

REPORT TITLE: GOODS SHED SITE IN BARFIELD CLOSE

20 OCTOBER 2021

REPORT OF CABINET MEMBER: Cllr Kelsie Learney, Cabinet Member for Housing & Asset Management

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WARD(S): ST MICHAEL WARD

PURPOSE

The former Goods Shed site in Barfield Close, Winchester is suitable for a mixed B1 and B8 development having been a commercial site since Victorian times. This report identifies the work undertaken by the team of officers and consultants to facilitate such a development, outlines the scope of the proposed works and details the estimated cost. The report seeks approval to prepare and submit a detailed planning application.

The proposal is to convert the former goods shed building into three self-contained office units and develop a terrace of adjacent small industrial / workshop units.

RECOMMENDATIONS:

1. That the proposal to refurbish the Goods Shed, Barfield Close, Winchester to create three self-contained office units and to develop a terrace of adjacent small industrial / workshop units be approved
2. That the Corporate Head of Asset Management be authorised to prepare and submit a detailed planning application for the proposed scheme.
3. That the Corporate Head of Asset Management be authorised to incur capital expenditure of pre-construction costs up to £95,000 and that this work proceeds at a financial risk to the Council.

4. That, subject to securing planning approval, the Corporate Head of Asset Management be authorised to invite tenders to undertake the proposed works.
5. That a Final Business Case report is brought to Members after tenders are evaluated and the final tender price is known, to agree whether to proceed with the scheme and to award the contract to the preferred bidder.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

#### 1.1 Tackling the Climate Emergency and Creating a Greener District

1.2 The office units will be located within walking distance of the city centre and therefore easily accessible and the units will have Electric vehicle (EV) charging points. The design of the refurbishment will as far as possible follow low carbon principles.

#### 1.3 Vibrant Local Economy

The location of the Goods Shed site between the city centre and the motorway provides an ideal location for small businesses who are increasingly looking for modern commercial accommodation build to a high standard within easy reach for staff but also customers.

#### 1.4 Living Well

The location of the scheme on Barfield Close is within both a short walk of the amenities offered by the city centre but also those offered by the new leisure centre at Bar End. Businesses that choose this scheme will be able to encourage their staff to use the facilities offered by the leisure centre, among others, to promote a healthy lifestyle for employees.

### 2 FINANCIAL IMPLICATIONS

2.1 Preliminary feasibility has provided a build cost estimate, ground surveys, architectural plans and an assessment of market rental values.

2.2 An independent development appraisal has been carried out that demonstrates a positive land value of £530,000 per acre and a return of 6.24%.

2.3 In terms of viability, the current build cost estimate is approx. £3.3m and the projected income of a fully let development is £225,000 per annum. The council will lose the current income from the site (£7,000 per annum) but will save on business rates (currently £27,000 per annum), as these will be paid by the tenants. Assuming a PWLB borrowing rate of 2.5% this produces an estimated surplus income of £70,000 per year when fully let. Further detail is provided in Appendix A.

2.4 In recent months commodity prices have increased and this has inflated material costs. In addition, there is currently a shortage of labour. This means that tenders when sought may exceed budget estimates unless commodity markets stabilise. Given it is likely to be nearly two years before formal tender responses are received, only then will we really know the actual cost of the scheme. As construction will not commence until 2023, there is some risk that

the cost of borrowing will also increase. Sensitivity analysis has been undertaken as part of the financial appraisal (see Appendix A).

- 2.5 Planning application costs are estimated at up to £95,000. Upon planning permission being received, the specified works package will go out to tender, viability will be reassessed based on the tender prices and a further paper will be brought to Cabinet seeking approval to progress with the scheme and award a contract. Whilst the £95,000 can be capitalised, if the scheme does not ultimately progress these costs will be written back to revenue.
- 2.6 The mix of future tenants will be driven by the market but consideration may be given to letting a unit for community purposes, subject to viability not being adversely affected.
- 2.7 Proposals will also consider the potential of enhancing the adjacent public footpath.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Under section 1 of the Localism Act 2011, the council has the power to undertake any activity a normal person could undertake, so long as not otherwise prohibited by an express statutory restriction. There are no such prohibitions that apply, and therefore the council may pursue the scheme under this power and take steps to deliver it. In doing so, it will be subject to other statutory and common law obligations, including in relation to consultation.
- 3.2 The Council has had regard to its obligations under section 1 Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised having regard to economy, efficiency and effectiveness. A range of options have been properly considered.
- 3.3 The tender exercise will be properly run with support from the council's procurement team and in compliance with the Public Contract Regulations 2015 and the council's Contract Procedure Rules.

### 4 WORKFORCE IMPLICATIONS

- 4.1 This scheme will involve a significant amount of input from officers within Estates and other teams including Procurement and Finance.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 This proposal is designed to make best use of the Council's property asset and create an income producing investment to be retained within the Council's portfolio.

