may be subject to indexation.
Rent Free Period	Assuming market conditions prevalent at the date of the report, we would assume EDDC can expect a rent free period between 12 months to 24 months dependent upon whether a 15, 20, or 25 year term is agreed.

- This report has also looked into the opportunities of the Council entering into a Joint Venture (JV) Agreement with a developer.
- We have looked at three destinations including Honiton, Exmouth, and the east of Exeter growth points, namely Cranbrook and Skypark, and have undertaken a Site Selection Matrix which considers the key requirements as set out by EDDC in their original tender brief when considering an appropriate site. The results of this finding indicate Exmouth as a preferable location taking account of transport links, proximity to town centre, share of facilities and car parking, plus the deliverability of key services.

In conclusion, the procurement costs associated with obtaining a freehold new build office lie considerably beyond capital receipts that may be obtainable by disposing of the Knowle offices, even for an enhanced planning permission incorporating high density residential accommodation.

We would recommend the Council undertake a full space audit, interviewing all relevant Heads of Service to explore cost savings, a potential reduction in office space requirement via efficient space planning and whether further accommodation savings can be made via home working policies.

Introduction

"Good asset management improves delivery by ensuring that the asset base is aligned with organisational objectives. Better asset management can also release resources, generate revenue and improve value for money in service delivery..." (Towards Better Management of Public Sector Assets – A Report to the Chancellor of the Exchequer, Sir Michael Lyons – December 2004)

East Devon District Council (EDDC) have commissioned Alder King LLP to provide advice in respect of a potential relocation from the Knowle offices in Sidmouth. We are aware that EDDC are prepared to consider both 'in town' and 'out of town' relocation destinations with a preferred location lying either north or west of Sidmouth in relative proximity of the conurbations for Exmouth, Honiton and the east of Exeter growth points, including Cranbrook and Skypark, both situated to the western extremity of the district boundary.

We have examined the relative merits of a new building and have explored both the freehold and leasehold arrangements available to the Council.

This report should act as a starting point for EDDC's decision making process. Accordingly our recommendations for future actions are set out at the conclusion of the report.

The Knowle – Land & Site

The Property comprises an employment site accommodating the Council offices, car park and a variety of park land and grass areas. Alder King LLP were instructed to provide a valuation report (dated 08 December 2008) in which the Property was valued having regard to the planning guidance on what form of development may be acceptable on the site. In summary, the findings of the valuation report were as follows.

- A residential scheme on the site of the existing offices would be acceptable. The site comprises a total area of 5.40 hectares (13.36 acres). 3.56 hectares (8.88 acres) are designated as being of Local Amenity Importance and cannot be developed, leaving 1.81 hectares (4.48 acres) of land capable of realising a development scheme. The current offices are a mixture of two and three storeys and we have been informed that a three storey apartment scheme on the approximate footprint of the current buildings would be appropriate, subject to a suitable design.
- The Property is designated for employment use and Policy E3 of the East Devon Local Plan refers to the safe guarding of employment land and premises. We have valued the Property assuming that if the existing offices were replaced by a residential scheme, there would be a requirement to retain some form of employment use on the site. Specific guidance was received from EDDC Development Management to this effect.
- The Property was valued as at 08 December 2008 on the basis of market value with the special assumption that the Property benefits from planning consent for 68 flats, two residential development plots and 1 acre of B1 development land. At that time the figure provided was £1,920,000 (one million nine hundred and twenty thousand pounds).

It is our opinion that the proposed planning guidance has depressed market value below that which could be achieved assuming 100% residential development could be obtained. Assuming that a high quality residential scheme on the three car parking levels could be obtained as opposed to employment

use, and assuming a basis of two dwellings per level, there is potential to realise 6 four bedroom dwellings over the three current car parks with a plot value for each dwelling of £200,000, equating to an overall land value for the car parks in the region of £1,000,000 as opposed to the B1 employment land value of £250,000. This would potentially produce a figure closer to £2,650,000 to £2,700,000 for the site.

We would not recommend the Council market the Property until assurance as to the best possible planning permission obtainable has been secured from the Local Planning Authority and we have advised accordingly.

The Knowle - Buildings

Prior to undertaking this report, Alder King have in partnership with East Devon District Council, provided an Accommodation Questionnaire issued to each Head of Service, looking into ten aspects of the existing accommodation at the Knowle offices, and relocation issues.

The findings were as follows:

- **Accommodation Requirements** – It was broadly felt by the relevant Heads of Service that the office space requirements for each service were likely to remain either the same or subject to a small increase. However, any minor increases in operational space requirements were predominantly due to overcrowding in various cellular offices or due to minor staffing level increases.
- **Service Level Meeting Room Accommodation** – Heads of Service were asked whether they had the capacity to hold service meetings within their offices. Approximately 50% of services confirmed they were short of meeting rooms although, if required, service meetings were capable of being facilitated in other rooms within the building.
- **Reception** - It was unanimously felt that EDDC front office reception facilities and reception meeting rooms were of a poor to satisfactory nature in terms of size, layout, needs of the general public and safety for staff.
- **Meeting Rooms** – It was generally agreed that the meeting rooms are used for staff and members, external agents/contractors for EDDC and for training purposes. There was a general consensus that the meeting rooms are used between 0 to 5 times a month with only three services (Organisational Development, ICT and Legal) using meeting rooms between 6 to 10 times a month.
- **Committee Room** – Although the committee room is used by most services, only 5 of the 15 services estimated a use of between 11 to 20 days per calendar month use or more. It was considered excessively large for staff meetings, although this is not the principal purpose and operational use of this facility.
- **Parking** – The Council car park comprises in total 224 spaces for approximately 350 staff. All Heads of Service reported considerable use and it was estimated that the total number of staff using the Knowle parking facilities is 316. The general consensus between parties was that a difficulty with parking provisions for late starters i.e. after 9am and for travelling officers is experienced. Approximately 50% of services felt the parking provision was adequate only.

- **Location** – Opinions were mixed upon whether the Knowle is the most suitable location in the district. Comments centred upon Sidmouth not being central to the district although it is evident that no location will meet all needs. All Heads of Service were therefore asked which town would be most suitable to meet the needs of service delivery. Approximately 50% stated Honiton as a preferred location with Exmouth coming second. Interestingly, only a marginal percentage felt the existing location suits the needs of delivering their particular service adequately. When asked which town would be most convenient for staff, it was commonly felt that Sidmouth, Honiton and Exmouth are the most convenient locations, although there were natural discrepancies with people commuting from further afield.
- **Co-Location Possibilities** – There was a consensus of opinion that most services liaise with other partners within local authorities, public bodies and voluntary groups in the delivery of their specific service. However, opinions were inevitably mixed upon whether a co-location would improve quality of service delivery as this will clearly depend upon the operational structure of each service.
- **Staff Issues** – There was a general consensus that staffing figures for the projecting service plan were likely to remain relatively static with some services reporting some relatively minor growth and one service reporting a reduction. There was a general belief that the working relationships between the different departments within each service requires frequent contact although interestingly only 50% of Heads of Service felt the current office arrangement was unsuitable for working relationships within the service. It is therefore not clear whether the cellular offices provide a significant drawback in terms of efficiency within each service.
- **Working from Home** - There appears to be no conclusive proof that an increase in home working could or could not be justified.
- **Storage** – There is a general consensus that storage could be located off site. Electronic storage was considered a cost efficient approach to reducing storage requirements.

In summary, there is a general consensus that the Knowle is not an ideal location for the delivery of services and that the existing accommodation fails to meet the operational requirements of all services. It is understood that staffing levels currently within the Knowle offices are relatively stable. It is evident that the potential for home working has not been explored in detail or discussed with staff and it is therefore something requiring further consultation.

Without any conclusive proof to the contrary it would appear that EDDC will require a building capable of accommodating similar staffing levels to those at the Knowle.

The Accommodation Questionnaire was relatively conclusive in its findings on parking. It was widely regarded that parking levels are neither acceptable or below service requirements and no service reported an oversupply of parking in the returned questionnaires.

In our relocation report it should be noted that neither in or out of town options will deliver parking ratios comparable or in excess of those currently benefitting EDDC's existing accommodation. The Knowle has provision for 224 parking bays, equating to a parking ratio of 1 bay per 210 ft² which is considered generous when compared to EDDC planning guidance for new build offices which confirms a maximum parking density permissible for out of town offices as 1 bay per 30 m² (323 ft²). There is no definitive guidance on in town parking ratios for offices and it is expected that people will use alternative parking arrangements.

