Agenda Item

Executive Board
14 July 2010
10/1008

East Devon District Council

Knowle Office Review

Exempt Information

Para 3 Schedule 12A information relating to the finance or business affairs of any particular person

Summary

As part of the Council's strategic asset management agenda, in 2008 Alder King Property Consultants were requested to undertake a review of the Council's offices at the Knowle. The brief included the requirement to consider the market value of the existing Knowle site and an evaluation of alternative options. Initial findings found the cost of relocation to be prohibitive. The work was put on hold during the Local Government Review period when there was uncertainty around the future of the Council.

Since that time, the joint working initiative with South Somerset District Council, combined with the relocation of Sita from the Council's former depot at Heathpark, Honiton and an understanding that Devon County are looking to relocate from offices at Exmouth Town Hall, a small piece of work was further undertaken to look at the feasibility of a part relocation from the Knowle to Exmouth Town Hall and part to a new built headquarters at Heathpark. The potential merits of this idea were that the greater presence required in Exmouth, the District's biggest town, and as identified through the Systems Thinking Review, could be met. In addition, without the need to acquire land, fit for purpose offices could potentially be provided at Heathpark, in a more central location to the District, closer to better transport links (and the A30 to South Somerset), and with the potential to provide more flexible accommodation and allowing for more mobile approaches to working to be developed further in the future.

The initial feasibility assessment of this approach still showed a net cost to the Council. However, it is anticipated that with a more creative approach to planning options on the Knowle site, assessment of running cost savings, the exploration of more mobile working, and fuller assessment of build costs, the project could be made feasible.

Recommendation

i) That Members note the recommendation of SMT to invest in exploring the opportunities further and authorise the necessary expenditure.
ii) That if the expenditure is not authorised, a recommendation be made for the future of the former Council depot at Heathpark, Honiton and the first and second floor office accommodation at Exmouth Town Hall

a) Reasons for Recommendation

The reasons for the recommendation are set out in the main body of the report.

b) Alternative Options

Not applicable.

c) Risk Considerations

In terms of an opportunity to relocate offices at minimal cost, this is likely to be the Council's best time to do so as it still retains it's own appropriate property assets to enable the project. However, despite the potential long term savings in running costs, increased working efficiency, more 'liquid' office accommodation, better quality of service to customers, it is likely that there will be an overall initial net cost.

While Devon County Council have not yet served notice to terminate their lease at Exmouth Town Hall, they currently anticipate moving from the offices at the end of the year. This will have a significant impact on the Councils revenue income as a rent of £26,500 is paid along with 50.5% of the overall costs of the building which 2009/10, equated to £30,000. Because of the nature of the property and its location, it is likely that the market for the offices will be limited.

In the meantime, Sita have now relocated from Heathpark to new premises at Greendale, and a development site of some 1.8 acres is now being held by the Council. A number of parties have already approached the Council intimating an interest in the purchase of the site which would result in a capital receipt.

d) Policy and Budgetary Considerations

Positive Impact Overall
Affordable Homes.
Thriving Economy.
Green Environment.
Excellent Customer Service.
Inspirational Council.
Meeting our Diversity and Equality duties.
Providing more service at same cost.
Create Cashable Savings

It is recommended that the initial expenditure required of £6,000 is paid for using the Asset Management and Maintenance budget.

e) Date for Review of Decision

Not applicable

Main Body of the Report

1.0 The Brief

1.1 Effective management of office accommodation is not just about the costs of running offices, and fitting more staff into less space. The way that office accommodation is operated

is a symbol and expression of each kind of organisation and will indicate how the organisational culture could potentially be changed for the better. Organisational culture reflects inwards onto the staff, and outward to citizens and service users, who are quick to notice the quality and style of service that they receive. Office accommodation should support and enhance the provision of services.

1.2 In April 2008, Alder King Property Consultants were commissioned to advise on the relocation of East Devon District Council's office from the Knowle at Sidmouth. The introduction to the brief read as follows: "the ongoing unsuitability of the existing building at Knowle, Sidmouth for the running of an efficient modern authority has been recognised for some time. The present building is not designed as modern offices and is wasteful on space. It is not energy efficient, the layout makes it difficult to organise the workforce, and discourages corporate working. There are many other factors that make this building inefficient, unsuitable and inaccessible. The Council wishes to make a lasting impact on the carbon footprint of the Council and wish to move to a BREEAM "excellent" rated new build (or equivalent)".

2.0 The Knowle Valuation

2.1 Set out below is a summary of the market value as assessed by Alder King 08 12 2008.

Assumptions

- Area: 5.4 hectares (13.36 acres)
- Area designated as being of Local Amenity Importance: 3.59 hectares (8.88 Acres)
- Developable area (Offices, car parks and other areas outside designated area of Local Amenity Importance): 1.81 hectares (4.48 acres)
- Existing office accommodation: 4,389.9 m² (47,232 ft²) approx
- Special assumption: assuming planning permission for a residential flat scheme of 68 units, 2 individual residential plots and the existing 3 car parks allocated as B1 development land.

Valuation: £1,920,000

2.2 Value could be further increased by expanding developable area beyond existing built footprint. If residential rather than employment land permitted value - £2,650,000 - £2,700,000. **Note: Kensington Taylor architects have indicated a fee of just under £3,000 to carry out a fuller assessment of the existing Knowle site to maximise development potential.**

3.0 Accommodation Questionnaires

3.1 As part of the project, accommodation questionnaires were undertaken by each head of service.

3.2 In summary, the general consensus was that the Knowle is not an ideal location for the delivery of services and that the existing accommodation fails to meet the operation requirements of all services.

3.3 Please note that the current running costs of the Knowle are £266,277 plus £45,155 grounds maintenance. Total - £311,432. (2008/09)

4.0 Relocation options

4.1 Based on the accommodation questionnaire feedback, and the brief provided, Alder King did a brief assessment of possible relocation options. These included sites in the Council's ownership at Royal Avenue in Exmouth, Hayne Land in Honiton and also Cranbrook. Alder King recommended that Exmouth would be a preferred choice of relocation.

4.2 Provided within the report were also examples of recently built with good environmental credentials including Woodwater House at Pynes Hill (owned and occupied by Michelmores solicitors) (BREEAM 'very good) and The Environment Agency (BREEAM 'excellent').

4.3 In addition, Alder King provided an indication of capital build costs and procurement routes based on both freehold and leasehold tenure. A basis for and summary of these findings is set out below:-

a) **New Building Requirements**

Based on

350 x 10.1m² per workspace	3,535m² (38,052 ft²) NIA
Additional requirement for civic/breakout facilities	604m² (6,500 ft²) NIA
Total NIA requirement	4,139 m² (44,553 ft²)
GIA requirement	5,017 m² (54,004 ft²)

(Current occupation density 12.5 m² (135 f²) per work space.)

b) **Options**: based on new build 3 storey office development comprising a net internal area of 4,139 m² will require between 0.809 to 1.012 hectares (2.0 to 2.5 acres) of serviceable land.

i) **Estimated procurement costs - Freehold**

Base Building cost (including 5% contingency)	£7,484,954
Category B works*	£1,620,120
Professional fees	£986,167
Finance costs	£216,304
TOTAL	**£10,307,545**

*Additional costs such as carpeting, partitioning and office fit out, ICT and kitchen installation.

ii) **Estimated procurement costs – Leasehold**

Lease	15- 25 years
Net Internal Area	4,139 m² (44,553 ft²)
Rent (based on £16.50 psf)	£735,125 per annum
Rent free	Assume 12-24 months
Tenant payment for Category B works	£1,620,120

4.4 Given the more than significant costs involved with these options, and the report timed with the Council's working initiative with South Somerset District Council, Sita relocating from the Council's former depot at Heathpark, Honiton and an understanding that Devon County may look to relocate

their social services department from Exmouth Town Hall, Alder King were then requested to do a small piece of work to assess the feasibility of a split re-location between the two sites.

4.5 A summary of the feasibility assessment is set out below:-

Devon County Council Social Services currently occupy approximately 5,563 sq ft on the first and second floors at Exmouth Town Hall. The County is currently holding over on a 10 year lease which expired on 19 May 2010 at a rental of £26,500 per annum. There is a service charge levied at 50.5% of the total running costs (£30,098.30 2009/10).