## 6 CONSULTATION AND COMMUNICATION

- 6.1 Prior to submission of the planning application, a stakeholder engagement plan will be agreed with the lead Cabinet member, local ward members and the Council's Communications team. This will involve sharing details of the planning application as it emerges.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The Goods Shed site is a former railway yard which was subsequently used as a scrap yard and even more recently for metal recycling. Soil samples have been taken and there is a need for an element of soil removal and remediation.
- 7.2 The design of the refurbishment will as far as possible follow low carbon principles.

## 8 EQUALITY IMPACT ASSESSEMENT

- 8.1 The proposed scheme will be designed to meet accessibility standards and an equality impact assessment of the final proposals will be completed before final recommendations to Cabinet.

## 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
Financial Exposure	The scheme will have both offices and commercial space and this spreads the risk over two main sectors, both of which are in short supply around Winchester.	The scheme provides an opportunity to attract new businesses to the city.
Exposure to challenge	The planning application and accompanying documents will be produced by external consultants with all relevant parties being kept informed of progress and any concerns taken into consideration and included within the preparation of the	The Estates team will be working very closely with local residents.

	planning application prior to submission to the LPA.	
Innovation	The site is very under-utilized at present and the scheme will show how an existing industrial site can be repurposed to provide modern accommodation suited to modern businesses	There are no other schemes directly comparable in the vicinity and this shows what can be done with a small existing site in a very sought after location
Reputation	The site has been undeveloped for many years and although used for temporary uses, by developing the site, shows that the council is focusing efforts on maximising the opportunities offer by its existing assets.	
Property	The property is a long held asset of the council and occupies a very prominent location ideal for redevelopment for the longer term future.	It will show that the council is committed to maximising the opportunity of a long held asset whilst also delivering on a pledge to help community orientated outlets like the boxing club
Project capacity	The use of outside consultants to assist with gaining planning consent and the construction process.	The Estates team will be working closely with consultants throughout the process to deliver the scheme

## 11 SUPPORTING INFORMATION:

- 11.1 The Goods Shed site on Barfield Close forms part of an old railway works which has been largely empty for many years. The sites location offers good transport links being within a short walk of the city centre whilst also providing easy access to the road network. (See Location Plan at Appendix B) The redevelopment demonstrates the Council is delivering on one of the Council Plan Objectives, namely doing what it can to support and encourage a “Vibrant Local Economy”

- 11.2 **Background** – The site is a former railway goods shed yard and therefore has been in some form of industrial use since the late 1800's. It is therefore fitting that the site is continuing to be used for commercial purposes, nearly 200 years later albeit the modern uses will be far cleaner and more in-keeping with those of the 21<sup>st</sup> Century.
- 11.3 **Details of proposal** – The proposal is to retain, albeit substantially refurbish the existing building to provide three, modern, self-contained office units fronting Barfield Close. The design will retain the essence of the existing building as a nod to its original use but will offer all the modern elements that office occupiers now expect. The new units proposed behind will be of steel portal frame construction under a profile clad roof and provide modern light industrial / storage units of which there is a real shortage. The shortage of stock stems from the shortage of suitable land around Winchester on which to build these type of units. Rents have risen in recent years to a level where now schemes of small units can more easily be justified. Small units provide businesses with a stepping stone allowing businesses to grow and therefore without the first rung on the ladder businesses struggle to prosper. This comes back to the way in which this scheme demonstrates the council's ability to help and encourage a Vibrant Local Economy.
- 11.4 This is a commercially focused scheme although there may be an opportunity for one or more of the units to be offered on more flexible terms, however this would have a direct impact on the income profile and the overall viability

## 12 Conclusion

- 13 The proposed mixed commercial scheme fits very well with the site as it has been a long standing industrial location. However the move away from heavy industry to more modern commercial uses is a real sign of the times and aligns with the move towards greener, more sustainable practises. It delivers what the market needs in terms of modern commercial space whilst also delivering on one of the council's major themes which is encouraging a Vibrant Local Economy and the ongoing prosperity of the city of Winchester.

## 14 OTHER OPTIONS CONSIDERED AND REJECTED

- 14.1 Early on this site was considered as a housing site with a high level feasibility study carried out identifying the potential for approximately 45 flats. Although there is significant demand for housing this paper proposes a commercial use in order to support the business community and help encourage the growth of new firms who will hopefully become the employers of tomorrow within the city.
- 14.2 Due to the sites location next to the councils waste contractors depot and because of its long standing use as an industrial site it was felt that it should remain in commercial use to help the city's economic prosperity.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None relevant.

Other Background Documents:-

Viability report produced by Carter Jonas.

APPENDICES:

Appendix A – Financial appraisal

Appendix B – Location Plan