New Building Requirement

We have calculated the gross internal floor area of the new headquarters based on the following criteria:

- The new headquarters must accommodate some 350 staff with one member of staff to 10.1 m² (109 ft²) on a net internal area (NIA) basis;
- The net to gross ratio is assumed at 82.5%;
- An additional floor area of 6,500 ft² net internal area (NIA) has been included for a debating chamber, committee rooms, restaurant and other ancillary council rooms.

Based on the above criteria, the gross internal area of the new headquarters is calculated as follows:

350 staff x 10.1 m ² per workspace	=	3,535 m ² (38,052 ft ²) NIA
Additional requirement for civic/breakout facilities	=	604 m ² (6,500 ft ²) NIA
Total NIA requirement	=	4,139 m ² (44,553 ft ²)
Net internal area to Gross internal area multiplier	=	100/82.5 = 1.2121
Therefore,		
GIA requirement	=	5,017 m ² (54,004 ft ²)

The Knowle offices comprises a net internal area of 4,389.90 m² (47,235 ft²) and populated by 350 staff, equating to an office density of 12.5 m² (135 ft²) per work space. Most recent research into office occupier densities published by the British Council for Offices – 'Occupier Density Study Summary Report' – June 2009 looks at overall work space densities for a variety of user groups including finance, insurance, central government and local government. The research shows average densities for local government buildings equates to 10.1 m² (109 ft²) per work space which indicates that the building is operating at an inefficient density per workspace. However, the NIA of 4,389.90 m² (47,235 ft²) includes civic function rooms, a breakout area and a caretakers on-site flat. Discounting this additional space equates to a revised office density for the Knowle of 10.71 m² (115 ft²) per workspace, which is still considered inefficient.

The additional area requirement for civic function rooms and a canteen area have been calculated using the existing facilities currently available at The Knowle. We confirm that we have not checked these calculations with either an architect or space planning consultant.

We have estimated that a new build 3 storey office development comprising a net internal area of 4,139 m² (44,553 ft²) will require between 0.809 to 1.012 hectares (2.0 to 2.5 acres) of serviceable land.

Building Procurement

It is the aspiration of EDDC to obtain a building that:

- Signals the Council's role in leading the East Devon community;
- Makes a lasting impact on the carbon footprint of the Council and is BREEAM 'excellent' rated new build (or equivalent);
- Includes a canteen, recreation facility and members area;

- *Allows certain rooms such as committee rooms, interview rooms, etc. to be shared with the relevant Town Council and/or refreshment areas/canteen to potentially be shared with a private sector restaurant or café.*

It is EDDC's desire to acquire a new build office which addresses green and sustainability issues such as maximising energy efficiency, minimising energy loss, reducing carbon emissions, reducing operating costs, energy and water consumption, to name but a few.

BREEAM is a tool that is used to evaluate environmental impact buildings including offices. It gives greater emphasis to issues of growing environmental importance such as transport, water consumption, and construction materials and is widely used in the United Kingdom.

BREEAM assessments are influenced by many factors which include land use, pollution, use of water, materials, transport, energy, health and wellbeing and management. These factors are scored against a BREEAM checklist for offices which is prepared by an independent BREEAM assessor.

EDDC's greenness and sustainable aspirations must be identified in the outset of a project so that they can be addressed during the design period in order to take full advantage of the opportunities available. This will be essential to achieve an 'excellent' BREEAM rating.

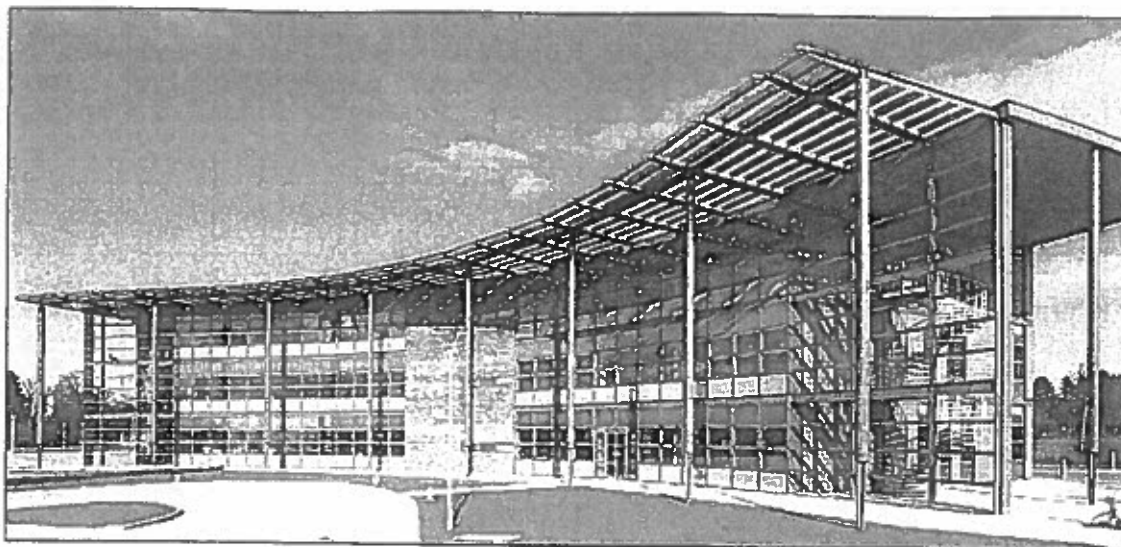
The Department of Communities and Local Government "Sustainable Operations Policy" February 2008 states the objective to 'ensure all new builds, office relocations and major refurbishments achieve an overall BREEAM Excellent rating and specifically an Excellent rating in the areas of energy and water....' unless this objective conflicts with the obligation to achieve value for money on a whole life basis.

Notwithstanding, it must be recognised that the sites as outlined below can have a big impact on the relative ease for achieving BREEAM "Excellent" status. For example, a town centre brownfield site adjacent to existing public transport hubs will score well at no cost on BREEAM whereas an out-of-town greenfield site with poor public transport links will score poorly and require specification enhancements to get it to achieve BREEAM 'excellent'. To summarize, each project is unique in BREEAM terms.

We have selected a group of buildings to illustrate both BREEAM 'Excellent' and BREEAM 'very good' status. The buildings include:

- Red Kite House, Howbery Park, Wallingford, Oxfordshire – capable of delivering BREEAM 'excellence' status.
- Woodwater House, Pynes Hill, Exeter – an example of a quality out of town self contained office building with BREEAM 'very good' status.
- Phoenix House, Phoenix Lane, Tiverton – demonstrates a quality in town office building incorporating library facility.

Red Kite House, Howbery Park, Wallingford, Oxfordshire



The Environment Agency took 2,992 m² (32,211 ft²) (GIA) of BREEAM 'Excellent' offices on a leasehold basis from HR Wallingford Limited in 2005. The building was taken on a 15 year term subject to a tenant break option upon expiry of year 10.

The building is reported to have CO₂ emissions approximately 25% below that for ecologically conscious buildings at the time of construction. Red Kite House has also been constructed to save approximately 40% of the total water consumption in the premises due to a rainwater harvesting system to collect and reuse rainwater. Other ecological credentials include solar panels to provide hot water installed in the roof. It has been anticipated that the panels will provide approximately 40% of the buildings overall demand for hot water this way. The building accommodates 350 staff, comprising offices, meeting rooms, breakout space, reprographics and laboratory space. This equates to an office density of 1 person per 8.6 m² (1 person per 92 ft²).

The Environment Agency has implemented a creative space utilisation strategy. To illustrate the strategy, we were given the following example:

- The Facilities Management Department researched the actual desk requirements for a predominantly field based team.
- The team comprised 8 officers, although it was established that only 6 desks were required at any one time.
- In practice, by positioning the field based team adjacent to a predominantly desk based team, there were adequate surplus desks on the adjacent teams space to facilitate any overspill.
- The ability to operate a strict desk sharing policy has only been possible due to the open plan arrangement of the new accommodation.
- The Facilities Management Department advised that the implementation of this strategy has proven successful.