Town Hall 516 m² (5,563 sq ft) (NIA)
Based on 10.1 m² per workspace say 50 workstations (DCC think may be 60)
Fit out (based on £20 psf) **Cost: £111,264**

Construction at Heathpark
Site area approx 1.8 acres (0.75 hectares)

2787 m² (30,000 ft²) @ £132 psf	£3,960,000
232 workstations (minus civic/recreation space)	
Site prep/ancillary costs	£260,000
Plus Fees @ 6%*	£255,000
Contingency @ 5%	£220,000
Cat B costs	£760,000
Est Total	**£5,455,000**

* assume project management internal
* assume building regs internal
* assumes planning costs of £70,000

4.6 The total estimated cost of some £5,566,264 still far outweighs the value likely to be extracted from the sale of the site at the Knowle.

5.0 Where from here?

5.1 It has been established that the current office headquarters of the Council are not fit for modern day working practices, are inflexible and do not provide good accessibility for the Council's customers. However, there are advantages for the staff and members in that the offices sit in well appointed grounds with views over the sea and are within a short walking distance of Sidmouth town and beach.

5.2 While located on a prime site in a town with high residential land values, based on the Planning Authority's advice, the net development potential is just a third of the Council's total land holding. Combined with a requirement for a replacement of employment land, this provides an estimated market value of the site at just under £2m.

5.3 At a cost of between £10m - £11m to relocate to a new site and build premises of a similar size to those occupied at present, this option is not feasible.

5.4 A combination of using land and a building currently owned by the Council, begins to look more realistic at a cost nearer £5.5m. However, further work would still be required to get this option to one which either stacks up financially or at least significantly diminishes the net cost. This may include a reduction in aspiration around BREEAM rating. Set out below is an indication as to the sort of work that would potentially be required along with a suggestion as to how the Council could use it's own in-house resources to enable the project to be furthered:-

i. Re-assessment of the Knowle in planning potential terms and the current market (est just under £3,000) (eg Kensington Taylor and Planning Dept.)
ii. A quantity surveyors cost assessment of a draft scheme for the Heathpark site, along with an estimate of reduction in running cost potential (est just under £3,000) (eg Kensington Taylor)
iii. Exploration of potential for better use of ICT eg more mobile and home working (ICT)
iv. Est. of employee relocation costs (Human Resources)
v. Further assessment of the refurbishment costs required at Exmouth Town Hall (Property Services)
vi. Possible exploration of part relocation to Manstone Depot (Streetscene and Property Services)
vii. Finance Plan to include cash flow forecast (following consideration of financing options along with tenure – eg sale and leaseback options) (Estates and Finance)
viii. Organisational options (Denise Lyons – Systems Thinking)
ix. Liaison with other service providers, including Devon County (Estates/Economic Development)

5.5 If Members believe that this is a project which merits pursuing, it is suggested that a project team to be overseen by the Asset Management Forum be put together to ensure that the necessary work can be carried out in a timely manner.

5.6 If the project is not pursued, Members will need to consider whether they wish to retain the site at Heathpark or prepare for disposal. Quotes are currently being sought to demolish the existing derelict units and clear the site. The site currently has planning permission for industrial use. A change of use to non-food retail could be sought to enhance the value prior to marketing or, a clawback provision made should a purchaser acquire planning permission for a change of use in the future. Based on it's existing use, it is estimated that a capital receipt of between £350,000 and £425,000 could be realised.

5.7 In addition, Estates would need to liaise closely with Devon County in terms of the accommodation at Exmouth Town Hall. Once the intentions of the County can be firmed up, if necessary the marketing of the office space could commence prior to their vacating. Members may also want to consider the implications of some staff being relocated from the Knowle, although the market will be limited in terms of any space freed up at the Knowle being re-let. Members may also want to consider the implications of selling the Town Hall or transferring to the Town Council.

Legal Implications

This report sets out options for further consideration and as such there are no relevant legal issues for comment at this stage

Financial Implications

Financial implications are contained in the body of the report

Consultation on Reports to the Executive

N/A

Background Papers

□

Donna Best
Principal Estates Surveyor

Executive Board
14 July 2010

East Devon District Council

Consultant's Brief Relocation of Council Offices (February 2008)

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7.0 Procurement

1. 0 Introduction

1.1 East Devon District Council invites tenders from selected property consultants to advise on the relocation of East Devon District Council's office from The Knowle, Sidmouth.

1.2 The ongoing unsuitability of the existing building at Knowle, Sidmouth for the running of an efficient modern authority has been recognised for some time. The present building is not designed as modern offices and is wasteful on space. It is not energy efficient, the layout makes it difficult to organise the workforce, and discourages corporate working. There are many other factors that make this building inefficient, unsuitable and inaccessible. The Council wishes to make a lasting impact on the carbon footprint of the Council and would wish to move to a BREEAM "excellent" rated new build (or equivalent).

2.0 Scope of the Brief

2.1 The Council requires advice on the following:

2.1.1 The value of the existing site at the Knowle (including the depot building and yard area) for redevelopment; and the process for marketing the site and establishing the best price for the disposal of the site. It is assumed that a viable use either in its existing use, or converted to another use, cannot be found for the existing building that would provide the level of receipt that is needed. The study will need to verify this.

2.1.2 The Council would want the study to provide a high level economic impact statement on the move from Sidmouth. (This is not expected to be as detailed as required for an economic impact assessment that would accompany a planning application. However, it should seek to capture the main direct and in direct impacts of a move. Taking residential development as the most likely alternative use of the site, the Council would wish to understand the likely positive expenditure implications for the town centre etc).

2.1.3 The Council would also wish to receive advice on what steps would need to be taken to ensure that the Council continues occupation until new accommodation is available such that a continuity of use is maintained.

2.1.4 A strategic site selection exercise to inform the Council on the most appropriate site for the relocation of the Council's offices. The study should seek to draw up a short list of no more than three strategic sites with a reasoned justification for the chosen order of sites selected. There should be a clear recommendation on the most strategic fit with the Council's aspirations.

2.1.5 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.

2.1.6 Advice on approaching developers for the preferred site and accommodation requirements, including the commercial offer.

2.1.7 The likely cost implications of pursuing a relocation to the site selected to be the best fit with the Council's aspirations.

2.1.8 A likely construction timetable in terms of delivering a new build at the preferred location.

2.1.9 The study should allow for an early meeting with key council officers to clarify the brief, presentation of the conclusions to the Senior Management Team of EDDC and a presentation to the Executive Board of the Council.

3.0 Background Information on Site Selection

3.1 To inform this study, the following is relevant:

3.1.1 The accessibility of the new offices to public transport is an important consideration. Access to good bus transport, and ideally a rail station, is desirable. Access to the geographical spread of the district and wider transport links is also relevant

3.1.2 Access for current employees and ability to successfully recruit staff in the future

3.1.3 Impact on the delivery of Council services

3.1.4 The Council's ambition: the Council would wish to have a presence that signals the Council's role in leading the East Devon community and the sub-regional growth agenda

3.1.5 The building needs to be in, or close to, a town centre where there is access to other facilities for staff and where shared provision of meeting rooms with the local town council and community groups is possible

3.1.6 The east of the district beyond Sidmouth would be least desirable due to distance from main centres of population and customers of the Council's services

3.1.7 Cranbrook, the site of the new settlement, is at the western end of the District. Cranbrook new town will be the location of the major growth in new housing and employment over the next twenty years and provides an opportunity to strengthen the identity of the new community as an East Devon town with a clear sense of place. There is also the chance of seeing a move to Cranbrook as a way of contributing to the town's success. If a large employer such as the District Council moves into the Town Centre at an early stage, it will underpin the economic future of the centre and the settlement, and be an outward show of the District Council's support for the project. It would also give the chance of shared accommodation with other organisations/town council etc.

3.1.8 Honiton has been identified in the past as worthy of consideration. Honiton is central to the District and the Council own a possible site at Hayne Lane, a 13 acre site west of Heathpark, which although it has restrictive covenants, could be a suitable location on which to develop offices either on a freehold, or leaseback. The

site does not benefit from any allocation at this stage. The site is remote from the town centre. No obvious sites are available in the town centre or edge of centre.

3.1.9 Exmouth is the biggest population centre and will need to be considered. However, the town is short of employment opportunities and site selection currently is challenging. No obvious sites are available in the town centre or edge of centre.

4.0 Schedule of Accommodation Required

4.1 Existing accommodation

4.1.1 The number of staff currently employed at the Knowle is approximately 325. These figures include Chief Executive and four directors; eight heads of service; 26 senior managers.

