

Agenda Item

Executive Board

14 July 2010

10/1008



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 its 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 Council's 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

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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 10.1m ² per workspace	3,535m ² (38,052 ft ²) NIA
Additional requirement for civic/breakout facilities	604m ² (6,500 ft ²) NIA
Total NIA requirement	4,139 m ² (44,553 ft ²)
GIA requirement	5,017 m ² (54,004 ft ²)

(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 m ² (44,553 ft ²)
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

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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.

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- 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

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Executive Board
14 July 2010