The construction costs were as follows:

Item	Developer Costs	Tenant Costs	Total (before grant)	Grant	Total (after grant)
Base building, including permeable car park	£ 4,100,000	£ -	£ 4,100,000	£ -	£ 4,100,000
Canopy that generates solar power	£ -	£ 295,000	£ 295,000	£ 165,000	£ 130,000
Heating panels to provide hot water	£ -	£ 23,000	£ 23,000	£ 9,000	£ 14,000
Rainwater harvesting system	£ -	£ 35,000	£ 35,000	£ -	£ 35,000
Roof-mounted fans to support natural ventilation	£ -	£ 10,000	£ 10,000	£ -	£ 10,000
Automated and motorised high-level windows	£ 30,000	£ 86,000	£ 116,000	£ -	£ 116,000
Internal fitting and furnishing	£ 75,000	£ 1,400,000	£ 1,475,000	£ -	£ 1,475,000
Total cost	£ 4,205,000	£ 1,849,000	£ 6,054,000	£ 174,000	£ 5,880,000

The Property comprises a gross internal area of 32,211 ft², equating to a Category A build cost of £130.54 per ft². The base build cost reflects a BREEAM "Excellent" building incorporating natural ventilation. The Environment Agency's additional Category B costs of £1,400,000 equate to £43.46 per ft² included the complete partition fit out, ICT instillation, kitchen, laboratory fit out etc. The above tenant costs exclude that attributable to the additional environmental technology installed at the tenants request that went beyond the BREEAM "Excellent" requirements. Grant funding was obtained for approximately 50% of the additional technology through the "Clear Skys" programme available at the time of construction.

The construction costs exclude any air conditioning as the building is naturally ventilated with upper windows which are linked to the buildings energy management system and are automatically opening and closing. Furthermore the building incorporates a chilled beam system to lower the internal temperature during hot weather.

It is understood that the building benefits from the following environmental credentials by way of consumption savings per annum.

- 240,000 litres of water are saved via a rainwater harvesting system.
- 33,600 kilowatt hours of electricity are saved through the use of items including solar energy, heating panels, and natural ventilation.
- 17.6 tonnes of carbon dioxide are saved per annum.

The Environment Agency have been quick to add in their footnote summary that by "easing current utility costs, the annual financial savings are relatively small and the payback periods are long (up to 80 years in the case of the solar energy generating cells)".

Woodwater House, Pynes Hill, Exeter



Woodwater House is a four storey self contained office building occupied by Michelmores LLP. The Property is located in Woodwater Park, Pynes Hill and represents a statement building within the office campus.

The original building was constructed in 2003, comprising a total net internal area of 3,708 m² (39,917 ft²). The building was subsequently extended in 2008 to incorporate an additional 879 m² (9,463 ft²). Alder King undertook the project management of both the original building and the extension.

The building is finished to a BREEAM "Very Good" standard, being of steel frame construction with a shallow pitched roof. The floors are of pre-cast concrete construction and the external elevations are of cavity brickwork and double glazed windows.

The building comprises three sections. A full height glazed atrium splits the building in two, from which a lift provides access to all floors. The two office blocks accessed either side of the core are finished to the following specification:

- VRV air conditioning to all floors and a further perimeter curtain heating system;
- raised access floors covered with carpet;
- suspended ceiling incorporating recessed LG7 fluorescent lighting.

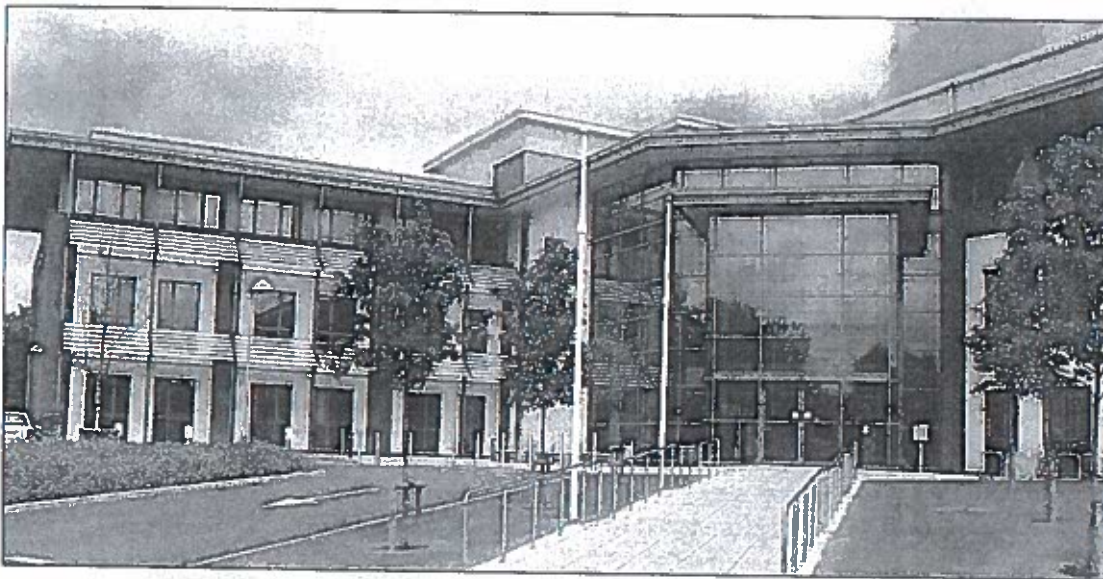
The lower ground floor comprises a gymnasium and extensive deed room, whilst a staff canteen/break out area is situated on the ground floor level.

Including the 2008 extension to Woodwater House, the Property comprises a net internal area of 4,587.3 m² (49,379 ft²) on a site area of 1.145 hectares (2.830 acres). The overall parking provision reflects 200 cars plus 5 disabled spaces, equating to a ratio of 1:22.94 m² (1:247 ft²) which is broadly consistent with parking provisions within Pynes Hill.

Woodwater House was built to a Category A specification at a cost in the region of £120 per ft² which excludes the tenants Category B costs. The build cost reflects a stand alone air conditioned building.

It is evident from the construction of Woodwater House that cost savings can be made by opting for a BREEAM 'very good' as opposed to BREEAM 'excellent' building.

Phoenix House, Phoenix Lane, Tiverton



Phoenix House is the operational headquarters of Mid Devon District Council (MDDC) and comprises a new build in-town office incorporating an integrated Library Service funded through Devon County Council.

The Property comprises a self contained office building arranged over three storeys and comprising a total net internal area of 2,697.41 m² (29,036 ft²) plus 18 designated parking bays. The County Council Library facility comprises an additional 573.12 m² (6,169 ft²) without any parking provision.

It is understood that Mid Devon District Council owned the Phoenix House site which was formally a brewery and the land was surplus open car parking space which had been deemed surplus to use by the erection of a multi storey car park ten years prior to the development of Phoenix House, which completed in 2004.

The build was financed by the District's Capital Reserves with a cash injection of approximately £750,000 by Devon County Council to facilitate library facilities within the premises. Due to the proximity of a multi storey car park adjacent to Phoenix House, officers utilise predominantly the top storey of the multi storey car park for their own use although this is not designated as the car park is under utilised in servicing the town's needs.