4.1.2 The floor area of the Knowle, excluding corridors, common areas, and toilets, is 4,851 sq. m (50,340 sq ft). This includes 544 sq m (5,853 sq ft) for Council Chamber, Members' area, and chairman's room. The gross internal area is 6,890 sq m (74,163 sq ft). This means that 30% of the floor area is taken up with corridors, toilets and other common areas.

4.1.3 The building sits in approx 5.26 Ha (13 acres) of grounds, and has 224 car parking spaces around the building and in three car parks off the main drive.

4.2 Estimate of new build requirements

4.2.1 The following is a rough estimate of the requirements for a replacement building to relocate existing staff and the Council functions. The amount of space required per person is calculated at a minimum of 5 sq m under the Offices, Shops and Railway Premises Act. This does not include toilets stairs or lifts.

Office space (inc. interview rooms, storage)	2,500 sq m
Committee rooms (inc. Council Chamber)	250 sq m
Sundry areas (first aid, Unison, kitchen etc)	250 sq m
ICT equipment. Stairs, lifts, toilets etc.	500 sq m
Total	3,500 sq m (37,750 sq ft)

Car parking: 300 spaces.

Note: The above is only a rough estimate but should be taken as the ballpark figure for this study. A more detailed assessment would have to be given at the next stage of the review.

5.0 Clarification of the Brief

5.1 For the sake of clarity, following this study, the Council would expect to consider a range of issues before defining the precise space requirements for the new building.

5.2 These include:-

5.2.1 The precise number of employees to be accommodated and a possible allowance for expansion or reduction: this needs to include an assessment of the way staff work: hot desking/open plan/individual offices/home working, all of which affect the amount of space needed.

5.2.2 Should the new community be identified as the preferred location for the new offices, a number of local area offices will be required to serve the existing communities. This will reduce the number of staff accommodated at the new offices.

5.2.3 Facilities to be included in the building, including canteen/ recreation area/Member facilities etc.

5.2.4 Allied to the above, what shared use of facilities can be achieved, or is desirable – Council chamber/committee rooms/interview rooms shared with town council/other organisations or canteen/refreshment area etc shared with private sector restaurant/cafe.

5.2.5 Amount of car parking to be provided – shared or public. A more sustainable development would ideally seek to cut down on parking and encourage public transport. If the location is within a town centre the car park could be a dual use car park.

5.2.6 Level of fitting out and the services that are required from basic shell to fully equipped and furnished ready for immediate occupation.

Note: It is acknowledged that these elements will have financial implications and will need to be resolved.

6.0 The Existing Site at The Knowle, Sidmouth

6.1 The whole site is in excess of 13 acres, with some fine mature specimen trees to the south of the site. Detailed discussions with the planning authority will be needed to establish which areas can be cleared and developed, and the type and scale of any redevelopment that will be permitted. Early discussion suggests four development areas within the grounds of approximately 20,000m2. The key contact is Kate Little, Head of Planning and Countryside Services.

6.2 Work will also be needed to establish the economic impact of the removal of the offices from Sidmouth, although one would guess that the impact may not be great, and there may even be a positive effect of replacing the offices with housing, the occupiers of which will spend in the town and contribute to its wider economic and social life.

6.3 More difficult to assess, is the impact of the loss of image on the town of losing the District Council offices, the Council Chamber facilities (used as a function room available to the public) and also the loss of the amenity of the Knowle gardens, much of which will either have to be developed or at least given over to private space for residents, although parts of the lower gardens can be retained for public use.

7.0 Procurement

7.1 Initial Timetable

Submission of tender documentation	04 April 2008 by 17.00 hrs
Interviews & presentations	w/c 14/21 April 2008
Evaluation & final notification	w/c 21/28 April 2008
Appointment	w/c 28 April 2008

7.2 Submission of Tender Documents

A tender package shall be submitted demonstrating an understanding of the project brief. It should include a clear costing schedule and indicate the number of staff who will be working on the project, their qualifications and the time each member has allocated to the project. The submission should also demonstrate the ability to meet deadlines and the timescale outlined in the project brief.

Three completed project examples (at least one in the UK) with details of any awards gained, summary details of sustainability standards secured should also be included.

7.3 Interviews & Presentations

5 minutes welcome and introductions
15 minute presentation of proposal based on the brief
15 minute questions and answers session
10 minute presentation of team structure, expertise and approach to the project
15 minute questions and answers session

7.4 The tendered bid shall be for a fixed price sum to complete the commission as defined in this brief.

7.5 Evaluation Process

Tenders will be evaluated on the basis of the following criteria:

Understanding of the brief
Benefits for the Council (financial and otherwise)
Past experience and expertise within the team
Presentation
Cost

7.6 Professional Indemnity Insurance

The consultant shall take out and maintain throughout the period from that date of commencement of their services under the Commission, until the expiration of six years from the date of completion of the Commission, proper professional indemnity insurance in respect of the Consultant's business generally in a sum not less than £2,000,000 in respect of each and every claim but not exceeding £2,000,000 in one annual period of insurance.

The consultant shall, wherever required by East Devon District Council, produce a certificate signed by or on behalf of the consultant's insurers/brokers stating that such insurance is in force, and for the period for which it has been taken out.

7.8 Copyright

Arrangements will be required to allow East Devon District Council to use the material in the Study at its own discretion.

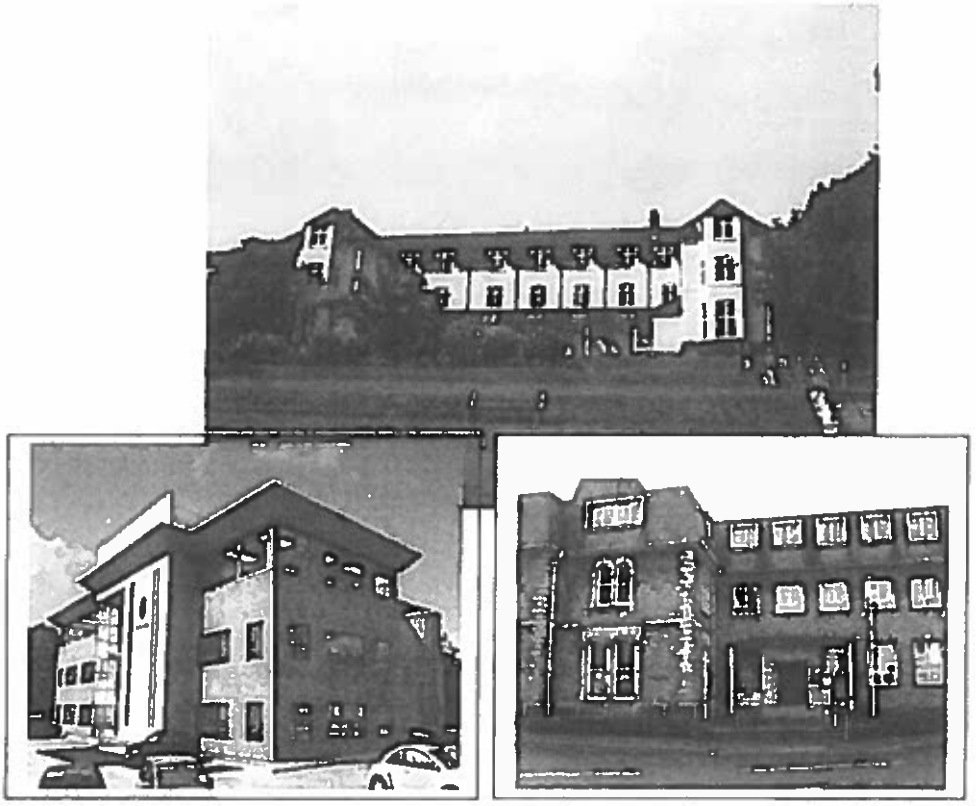
7.9 Project Management

Overall management of the project will be by East Devon District Council, but day-to-day management of it will be by Fliss Morey, Projects Director, East of Exeter Projects Team.

At each stage, documents shall be delivered to Fliss Morey, Projects Director, East of Exeter Projects Team. The documents and any plans shall also be made available in electronic format.

INITIAL FEASIBILITY STUDY

EAST DEVON DISTRICT COUNCIL RELOCATION FROM THE KNOWLE, SIDMOUTH TO SITES AT HONITON & EXMOUTH



9 MARCH 2010

alder king

PROPERTY CONSULTANTS

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APPENDICES

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APPENDIX 2 : Exmouth Town Hall
APPENDIX 3 : Pages 24 & 25 of Strategy Report Prepared 3 December 2009
APPENDIX 4 : The Knowle Running Costs

Introduction

Following the strategy report prepared on the 3rd December 2009 by Alder King regarding the possible relocation of East Devon District Council's offices from The Knowle, Sidmouth. This report has been prepared as a thumbnail sketch to explore the possibility of a split location between the Sita Site adjacent to the East Devon Business Centre at Heathpark, Honiton, as shown at Appendix 1 and the existing Council offices at Exmouth Town Hall, as shown in Appendix 2.

The purpose of the report is to in brief explore the indicalive costs / feasibility of considering these options further.

We recommend that a space audit is undertaken to assess which departments would be best suited in each location. Then subject to the split of floor areas between the 2 sites, a more detailed assessment is undertaken to include operational efficient, economic impact, etc.

Site Adjacent to East Devon Business Centre, Honiton

The plan in Appendix 1 identifies a three storey office building of 25,270 sq ft net internal floor area, which gives an illustration of the sort of building which could be constructed adjacent to the East Devon Business Centre and thus share facilities.

Stratus House is an existing building as identified by the photographs in Appendix 1, constructed at Exeter Business Park, approximately 6 years ago. Although it has VRV four pipe fan coiled air conditioning and provides open plan accommodation, its specification would need upgrading to meet current environmental standards.

The building demonstrates how allowing for ample car parking, a suitable office building could be constructed on this site. A detailed car parking plan will be required in due course to establish the position, but at first glance and looking at the synergies with East Devon Business Centre, it is possible that an even greater floor area could be accommodated on this site if required.

The next stage would be to refine the plans to suit your requirements, obtain some indicative costings, upgrade a specification and running costs on the proposed building.

Viability

We have not undertaken a detailed appraisal of either option, but simply produced some indicative figures to illustrate the potential cost.

Honiton

As you already own this site, the principle costs will be for construction, using the same figures as outlined in our initial report on the relocation (see Appendix 3 which includes pages 24 & 25 of this report) of £132 psf as per the attached appraisal below:

CONSTRUCTION	Total Grs Area *	@ft2	Start / Period	Other	Gross	Net
Office	29 729	£132	12/12	£196,211	£4,120,439	
Total Construction			(Inc. contingency @ 5%)			£4,120,439
FEES						
Architect		3 00%			£123,613	
Quantity Surveyor		1 00%			£41,204	
Structural Engineer		1 00%			£41,204	
Mechanical & Electrical		1 00%			£41,204	
Project Manager		5 00%			£206,022	
Planning					£70,000	
Building Regulations					£8,000	
Sale legal fee		0 25%			£16,037	
Sale agent fee		0 50%			£32,037	
Total fees						£579,359
OTHER COSTS						
Cat B Costs					£758,100	
Total other costs						**£758,100**
GROSS DEVELOPMENT COSTS						**£5,457,898**

* The net floor area of the building is 25,270 sq ft, which would convert to an approximate gross floor area of 29,729 sq ft for construction purposes.

This also includes as allowance of £30 psf net internal floor Category B fit out.

Town Hall Exmouth

The Property is identified on the plan in Appendix 2 (which includes floor plans). Approximately 5,563 sq ft net internal over the 1st and 2nd floors, (net of the aer outlined in red), is let to Devon County Council on a 10 year lease which expires on 19th May 2010 at a rental of £26,000 per annum. Externally, there is a car parking provision within the lease for 25 spaces. There is a service charge levied at 50.5% of the total running costs and £500 towards the receptionist.

The building has been inspected and is generally in good condition. The major areas of upgrading which would be required would relate to heating, lighting and power distribution and potentially provision of cloakroom facilities on the first floor level. A more detailed study should be undertaken, together with costings for a planned maintenance programme.

Overall the building, although of some age is well maintained, well positioned, offers car parking and is a statement as to EDDC presence in the town.

The building is potentially relatively efficient in terms of its layout (subject to considerations in relation to the usage of the Council Chamber Committee Room, etc), being arranged in accordance with the attached plans.

The key issue is the lease expiry to Devon County Council and the value of the lease should it be renewed.

The Land Registry extract for the building doesn't clearly identify the ownership of the adjacent hall. If expansion of the facility is required, then further enquiries should be made as to the ongoing usage of the adjacent hall.

Viability

We have not undertaken a detailed appraisal of either option, but simply produced some indicative figures to illustrate the potential cost.

Honiton

As you already own this site, the principle costs will be for construction, using the same figures as outlined in our initial report on the relocation (see Appendix 3 which includes pages 24 & 25 of this report) of £132 psf as per the attached appraisal below:

CONSTRUCTION	Total Grs Area *	@ft2	Start / Period	Other	Gross	Net
Office	29,729	£132	12/12	£196,211	£4,120,439	
Total Construction			(Inc contingency @ 5%)			£4,120,439
FEES						
Architect		3 00%			£123,613	
Quantity Surveyor		1 00%			£41,204	
Structural Engineer		1 00%			£41,204	
Mechanical & Electrical		1 00%			£41,204	
Project Manager		5 00%			£206,022	
Planning					£70,000	
Building Regulations					£8,000	
Sale legal fee		0.25%			£16,037	
Sale agent fee		0 50%			£32,037	
Total fees						£579,359
OTHER COSTS						
Cat B Costs					£758,100	
Total other costs						**£758,100**
GROSS DEVELOPMENT COSTS						**£5,457,898**

* The net floor area of the building is 25,270 sq ft, which would convert to an approximate gross floor area of 29,729 sq ft for construction purposes.

This also includes as allowance of £30 psf net internal floor Category B fit out.

Note

No allowance has been made for finance costs over the construction period, these can be added in after further discussion

Although we have used £132 psf to achieve a BREEAM excellent building. We are aware that the construction market is currently competitive and at Exeter Business Park recent contracts have indicated anywhere between £110 - £120 psf for a similar specification can be achieved. These detailed figures should be explored further.

Therefore the total cost of the facility of this size at Honiton is going to be in the region of £5,457,898 to include fees. No doubt you will have a notional cost for the land which should be added in, together with any off site works and any other contributions.

Exmouth

The main issue with Exmouth is whether or not the County will give possession and the configuration of the building. I have identified on the floor area plans shaded blue, walls which we believe could be removed to create more open plan areas.

It is a matter of looking at the departments you would wish to operate from this building and then assessing whether or not these are cellular or open plan areas. If the configuration needs adapting, these works would need to be costed. No doubt you will also be taking into consideration the benefit of the current rent received from DCC.

Subject to a planned maintenance programme being prepared for the building, if you were to occupy the whole, we would suggest that if all the services are in good order, you would need to allow a figure of circa £20 psf x 5,563 sq ft = approximately £111,264 for fitting out the space to your requirements. This however should be the subject of a more detailed study.

Operational Efficiency

We have obtained some running costs for The Knowle, as identified in Appendix 4. I presume that Display Energy Certificates exist for both The Knowle and Exmouth Town Hall. These should be accompanied by a report and recommendations. It would be useful to compare this information with the EPC which we are obtaining for Stratus House and compare this with data on the most recent specification for energy efficient buildings which would need BREEAM excellence.

The communities our Local Government Sustainable Operations Policy states under Section 53 ' We will ensure that all new builds, office relocations and major refurbishments achieve an overall BREEAM excellent rating and specifically and excellent rating in the areas of energy and water, unless site constraints or project objectives mean that the requirement conflicts with the obligation to achieve value for money on a whole life basis.

Where site constraints and project objectives conflict with this requirement, a project should at least achieve an overall BREEAM rating of very good and an excellent rating in the areas of energy and water.' Therefore within the scope of the SBEM (Simplified Building Energy Model) there is scope for adapting to circumstances within the overall remit. It is suggested that further consultation is undertaken with South West Regeneration in terms of the current thinking.