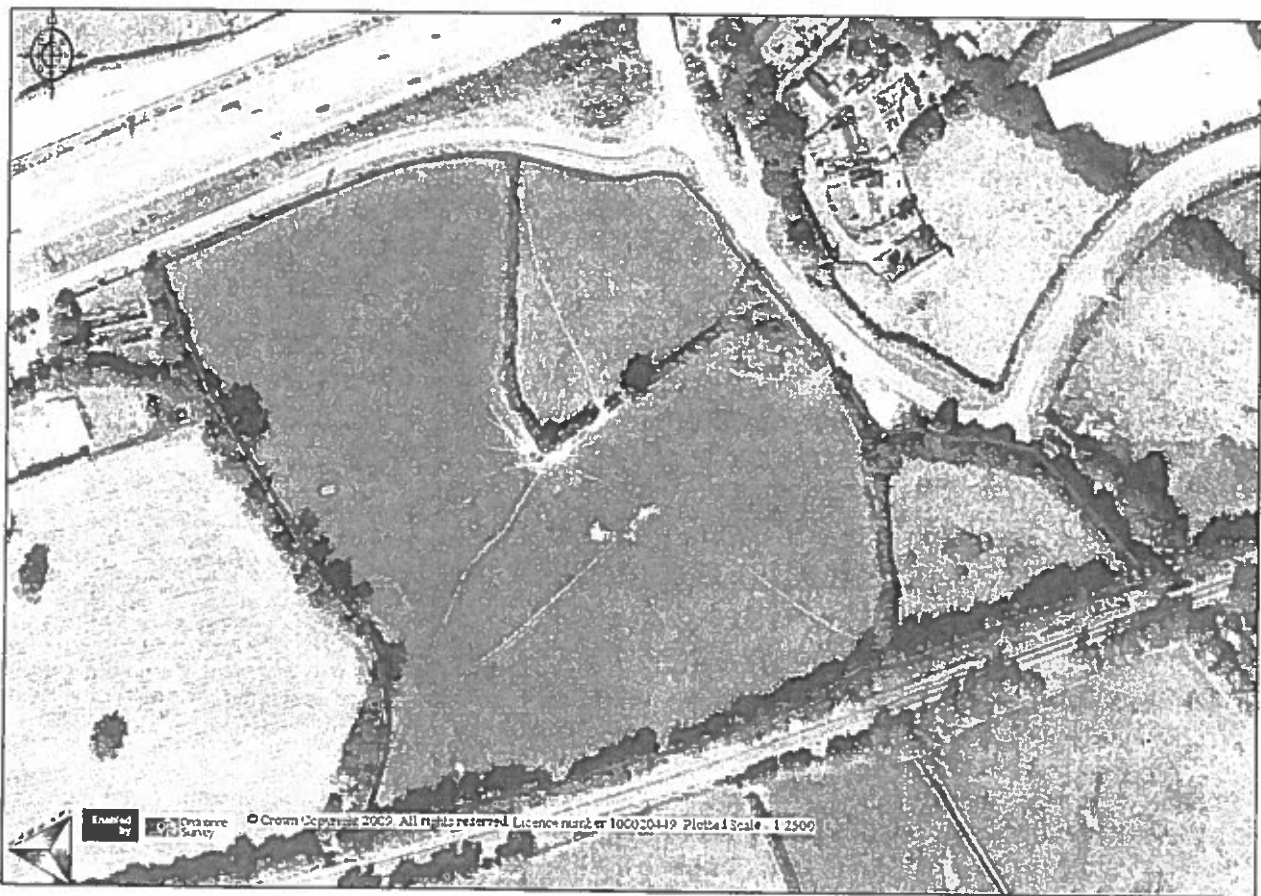
Strategic Site Selection

We have compiled a short list of three strategic sites based in Honiton, Exmouth and Cranbrook/Skypark. The sites are as follows.

- Honiton – Land at Hayne Lane, Gittisham;
- Exmouth – Imperial Road car park, leisure centre, bus depot and sorted car parking facilities;
- Cranbrook/Skypark – East of Exeter Growth Point.

We summarise our findings in regard to Honiton as follows.

Land at Hayne Lane, Honiton



Honiton is a town with a the population including surrounding parishes in 2006 of 16,840, and the population change between 1991 to 2004 was 27.6% compared to an East Devon average of 14.4%. It is evident that Honiton has expanded to become an important economy within the district. A combination of significant residential development to the south of the town coupled with improved access to Exeter via the improved A30, have contributed to such growth. The Accommodation Review Questionnaire indicates that existing EDDC staff are located predominantly in the major conurbations within the district plus Exeter; therefore Honiton would not represent any significant staff retention issues.

Hayne Lane is located to the east of the town centre and Heathpark Business Park, accessed via Devonshire Road, the principle estate road through the business park. The land is situated to the north of Hayne Lane and is defined by adopted highways to both the east and north boundaries. The southern boundary backs onto the main line Exeter St Davids/London Waterloo line. The land currently lies outside the Built Up Area Boundary for Honiton and is not allocated for any employment use.

The land is not currently utilised by East Devon District Council for any operational purpose and is occupied by a tenant farmer of the Coombe Estate, Gittisham by way of a 360 day grazing licence. The land is currently subject to a restrictive covenant prohibiting development for any purpose other than playing fields or sports recreational purposes.

Hayne Lane is located approximately 1.5 miles from the railway station and town centre, and is therefore not considered a realistic walking distance for customers or staff.

There are a number of issues pertinent to the site that would need to be addressed to deliver the land for development:

- The site is currently disadvantaged by a requirement to procure funding for necessary infrastructure to support a major employment land development on the 13 acre site.
- King Sturge (property consultants) have produced a Feasibility Report into the Land at Hayne Lane (2008) for EDDC which identifies that a mixed employment scheme comprising B1, B2 and B8 occupiers would not be viable as a significant shortfall of circa £5,350,000 would arise to develop out EDDC's total site.
- The cross subsidy requirements alone (as at the date of the Feasibility Study) to deliver the site for development were estimated as follows:

No.	Description of Works	Costs
1.	Off-site works	£1,600,000
2.	On-site works	£2,000,000
3.	Contingency @ 5% of No. 1 and 2 (above)	£180,000
4.	Professional fees @ 12% of No. 1 and 2 (above)	£453,600
5.	Covenant relaxation payment	£200,000
	TOTAL COST	£4,433,600

- The Feasibility Report concluded that "without intervention or cross-subsidy, development on the site for employment uses is unviable and will not take place".

It is our belief that cross subsidy funding must derive from s.106 contributions and to this effect, the Council must look to future development within the Heathpark area capable of subsidy delivery. We are aware of the following opportunity to deliver funding:

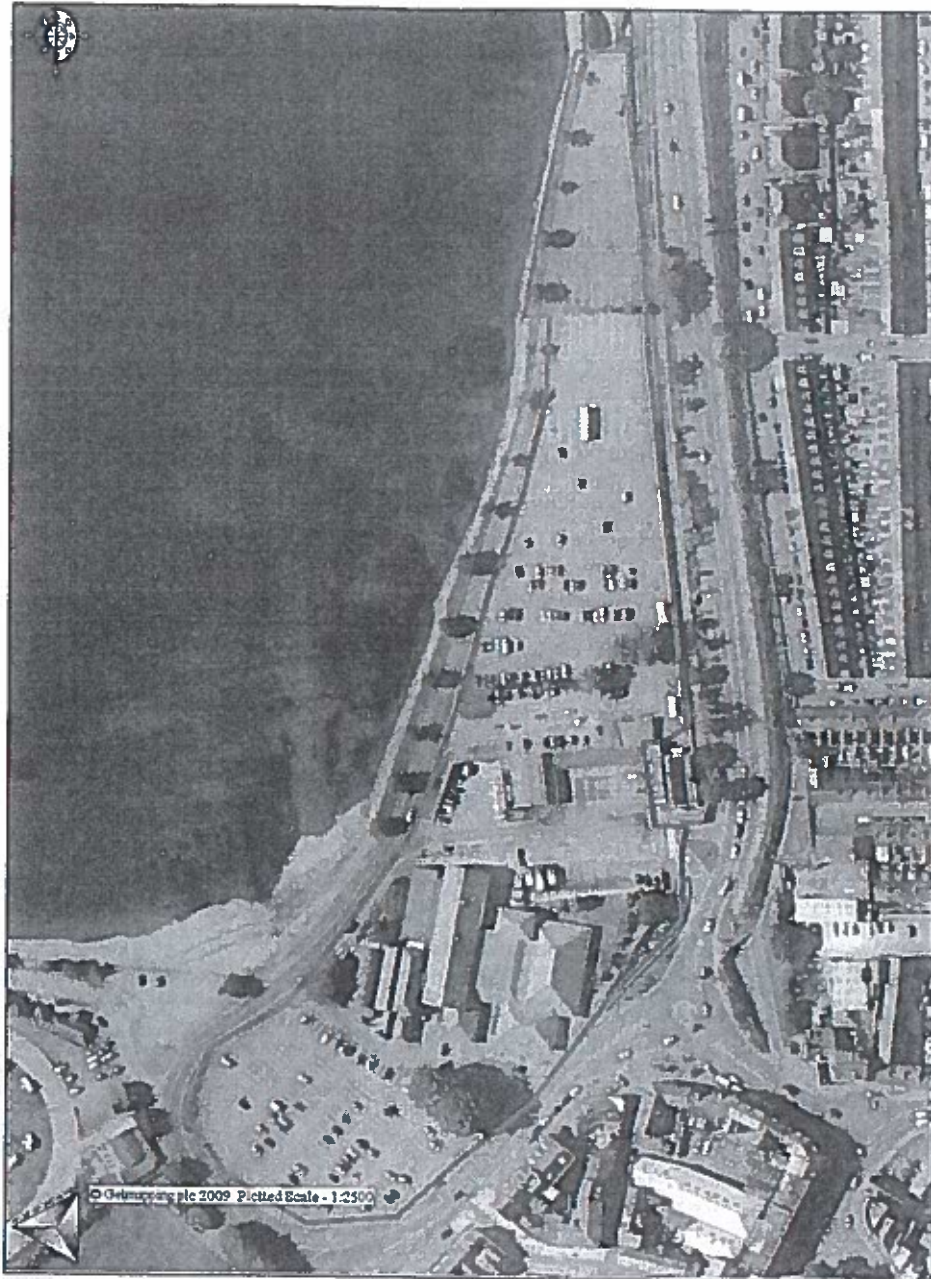
- Representations have been made by the Coombe Estate on EDDC land comprising the 13 acres at Hayne Lane for the purpose of employment use. A further representation has been made on the land south of the Council's ownership comprising a similar size plot for the erection of approximately 400 dwellings.