Summary

The following key issues should be considered further:

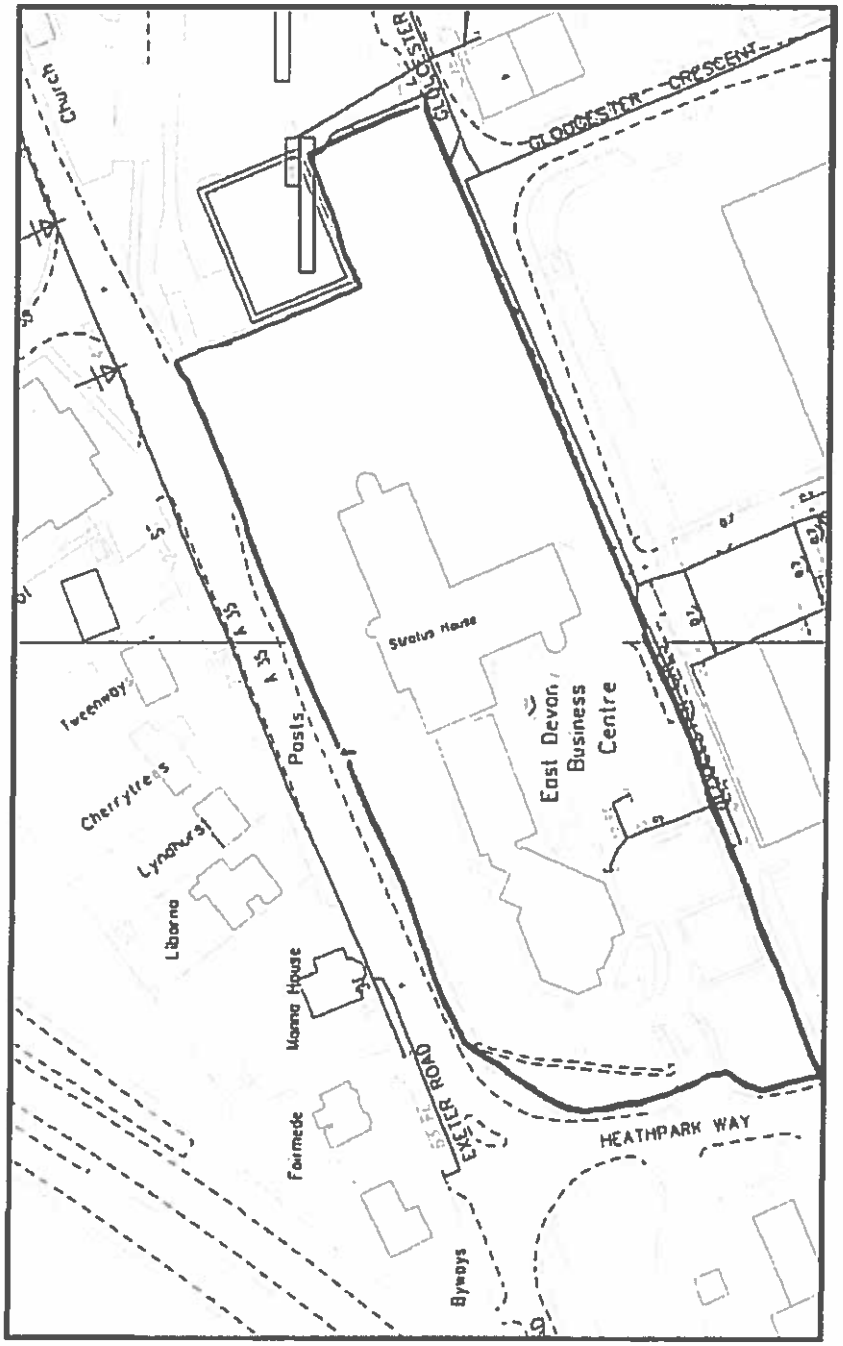
- Any enhanced value from The Knowle due to planning gain beyond the assumptions used to prepare our report of 3 December 2009.
- The suitability of The Sita Site at Honiton, both in terms of its economic impact and its ability to provide the required space.
- The impact of the Council having an increased presence in Exmouth, having regard to its population and sub-regional significance.
- In addition to cost savings from the operational efficiency of the proposed buildings, there will undoubtedly be significant benefits from reduced carbon emissions to travel. This is both in terms of work force and visitors and the increased level of public transport available in both Honiton and Exmouth as opposed to Sidmouth.

Our preliminary findings would indicate that there is a potential capital receipt from The Knowle, Sidmouth which allowing restrictive planning basis as per our valuation would be £1.920,000 but could be closer to £2,650,000 - £2,700,000 if residential development rather than employment were considered.

Subject to a space audit and floor areas being confirmed, the based cost for a new facility of 25,270 sq ft net internal at Honiton would be circa £5,500,000 and subject to the amount of adaptations / refurbishment required, The Town Hall at Exmouth could be suitable for reuse by East Devon subject to Devon County Council vacating upon the expiry of their Lease.

APPENDIX 1

SITA SITE, HONITON


Church
GLOUCESTER
GLOUCESTER CRESCENT
Stratus House
East Devon Business Centre
Tweenways
Cherrytrees
Lyndhurst
Liborna
Manna House
Fairmede
Byways
Posts
A 35
EXETER ROAD
HEATHPARK WAY

Stratus House, Exeter Business Park – Front Elevation

Stratus House, Exeter Business Park – Typical Open Plan Floor Area

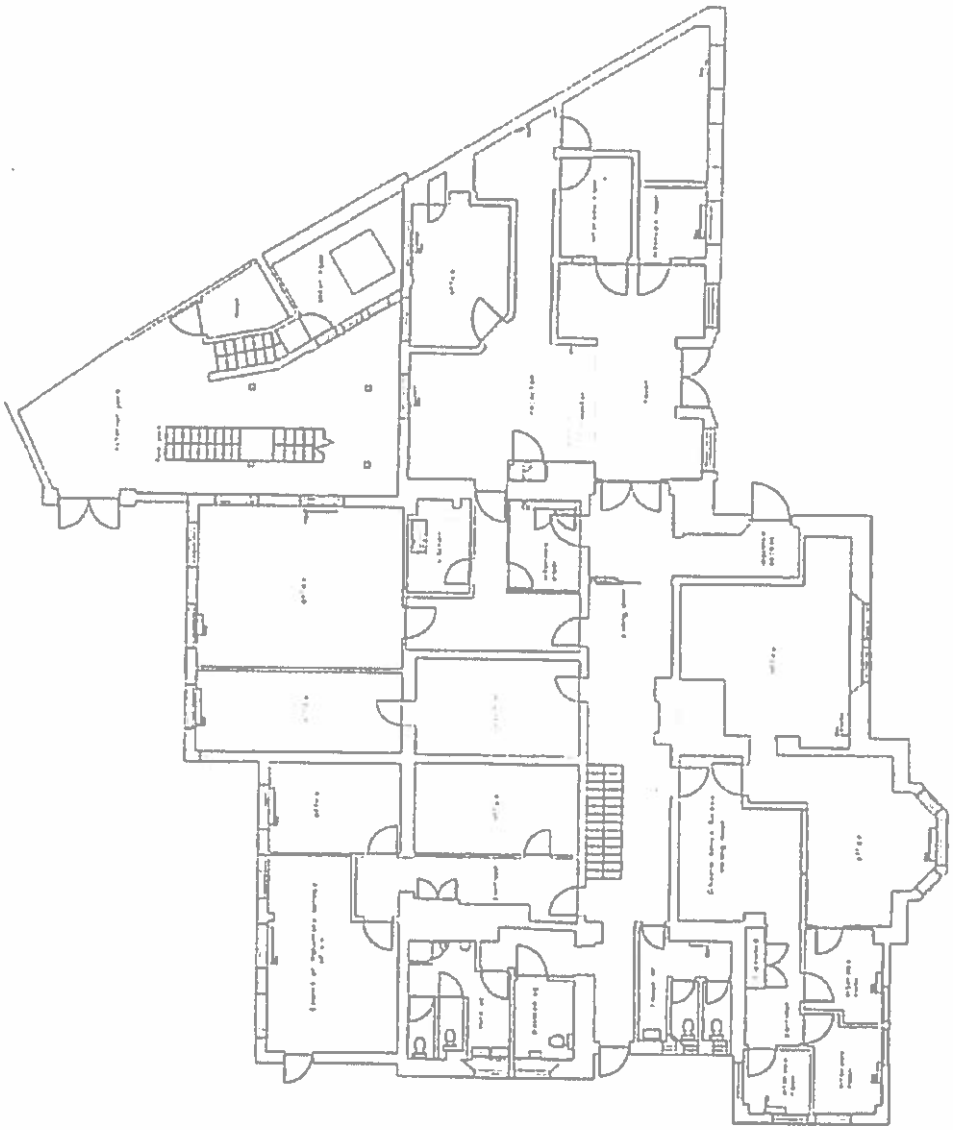
APPENDIX 2

EXMOUTH TOWN HALL

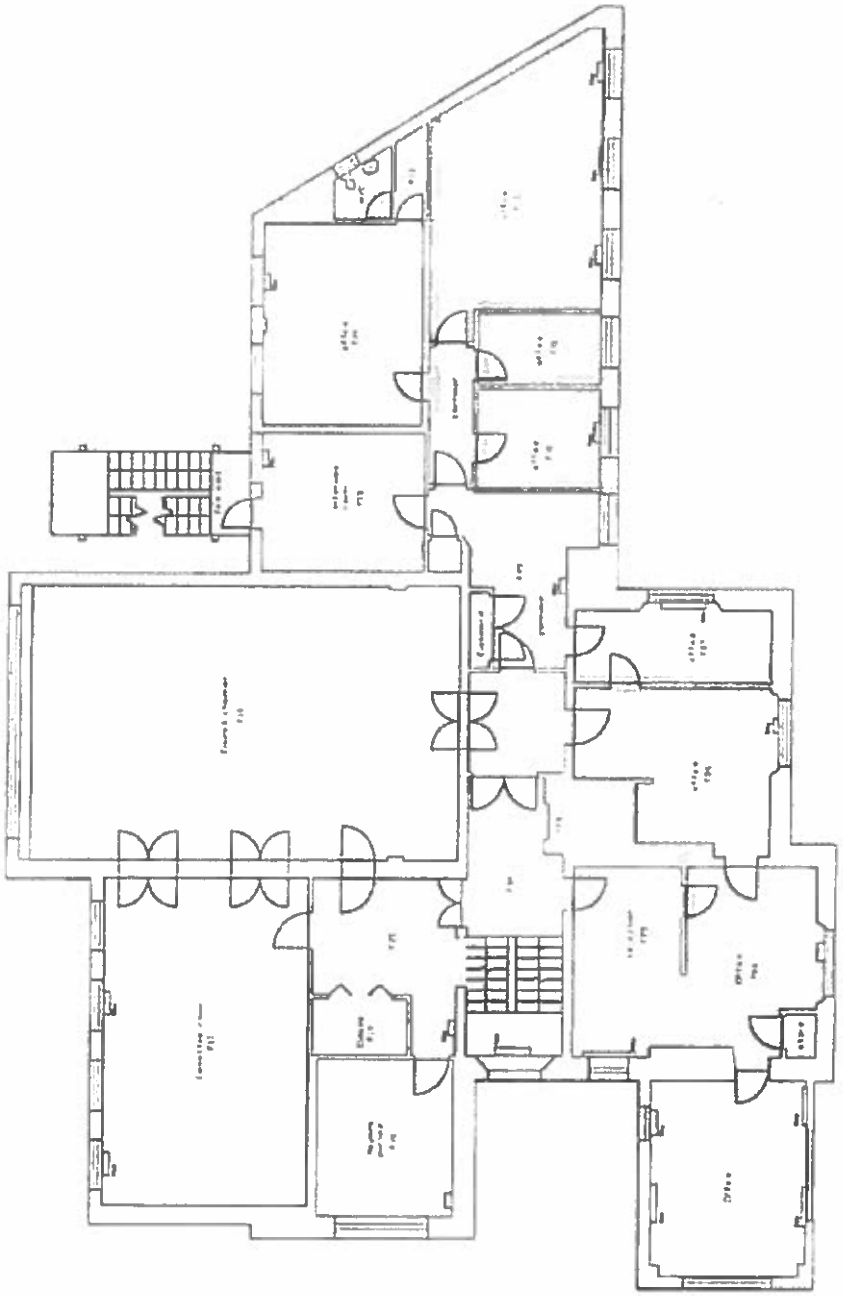
Church
Sunday School
Offices
Leisure Centre
IMPERIAL ROAD
90 PE
125 PE
250 PE

Exmouth Town Hall – External

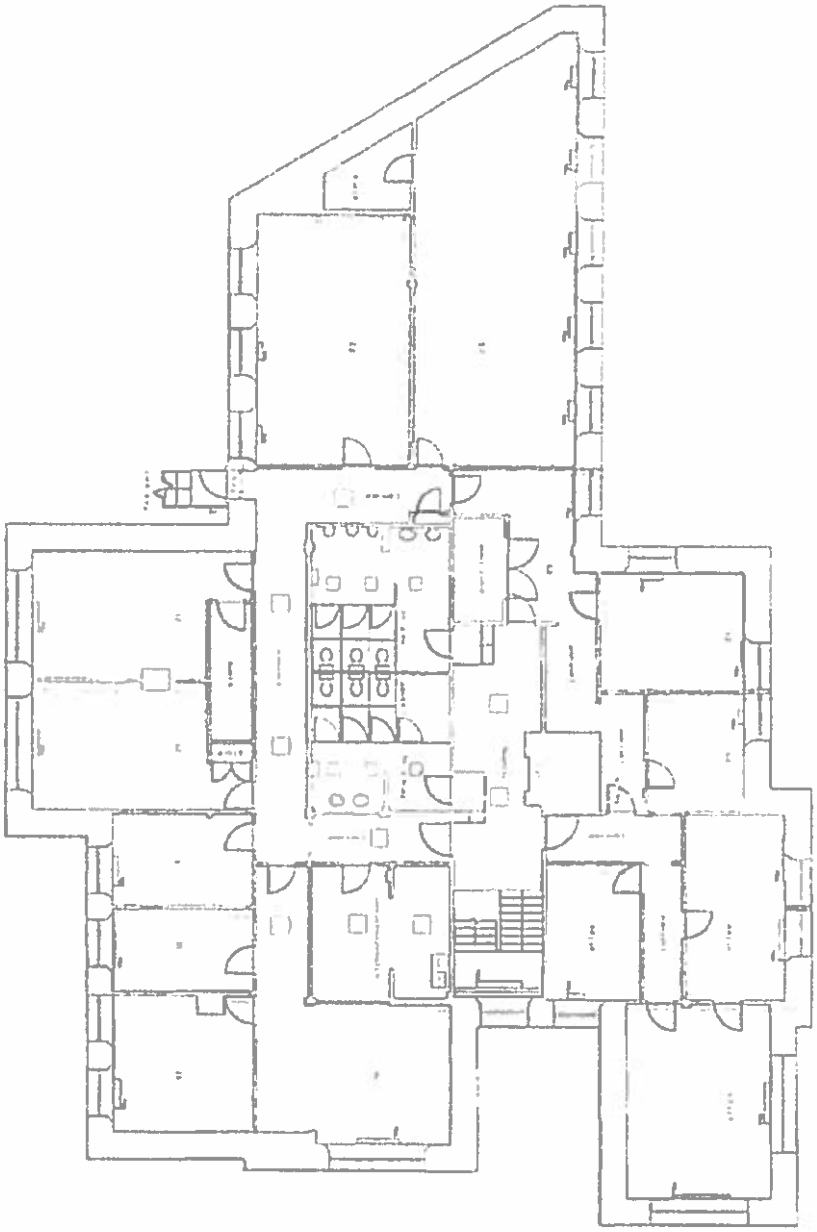
Exmouth Town Hall – General Shot of Interior



GROUND FLOOR



FIRST FLOOR



SECOND FLOOR

Date: 09 MAR 2010

Land Registry Direct: Register View

THIS IS A PRINT OF THE VIEW OF THE REGISTER OBTAINED THROUGH LAND REGISTRY DIRECT SHOWING THE ENTRIES SUBSISTING IN THE REGISTER ON 9 MAR 2010 AT 12:04:05. NOT PLEASE NOTE THAT THIS REGISTER VIEW IS NOT ADMISSIBLE IN A COURT IN THE SAME WAY AS AN OFFICIAL COPY WITHIN THE MEANING OF S.67 LAND REGISTRATION ACT 2002. UNLIKE AN OFFICIAL COPY, IT MAY NOT ENTITLE A PERSON TO BE INDEMNIFIED BY THE REGISTRAR IF HE SUFFERS A LOSS BY REASON OF A MISTAKE CONTAINED WITHIN IT. THE ENTRIES SHOWN DO NOT TAKE ACCOUNT OF ANY APPLICATIONS PENDING IN THE REGISTRY.
THIS TITLE IS DEALT WITH BY LAND REGISTRY, LANCASHIRE OFFICE

TITLE NO: DN322826
REGISTER LAST UPDATED ON : 21 DEC 1992 AT 23:59:59

A: Property Register
This register describes the land and estate comprised in the title.

COUNTY	DISTRICT
DEVON	EAST DEVON

1. (21.12.1992) The Freehold land shown edged with red on the plan of the above Title filed at the Registry and being Manor Gardens and Town Hall, St Andrew's Road, Exmouth.

B: Proprietorship Register
This register specifies the class of title and identifies the owner. It contains any entries that affect the right of disposal.