A 13 acre residential scheme on Coombe Estate land could assist cross subsidy requirements necessary to 'pump prime' the Council's land holding. Assuming an appropriate receipt could be achieved covering infrastructure cost requirements, a private sector developer could enter a Joint

Venture agreement with EDDC to purchase the land at an agricultural value (plus any necessary hope value) on a subject to planning basis with a provision that EDDC have "ring fenced" between 1.09 and 1.21 hectares (2.7 and 3 acres) for the development of a new HQ office. EDDC would benefit from a share of any subsequent profits after the developers priority return on costs.

We refer you to the Site Selection Matrix which indicates that the land at Hayne Lane would score poorly in terms of proximity to the town centre, the ability to share facilities and car parking arrangements and would suffer from a lack of prominence as a flagship building. As indicated within the original brief the Council would wish to have a presence that signals the Council's role in leading the eastern community and the sub divisional growth agenda, however the land at Hayne Lane would struggle to deliver this ambition.

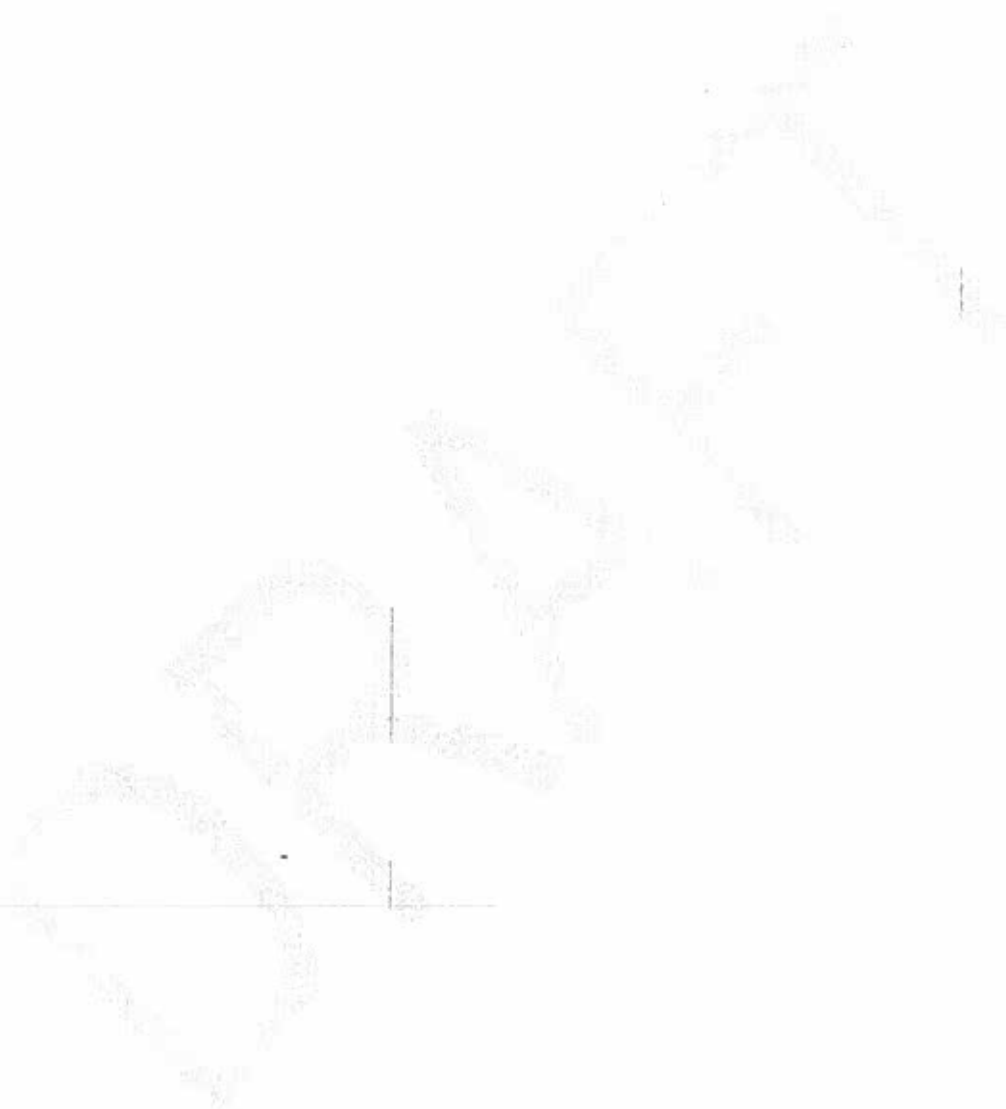
Imperial Road Car Park, Exmouth

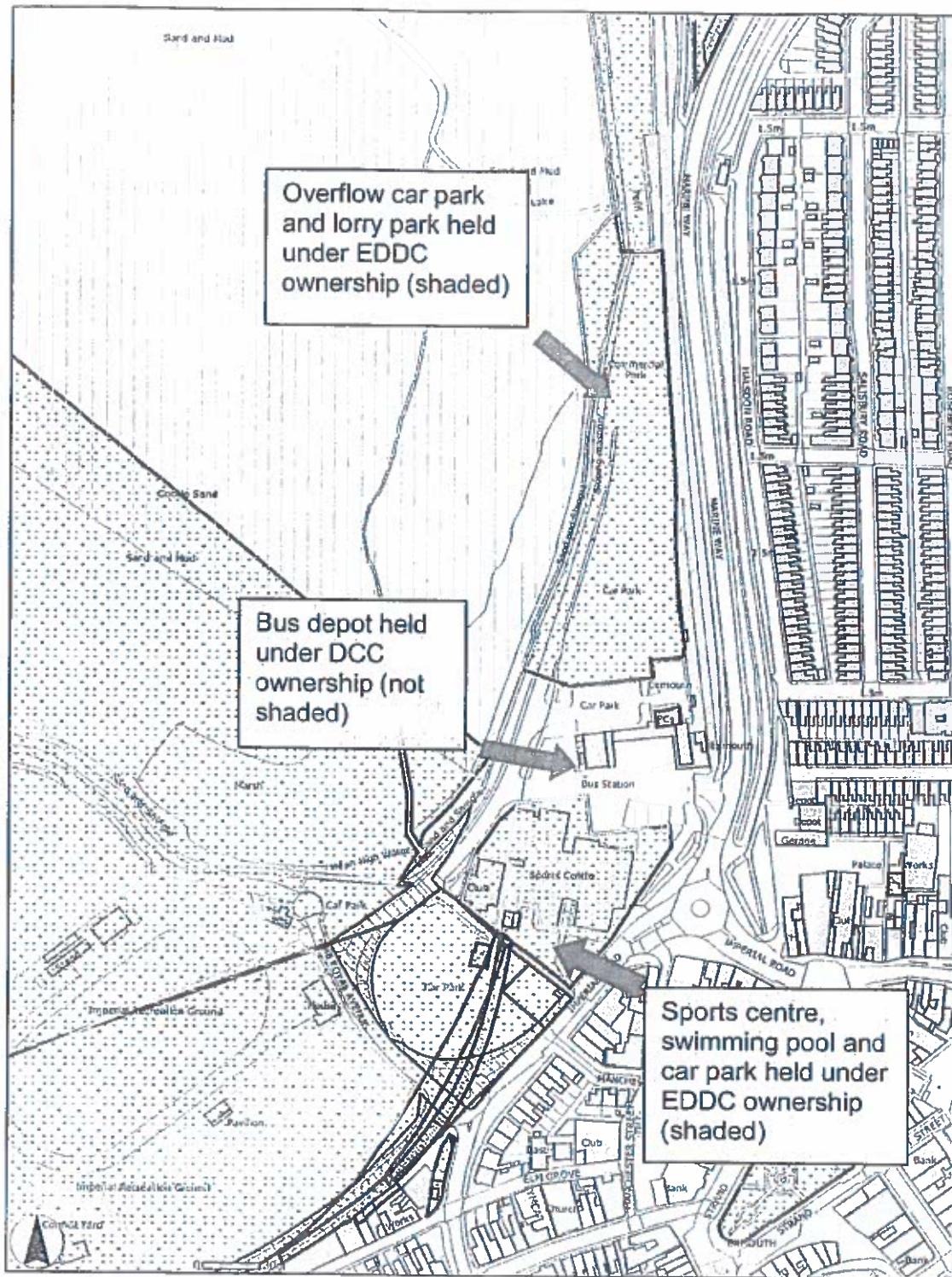


The Exmouth population including surrounding parishes in 2006 was 46,296 with a population change between 1991 to 2004 of 13.8% compared to the East Devon average of 14.4%. However the population is predicted to decrease marginally by less than 1% with the most significant decrease between the ages of 0-19 and 20-44.