Title Absolute

1. (21.12.1992) Proprietor: =+EAST DEVON+ DISTRICT COUNCIL= of Council Offices, Knowle, Sidmouth, Devon EX10 8HL.

C: Charges Register
This register contains any charges and other matters that affect the land.

1. (21.12.1992) A Conveyance of the land edged blue on the filed plan

dated 26 October 1907 made between (1) The Right Honourable Charles John Robert Hepburn Stuart Forbes Trefusis Baron Clinton (Lord Clinton) and (2) The Exmouth Urban District Council (Council) contains covenants.

By a Deed dated 11 December 1959 made between (1) Neil Arthur Campbell and others (Trustees) and (2) The Urban District Council of Exmouth (Council) the said covenants were expressed to be released. Details of the covenants and of the Deed of Release are set out in the schedule of restrictive covenants hereto.

2. (21.12.1992) By a Deed dated 20 November 1966 made between (1) Neil Arthur Campbell, James Haldane, Robert Arthur Henry Rivers-Bulkeley (The Trustees) and (2) The Urban District Council of Exmouth (the Council). The said covenants were expressed to be varied. The said Deed also contains covenants. Details of the variation and the said covenants are set out in the schedule annexed.

****

Schedule of Restrictive Covenants

1. The following are details of the covenants contained in the Conveyance dated 26 October 1907 referred to in the Charges Register:-

   "AND the Council hereby covenant with Lord Clinton that the said premises hereinbefore appointed should not be used otherwise than as a public Recreation Ground and Garden and that the said premises shall daily be open to the public on such conditions and subject to such rules and regulations as shall from time to time be laid down by the Council."

2. The following are details of the terms of the release contained in the Deed dated 11 December 1959 referred to in the Charges Register:-

   "In consideration of the covenants by the Council hereinafter contained the Trustees hereby release the Council and those deriving title under them from the obligations of the covenant hereinbefore recited on the part of the Council contained in the Deed in so far as the said obligations relate to the first mentioned premises but not further or otherwise and it is hereby mutually agreed and confirmed that the said covenant shall become null and void as regards the first mentioned premises.

   2. The Council hereby covenant with the Trustees as follows:-

   (a) that the secondly mentioned premises shall not be used otherwise than as a public recreation ground and garden and that the same should daily be open to the public on such conditions and subject to such rules and regulations as should from time to time be laid down by the Council.

(b) that they will at all times keep the Trustees and their successors in title indemnified in all respects against any proceedings costs claims and demands which may be made against the Trustees or any of them by virtue of the Trustees having released the said covenant relating to the first mentioned premises in manner hereinbefore mentioned."

NOTE:-The first mentioned premises referred to are tinted blue on the filed plan. The secondly mentioned premises referred to are tinted yellow on the filed plan.

3. The following are details of the terms of the covenants contained in the Deed dated 20 November 1966 referred to in the Charges Register:-

"In consideration of the covenants by the Council hereinafter contained the Trustees hereby release the Council and those deriving title under them from the obligations of the covenants hereinbefore recited on the part of the Council contained in the One thousand nine hundred and seven Deed and in the First Deed of Release in so far as the said obligations relate to the land shown coloured pink on the plan annexed hereto but not further or otherwise and it is hereby mutually agreed and confirmed that the said covenants shall become null and void as regards the said land shown coloured pink.

2. The Council hereby covenant with the Trustees for the benefit of the Trustees' Estate and each and every part thereof as follows:-

(a) that the land vested in the Council by the One thousand nine hundred and seven Deed (other than the land shown coloured pink on the plan annexed hereto) shall still not be used otherwise than as a public recreation ground and garden and that the same should daily be open to the public on such conditions and subject to such rules and regulations as shall from time to time be laid down by the Council and that the said land shown coloured pink on the plan annexed hereto shall not be used otherwise than as a car park.

(b) that the trees which at the date of this deed are growing on the first mentioned premises or on the secondly mentioned premises or on the said land shown coloured pink on the plan annexed hereto or on the land to the south of the said land shown coloured pink shall be retained and not cut down or injured in any way the approximate position of such trees being for the purpose of identification indicated on the said plan annexed hereto Provided always that this condition shall not prevent the Council on receiving expert advice from cutting down lopping or topping any of such trees which become decayed or dangerous and Provided always that the Council shall obtain the prior written consent of the Trustees or the Trustees' Agent for the time being to any proposals for such cutting down lopping or topping such consent not to be unreasonably

withheld.

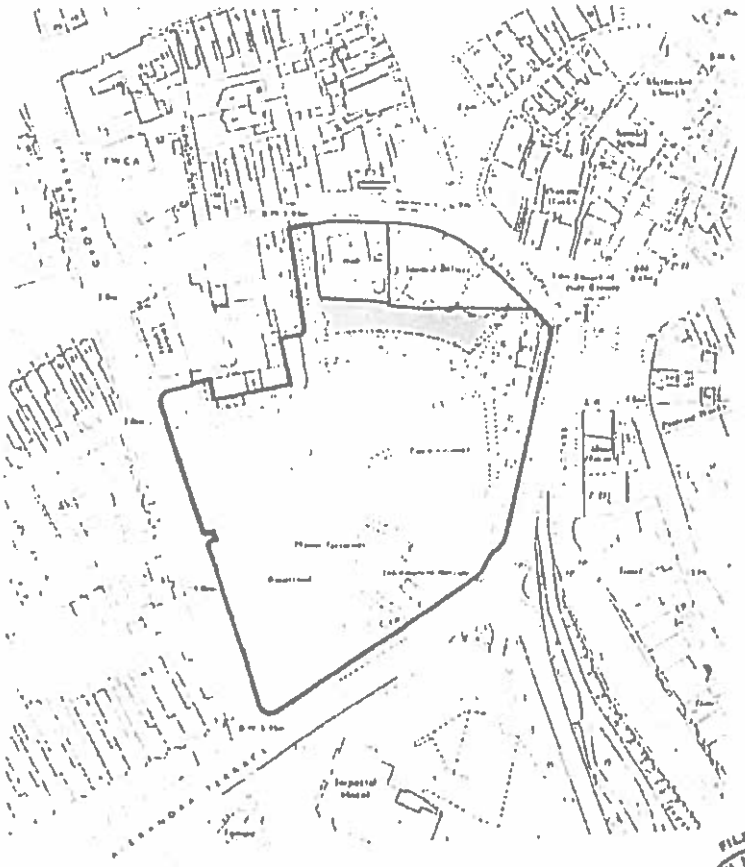
(c) that the Council will plant or cause to be planted and shall maintain such shrubs as are necessary effectively to screen the first mentioned premises and the secondly mentioned premises and the land shown coloured pink from the land to the south of the said land shown coloured pink which land is now known as Manor Grounds."

NOTE:-The pink land referred to is tinted pink and tinted yellow on the filed plan.

End of register

NOTE 1: The date at the beginning of an entry is the date on which the entry was made in the Register.
NOTE 2: Symbols included in register entries do not form part of the register and are used by Land Registry for internal purposes only.

H.M. LAND REGISTRY		TITLE NUMBER DN322826	
ORDNANCE SURVEY PLAN REFERENCE	SX9980NE SY0080NW	SECTION	Scale 1/1250
COUNTY DEVON	DISTRICT EAST DEVON		© Crown copyright



FILED PLAN H.M. LAND REGISTRY 3/93

This is a print of the view of the title plan obtained from Land Registry showing the state of the title plan on 09 March 2010 at 13:05:00. This title plan shows the general position, not the exact line, of the boundaries. It may be subject to distortions in scale. Measurements scaled from this plan may not match measurements between the same points on the ground. See Land Registry Public Guide 19 - Title Plans and Boundaries.
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APPENDIX 4

THE KNOWLE RUNNING COSTS

KNOWLE RUNNING COSTS

Acct Code	Description	2006/07	2007/08	2008/09	April 2009 - Dec
1010	Property contractors	780	1863.23	0	0
1011	Property maintenance ad hoc	41130.39	27591.49	23949.68	7238.79
1012	Property cleansing services	1371	1211.56	4866.79	5346.1
1013	Security servicing	2931	3774	3876	3774
1014	Grounds Maintenance	tbc	tbc	tbc	tbc
1015	Major build works	0	0	0	0
1016	Property maintenance contract	13827	7796.01	2779.37	2912.23
1018	Planned maintenance	0	18243.08	14274.86	12815.67
1019	Maintenance reserve	0	2750	0	4492
1021	Display energy certificate	0	0	1000	
1111	Fixed plant regular servicing	612.68	0	0	0
1150	Materials land and build	28587.07	8253.27	8974.74	10289.86
1210	Energy Costs Electricity	18596.75	0	0	0
1211	GF2GF IDT ELECTRICITY 6209	46368.62	56541.42	74386.42	50148.87
1220	Energy costs gas	5462.22	6447.92	7832.85	1779.82
1250	Rates	91187.06	100344	102123.14	109003.75
1260	Water chg	7450.94	8033.63	9402.4	6011.03
1350	Fixtures & fittings	0	0	455.3	0
1445	GF2GF IDT MATERIALS LAND 6216	0	0	0	1261.99
1450	Property Insurance	19703.14	13971.73	10081.53	7280.46
Total		£ 278,007.87	£ 256,821.34	£ 264,003.08	£ 222,354.57

Our Ref: PJE/JK/09/67358

02 October 2009

alder king
PROPERTY CONSULTANTS

Ms D Best
East Devon District Council
Knowle
Sidmouth
EX10 8HL

Dear Donna

POSSIBLE RELOCATION OF EAST DEVON DISTRICT COUNCIL'S OFFICES AT KNOWLE, SIDMOUTH

We understand East Devon District Council require some initial figures prior to receiving our Site Selection Report and Financial Appraisals which are to follow.

At this stage, we have looked into the following issues identified by Karime Hassan, including:

- The likely figure for replacing 40,000 ft^2 to an alternative site in terms of freehold costs or alternatively on a leasehold basis.
- Advice in respect of the minimum size building potentially capable of accommodation staff numbers similar to those currently occupying the Knowle offices.

We provide our initial thoughts as follows:

The Existing Premises

As identified in our Valuation Report of the Knowle, dated 08 December 2008, the Property comprises a net internal area of 4,389.90 m^2 (47,235 ft^2) and benefits from approximately 224 parking bays. The building is inefficient in both its layout, operation and the gross to net floor area. The Property is arranged over a site area of 5.40 hectares (13.36 acres) of which the land designated for offices, car parks and other areas outside the designated area of local amenity importance is 1.81 hectares (4.48 acres).

Office Density

We understand that East Devon District Council's Knowle offices are currently populated by 438 staff, equating to an office density of 1 person per 10.02 m^2 (1 person per 108 ft^2). The most recent research into office occupier densities published by the British Council for Offices in their 'Occupier Density Study Summary Report' (June 2009) looks at overall work place density for a variety of user groups including finance, insurance, central government and local government. The research shows mean densities for central government of 11.9 m^2 (128 ft^2) per work space and local government densities equating to 10.1 m^2 (109 ft^2) per work space.

/Cont'd...

Endeavour House Pynes Hill EXETER EX2 5WH
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Ms D Best

02 October 2009

The above information indicates that the Council's offices have an office density within acceptable parameters for a local authority user. However, the Property Review Questionnaire issued to all Heads of Services has identified a shortage of appropriate reception and general meeting rooms for both staffing requirements and customers alike.

For the purpose of this letter we have looked at a similar occupier density of £10.1 m^2 (109 ft^2) per work space plus a further allowance for potential expansion, resulting in a density decrease to 12.00 m^2 (129 ft^2) per work space. Applying a lower occupier density equates to an increased floor area, producing a revised hypothetical net internal area of 5,256 m^2 (56,577 ft^2). This represents an additional 866.1 m^2 (9,342 ft^2) on the net internal area of 4,389.90 m^2 (47,235 ft^2) as currently occupied at the Knowle offices.

As mentioned when we spoke, we will need to refer to the results of a space audit, that can be undertake by our Building Consultancy department before we can accurately gauge the required net internal area upon which to base the construction cost figures.

Parking Ratios

The Knowle offices are currently working to a parking ratio of 1 bay per 210 ft^2 which is considered generous even by Exeter Out of Town office standards at Pynes Hill. Office buildings with low ratios in the region of 1 bay per 210 ft^2 to 1 bay per 275 ft^2 will have gained consent in Exeter in light of prior planning policy whereas current Exeter City guidance dictates ratio's in the region of 1 bay per 350 ft^2 for out of town offices. We will need to liaise with your Planning Policy Department to ascertain likely ratios in East Devon.

Again, the internal Property Review Questionnaire identifies that parking remains an important issue for staff and visitors alike and it is to be expected that a local authority would require surplus bays over and above those for a standard headquarters type offices premises due to the volume of customers/visitors.

Site Area

It is our opinion that the area designated for offices, car parking and other areas outside the designated area of local amenity importance at the Knowle is relatively inefficient at 1.81 hectares (4.48 acres).

As an example, Michelmores LLP Solicitors at Pynes Hill occupy a net internal area of 4,587.3 m^2 (49,379 ft^2) on a site area of 1.145 hectares (2.830 acres).

Assuming the Council were to take a similar three storey headquarters building of 5,256 m^2 (56,577 ft^2), this would equate to a relative site area of 1.313 hectares (3.247 acres).

/Cont'd...

alder king

Ms D Best

02 October 2009

Premises Summary

In light of the above points, we have assumed a new build office for East Devon District Council with a net internal area of 5,256 m^2 (56,577 ft^2) and a total of 270 parking bays, located on a site of 1.314 hectares (3.247 acres).

We would stress that a full space audit must be carried out so that we can accurately assess the net internal area. The issue of parking ratios will need to be fully explored, as a decrease in bays resulting from EDDC Policy guidance will result in a cost saving on the build cost, although this is considered a relatively minor cost saving.

Building Costs

Although we are unable to give definitive figures on build costs at this stage, we have discussed costs with our Building Consultancy Department who confirm a construction build cost guide of between £111 per ft^2 to £135 per ft^2. For the purposes of this letter we have assumed £120 per ft^2 construction costs for a standard headquarters type three storey office building.

Although we can theoretically add an extra 10% in our construction costs to arrive at a BREEAM excellent building, the likely sums required to reach Excellent status are highly subjective and look at a broad range of environmental issues including building management, health and wellbeing, energy, transport, water, material and waste, land use and ecology & pollution. Consequently, the build cost for a BREEAM Excellent building for East Devon District Council could lie well in excess of an additional 10% on conventional costs.

For the purposes of this letter, we have assumed EDDC require a conventional building at a construction cost of £120 per ft^2 and have applied this to a gross internal area of 6,044.4 m^2 (65,063 ft^2) which has been reached by adjusting the assumed net internal area by a factor of 115%.

After accounting for construction costs, professional fees and finance, we arrive at an overall build cost in the region of £9,500,000 to £10,000,000.

Again, we must stress that these figures are based on speculative area assessments and are subject to adjustment upon completion of our final report.

Land Values

We are of the opinion that, as an overall range, office sites in East Devon would command in the region of £250,000 to £350,000 per acre, therefore, assuming a required site area of 1.314 hectares (3.247 acres) equates to a land cost in the region of £810,000 to £1,140,000.

Turn Key Cost

Taking account of the construction costs, professional fees, finance charges and land costs, we arrive at a range of costs from £10,300,000 to £11,200,000 to purchase and develop out the land to a quality specification, excluding BREEAM Excellent status.

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Ms D Best

02 October 2009

Rental Values

Should East Devon District Council be interested in a leasehold arrangement, a developer will require a rental value in the region of £16.50 per ft^2 to £18.00 per ft^2 to realise a potential sale and leaseback arrangement.

Assuming a net internal area of 5,256 m^2 (56,577 ft^2) we arrive at a rental value in the region of £935,000 per annum to £1,020,000 per annum.

In regard to a forward sale, an investor will require a likely minimum term of 15 years without tenant break option with rent reviews structured on an indexation basis.

Conclusion

In summary, we make the following observations:

- Whilst the above figures are relatively high, I propose we look into the long term costs of the Knowle offices in terms of the revenue budget against capital expenditure.
- There is also the possibility of a downsized central functions if East Devon District Council were to facilitate various front line services through satellite offices in key towns within the district.
- Until we have accurate net internal areas for the provision of approximately 440 – 450 staff within an open plan office arrangement, our projected figures are subject to considerable variation. At this stage, we would recommend arranging a space audit.
- We recommend we look more closely at the infrastructure costs associated with a potential relocation to the Land at Hayne Lane in Honiton.
- As you are aware, our previous Valuation report was planning lead, and it is worth while looking into the possibility of enhancing value on the Council's existing premises.

Please do not hesitate to contact me should you have any queries concerning the above points.

Yours sincerely

PHILIP ELLIS BA (Hons) MRICS
Surveyor

pellis@alderking.com
01392 353094