We have identified the site forming the sports centre, swimming pool, bus depot and various car parking facilities known locally as either the "Royal Avenue" or "Imperial Road" site. The site comprises a total area of 2.887 hectares (7.134 acres) and is an irregular shape. Exmouth town centre is situated within close proximity, accessible via Manchester Road to The Strand and onto the main in-town retailing destinations. The location benefits from proximity to various forms of alternative transport including:

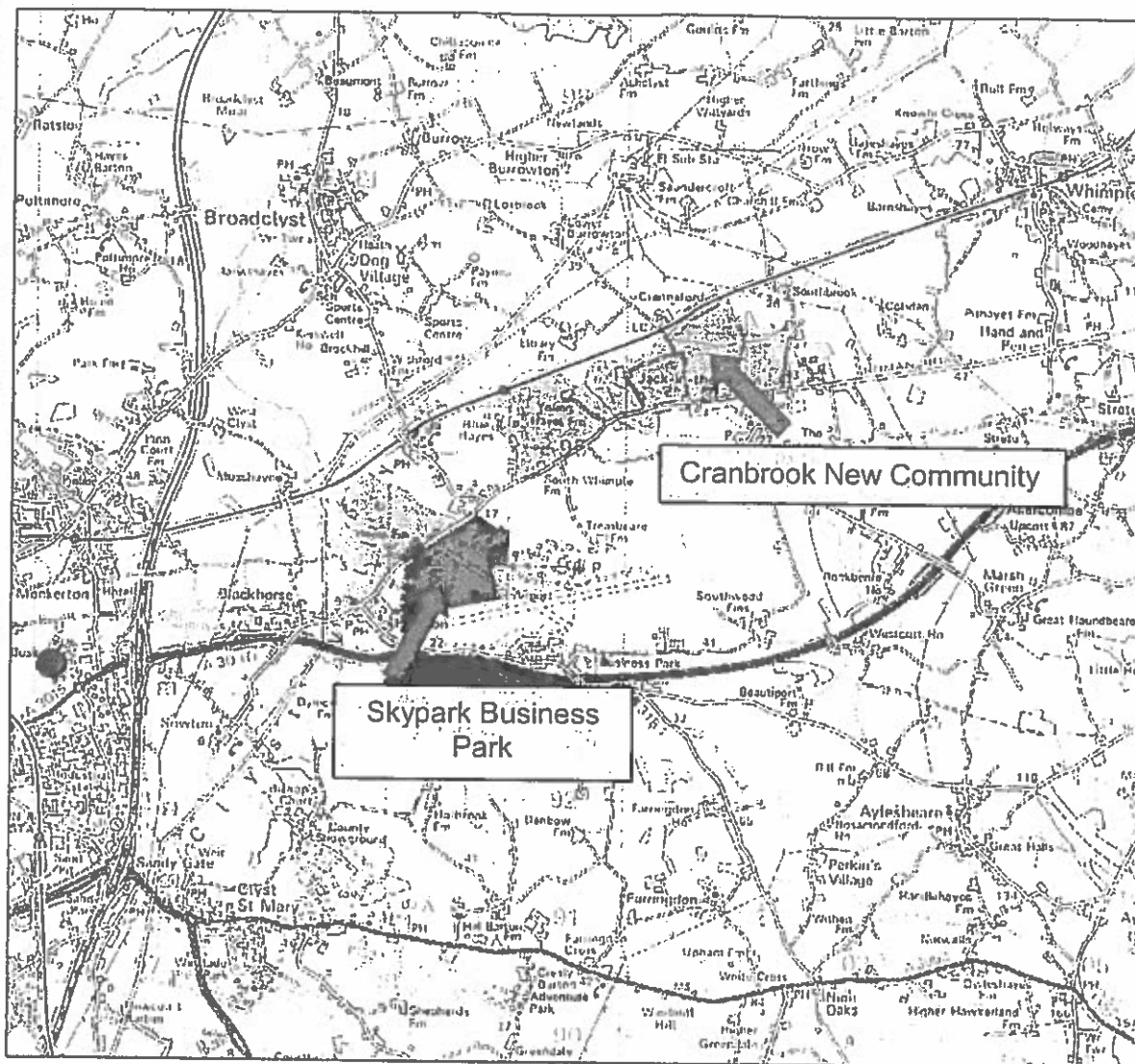
a wider development scheme to regenerate the town centre, including the London Inn Car Park site.





Without the benefit of a feasibility study on the site, we are unable to comment on either off-site and on-site costs associated with infrastructure works to facilitate development.

East of Exeter Growth Point

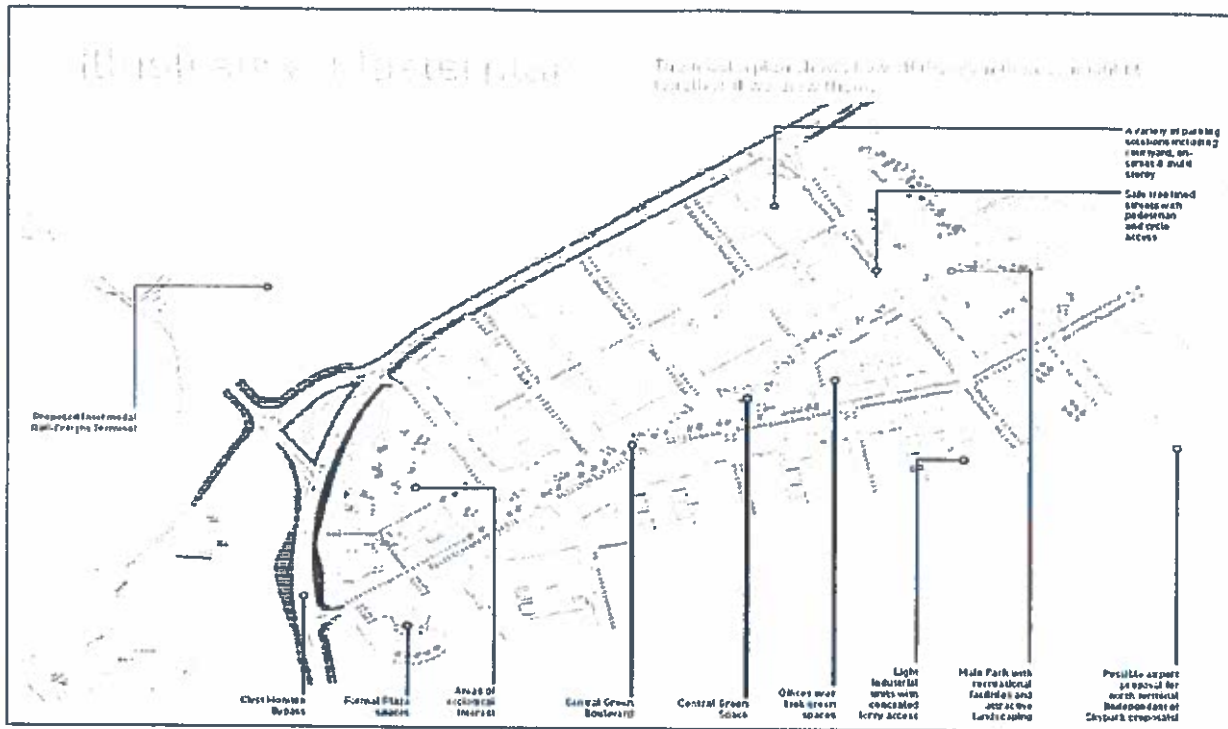


We have identified the possibility of an office location within the East of Exeter Growth Point to either Skypark Business Park or the Cranbrook New Community, both being situated within the district. We report on each in turn:

Cranbrook

Cranbrook was granted outline planning permission on 16 December 2006 for the development of up to 2,900 residential dwellings and various retail and employment uses. Of the land allocation for employment use, it is comfortably capable of delivering a 2 acre site for the erection of a stand alone design and build three storey office for the purpose of an EDDC relocation. Site MU3 has been identified within the Cranbrook master plan as a potential location for East Devon District Council which comprises an area of 1.7 hectares (4.2 acres). It is proposed the plot will be divided to create two or more premium sites for three storey offices. In total it is estimated that the site can deliver 7,500 m² (80,732 ft²) of B1 offices which makes the site viable for a number of size configurations depending upon any future requirements for expansion land.

Skypark



Skypark is situated adjacent to Exeter Airport and linked to the A30/Junction 29 M5 by the proposed Clyst Honiton bypass. The scheme incorporates a 37.72 hectare (93.2 acre) brownfield site owned by Devon County Council with a resolution to grant approximately 140,000 m² (1,506,997 ft²) of employment space. The scheme is to incorporate 60% offices and 40% industrial, hotel and ancillary retail facilities.

In terms of sustainability, offices developed at Skypark will reach BREEAM "Excellent" standards with CO₂ emissions 25% below current building regulations, water consumption efficiencies lower than minimum standards, future-proofing of ICT infrastructure provisions, less reliance on motor use (PPG 13 standards less 20%).

Site Selection Findings and Recommendations

The Site Selection Matrix indicates the following results in order of preference:

1. Exmouth
2. Honiton
3. East of Exeter Growth Point (Cranbrook New Community & Skypark Business Park)

Cranbrook and Skypark score well in terms of infrastructure due to proposals for a new rail halt to serve both Cranbrook and Skypark. Highways infrastructure links connecting the Growth Points to the A30 at the new Clyst Honiton Bypass are planned, plus a new public transport corridor to Exeter City Centre. However, both Cranbrook and Skypark are in essence out of town office locations therefore will suffer

from prominence and are unlikely to include the provision of shared facilities and car parking arrangements. Skypark is in effect a business park therefore it is disadvantaged by a lack of shopping facilities and proximity to the nearest town centre.

Our Site Selection Matrix indicates similar scores between Cranbrook and Honiton. Both destinations will invariably obtain similar results concerning staff retention, labour supply, presence in terms of their out of town locations. Honiton has obtained a marginally higher score predominantly due to its geographical location, being relatively central to the district.

The Site Selection Matrix indicates Exmouth as a favourable destination, scoring highly in its ability to meet various criteria such as :

- Being in close proximity to a town centre,
- Providing good public transport links from the town centre and also the Exmouth railway station situated to the east of the site within proximity.
- Importantly, Imperial Road delivers the Council's ambition to relocate to a prominent location and the significance of a move to Exmouth would appear more poignant in the backdrop of Plymouth University's retreat from Rolle College.

The Council may wish to consider a Joint Venture agreement to develop the Imperial Road site on it's own, or alternatively, look at the relocation as part of a wider regeneration scheme.

EDDC benefit from land ownerships within the town centre including both the Imperial Road and the London Inn site. The East Devon Local Plan identifies the London Inn as a site with potential to provide additional "retail and commercial development together with short stay car parking to support the regeneration of the town centre". As a consequence of EDDC's land ownerships, there is potential scope to enter a corporate Joint Venture via a Local Asset Backed Vehicle (LABV) to deliver a scheme incorporating both parcels of land for comprehensive regeneration incorporating both a town centre retail scheme and a relocation of the Council's offices to the Imperial Road site to a prominent BREEAM "Excellent" building including library facility. Such a scheme would signal the Council's commitment to Exmouth, creating new jobs and improving facilities and infrastructure.

Procurement – Freehold Arrangement

Should EDDC wish to procure a bespoke BREEAM "Excellent" building on a freehold basis via direct development on land either acquired or under existing ownership, the primary expense will invariably be driven from the new build construction costs.

For the purpose of this report, we have adopted a Category A base build cost rate of £132.00 per ft² and applied this to EDDC's estimated new build Gross Internal Area (GIA) of 5,017 m² (54,004 ft²). In addition, we have adopted a Category B cost of £30.00 per ft² covering additional costs such as carpeting, partitioning and office fit out, ICT and kitchen installation. For the Council to undertake a direct development we have estimated the following costs:

Item	Costs
Base Build cost (including 5% contingency)	£7,484,954
Category B works	£1,620,120
Professional fees	£986,167
Finance cost (over 23 months at 4%)	£216,304
TOTAL*	£10,307,545

The land at Hayne Lane and the Imperial Road site are either owned outright or part owned by EDDC. However, neither land at Cranbrook or Skypark are held under the Council's ownership.

Assuming the relevant landowners of either Cranbrook or Skypark would consider a freehold site disposal to EDDC for a design and build turnkey arrangement, we would anticipate land values in the region of £988,386 per hectare (£400,000 per acre). Assuming a site requirement of between 2.0 acres to 2.5 acres, this equates to an additional cost of £800,000 to £1,000,000 attributable to the land purchase. In total, we arrive at the following costs:

Item	Costs
Total construction cost	£10,307,545
Land cost, say	£1,000,000
TOTAL	£11,307,545

The build costs to achieve this goal will invariably lead to an increase in the base build cost. As mentioned, an in-town brownfield site such as Imperial Road (Exmouth) may score well at no cost in BREEAM terms, however, there may be additional requirements for undercroft or multi-storey car parking which will increase costs. Without the benefit of a costed scheme, our cost estimates are subject to considerable variance and are not to be relied on. True values may lie in excess of the above figure.

*The following items are excluded from the costs:

- Any costs associated with Section 106/278 agreements, public art and public realm;
- EDDC's internal costs.
- Land costs
- Land assembly and relocation costs.
- Any potential undercroft parking requirements, or multi-storey parking facilities beyond a s.106 contribution.
- Any potential contamination issues.
- Disturbance to any existing tenants.
- Any equipment associated with information communication technology (computers, servers, printers, telephones, faxes and any other hardware/software).
- Generator and/or UPS installations.

The above list of bullet-points is not exhaustive.

Procurement – Leasehold Arrangement

East Devon District Council have also asked to receive guidance on the relative merits of taking occupation of a headquarters premises on a leasehold basis and our findings are as follows.

- EDDC sell the site to the developer at a base value.
- The developer would build out the bespoke BREEAM "Excellent" offices on the basis of the Council entering into a leasehold arrangement for a minimum term certain of 15 years.
- The leasehold transaction would create an investment to be sold on the open market.
- The developer would have a priority return, based on a percentage of development costs.
- All profits over the developers priority return would be split 50/50 between EDDC and the developer.

EDDC could potentially benefit from a base value capital receipt on the land, plus a further "top up" resulting from the forward investment sale. The likely returns after a developers priority return will depend to a greater extent on both the build costs and yield achieved when the investment is sold. We report on these issues in turn:

- The base build Category A costs for a BREEAM "Excellent" building together with professional fees, tenant inducements and finance costs will result in costs of circa £10,307,000 before additional costs including land purchase s.106 agreements, site assembly, infrastructure and potential contamination issues are addressed. It is therefore questionable whether a developer would enter into such an agreement, or whether any profit would be generated after a forward investment sale. To accurately gauge how these obstacles can be overcome, we shall need to enter detailed discussions with a selected developer.
- Under current market conditions, we would anticipate that a new 15 year lease to a government covenant on a new build BREEAM 'Excellent' office at a rent of £735,125 per annum would appeal to investors, resulting in a net initial yield of 6.5%. This equates to a gross development value of £11,309,608 before acquisition costs at 5.75% and assumes the 1st rent review is subject to indexation due to a lack of comparable evidence for a similar building within East Devon. However, should the Council take a term certain of 25 years, we would anticipate a lower net initial yield of 6.0%, equating to a gross development value of £12,252,075 on the same assumptions.

Conclusion

The purpose of this report has been to identify a suitable site for a potential relocation with a clear recommendation on the most strategic fit.

The result of our investigation reveals that the Imperial Road site in Exmouth would be the preferred location due to its location in proximity of the town centre, provision for public transport, prominence and ability to facilitate other public facilities within the building, subject to an appropriate design.

Notwithstanding the above, the site faces difficulties in terms of land assembly. To facilitate a development it will be necessary to acquire Devon County Council's freehold title. A report into the viability of the Imperial Road site for retail purposes was commissioned by EDDC in May 2004, indicating infrastructure costs in the region of £6,220,000 to deliver the site, excluding any additional costs rising from compensation for South West Water's operational land. Although these figures are now historic, an allowance in the region of £4,500,000 at the time had been allocated to the relocation of the leisure centre. The true costs as at the date of this report for relocation of the sports centre and swimming pool site are beyond the scope of this report however, we would estimate the costs would lie comfortably in excess of those figures quoted in 2004.

It would be our recommendation not to relocate the existing leisure centre and swimming pool. The relocation expenses will significantly increase the overall procurement costs for a self build. Should the

Council consider entering a Joint Venture Agreement, the developers profit would likely be eroded by the associated relocation costs after being factored into a residual appraisal.

We would recommend relocating the bus depot to an out of town location within either an established business park or via the creation of a bespoke facility. There may be scope to peruse this further via an investigation into the available land east of Dinhan Way and Liverton Business Park, or alternatively land within the vicinity of Pound Lane, Exmouth.

Build costs have been estimated at £10,307,000 to procure a BREEAM "Excellent" 3 storey office extending to 44,552 ft² on a net internal area. However, this figure excludes any additional costs associated with the acquisition and relocation of the bus depot situated within the site, infrastructure costs and section 106 agreement liabilities.

Alternatively, should the council take a new build premises on a leasehold basis, we have estimated a likely rental liability of £735,100 per annum on a minimum 15 year term without tenant break options and a likely rent review provision subject to indexation, to the 1st rent review at least. Additional on-costs will include the Category B fit out which we have estimated at £1,620,120 although actual costs could lie in excess of this figure.

In terms of the way forward, we would recommend a space audit is undertaken to ascertain whether home working, hot desking/desk sharing opportunities exist. Additional savings may be found through the redeployment of civic function rooms to other EDDC premises within the Exmouth conurbation.

Once considered, these two documents will form the basis of further investigation into detailed conversations with developers to potentially structure a procurement route.

We are obliged to confirm that this report has been prepared for the benefit of East Devon District Council regarding the possible relocation and is not intended to be relied upon by any other party or for any other purpose.

The report is to be read as a whole and no aspect may be used or reproduced without the permission of Alder King LLP.

APPENDIX 1

Site Selection Matrix

	WEIGHTING	HONITON	EXMOUTH	CRANBROOK	SKYPARK
Rail	5	3	5	4	4
Bus	5	4	5	4	4
Transport Links	10	8	6	7	7
Proximity to Town Centre	10	5	10	7	0
Shopping Facilities	5	4	5	4	1
Staff Retention	15	14	13	13	13
Labour Supply	15	13	13	13	13
Share of Facilities and Car Parking	5	0	5	0	0
Presence	5	2	5	2	1
Access to Centres of Population / Customers in East Devon	10	9	5	6	6
Legal Restrictions / Restraints	-15	-5	-10	0	0
	Total	57	62	56	49

The Site Selection Matrix is based upon the Council's site selection guidance (sections: 3.1.1 to 3.1.9) as specified within the original tender brief. The above findings reflective a degree of subjectivity and shall require thorough consultation with all relevant parties.



APPENDIX 2

Assumptions & Caveats

ASSUMPTIONS AND CAVEATS

These should be read together with the report of which they form part.

In preparing this report, Alder King has placed reliance upon the information supplied by the client and/or the client's professional advisors and upon only verbal enquiries of the Local Planning and Highways Authorities. Accordingly, attention is drawn to the following assumptions made which may require confirmation in detail:

- (a) That there is good and unencumbered title to the property, free from onerous covenants, easements, restrictions or other encumbrances or outgoings, (made in the absence of having had sight of the title deeds).
- (b) That the information provided by the Authorities is correct and complete and that a local search would not reveal any matters that would have an adverse affect upon the value of the property, nor liability to the client or its customer in respect of land contamination.
- (c) That the property and any alterations or extensions thereto complies in all respects with current legislation affecting the property and its use, or intended use.

Alder King has not carried out a building survey of the property nor inspected loft spaces or roof voids or parts of the property which are covered, unexposed or inaccessible. We have not arranged for nor carried out specialist tests of the ground conditions of any part of the structure and sub structure, nor of the electrical, heating, air conditioning, plant and machinery, equipment or other services to the property or running under the site. Alder King cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.

In view of these limitations, those relying upon this report should be aware that:

- (a) Although regard has been taken of the apparent state of the property, defects may exist that are latent or would be revealed in a more detailed survey.
- (b) Alder King is unable to confirm that the property is free from risk of high alumina cement concrete, calcium chloride additive, blue asbestos or other potentially deleterious or hazardous materials or techniques having been used in the construction or alteration of the property.
- (c) No measurement nor calculation has been made of the load bearing capacity of foundation, floors or other elements of the structure which it is assumed is suitable for the present or proposed uses.
- (d) The valuation assumes that any more detailed reports, tests or calculations would not reveal any materially adverse conditions.
- (e) Unless stated otherwise in this report, we have not been made aware of the content of any environmental audit, land quality statement or soil survey which may identify contamination/pollution or warn of this possibility. Our report in this respect, made only from visual inspection and limited enquiry, cannot be relied upon as conclusive and accordingly the valuation on the assumption that the property is not subject to contamination can only be validated if, following an exhaustive investigation by appropriately qualified consultants, the property is found to be uncontaminated and not exposed to pollution.
- (f) Where Alder King is provided with reports by others identifying the existence and extent of contamination and the costs of remediation, we rely upon the information contained without liability in respect thereof.
- (g) We are not aware nor have we made any enquiry as to whether the air conditioning system contains CFCs or other environmentally damaging or polluting materials which may be required to be removed by law. Accordingly, our valuation assumes no such liability. However, should there be a requirement now or in the future to carry out such work, this might reduce values now reported.
- (h) Under the Control of Asbestos Regulations 2006 (CAR 2006), the owner or tenant of the property, and anyone else who has control over it and/or responsibility for maintaining or repairing it, may be under a statutory obligation to detect and manage any asbestos or asbestos related compounds contained within the property. Failure to comply with the CAR 2006 is an offence and could adversely affect the value of the property.

ASSUMPTIONS AND CAVEATS

The detection and management of asbestos and asbestos related compounds is beyond the scope of our expertise. Accordingly, and notwithstanding any comments that we may make in connection with asbestos related issues elsewhere in this report:

- (i) We are unable to state whether asbestos or asbestos related compounds are absent from the property and you should not place any reliance on us in respect of the detection and/or management or any such substance that may be contained in the property.
- (ii) In giving any valuation of the property as part of this report, we have assumed that the CAR 2006 have been complied with fully in respect of the property and that there are no asbestos related issues that might adversely affect the value of the property. If this assumption is in fact incorrect, the valuation figures set out in this report may be adversely affected.
- (iii) We strongly recommend that those relying on this report obtain advice from specialist environmental consultants in respect of asbestos related issues.

The valuation is made on the basis stated in the report and does not take account of the following matters that may have implications in particular circumstances:

- (a) Marketing or other costs of sale.
- (b) Costs in the discharge of mortgages, debentures or other charges against title.
- (c) Compliance with covenants or disputes with lessors or lessees.
- (d) Liabilities under the Defective Premises Act or in relation to party walls.
- (e) Grants available, whether relating to the property or its use.
- (f) Taxation including any affect that an election under Value Added Tax legislation might have upon the valuation.
- (g) Plant and machinery unless forming part of the building and so normally valued with the building, unless stated otherwise.

The valuation is valid only as at the date of this report.

This report is provided for the stated purpose only and for the sole use of the named client. It is confidential to the client and its professional advisors.

Alder King accepts no responsibility whatsoever to any other person who, choosing to rely upon this report, will do so entirely at his own risk. This applies even to a person who pays the client for this valuation report. Any right of any person to enforce Alder King's responsibility under the agreed Terms of Engagement pursuant to the Contract (Rights of Third Parties) Act 1999 are excluded.

This report, including these assumption and caveats, should be read as a whole so that no part may be taken out of context. Neither the whole nor any part of this report or any reference to it may be included in any published document, circular or statement in any way without Alder King's written approval of the form and context in which it may appear.