

REPORT TITLE: BISHOPS WALTHAM DEPOT

23 DECEMBER 2019

REPORT OF CABINET MEMBER: Cllr Kelsie Learney – Cabinet Member for Housing and Asset Management

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WARD(S): BISHOPS WALTHAM

PURPOSE

The purpose of this report is to request Cabinet approval for the proposed redevelopment of the former Bishops Waltham depot site to be built out without the need for all three units to have been pre-let.

RECOMMENDATIONS:

That Cabinet:

1. Approve redevelopment of the former council depot site at Bishops Waltham prior to the proposed new units being let.
2. Delegate authority to the Corporate Head of Asset Management, in consultation with the Cabinet Member for Housing and Asset Management, to agree tenants and terms for the letting of the three units.
3. Delegate authority to the Service Lead Legal to prepare, complete and enter into the necessary agreements such as the lease and construction contracts to give effect to the agreed heads and terms.

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

- 1.1 The proposal for the redevelopment of the council's former depot site in Bishops Waltham was in response to local small business demand. This project is part of the council's approach to help local businesses grow and to improve the employment opportunities within a smaller town within the district. The emerging council strategy supports a vibrant local economy, as well as the provision of local employment as part of the action to address the climate emergency. In particular it identifies there is a priority need for "new offices and workspace in areas with sustainable transport links or where they reduce the need to travel to work".

2 FINANCIAL IMPLICATIONS

- 2.1 The scheme was previously approved for expenditure by Cabinet in June 2018 (CAB3048). However, on 9 October 2019 HM Treasury announced an increase in the margin on loans provided by the Public Works Loans Board (PWLB) by 1 percentage point. As a consequence, the estimated revenue surplus has reduced by circa £4,000 per annum. An updated financial appraisal is provided at exempt Appendix 1 which confirms that the development remains financially viable and from the first full year it is estimated to provide a surplus of £27,000 per annum.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Approval is sought to build out the development for which approval was obtained in June 2018 (CAB3048) prior to the units being pre-let, and to negotiate terms with tenants. The request is an amendment to the recommendations approved by the June 2018 Cabinet which stated: "prior to the commencement of construction works, agreements for lease be entered into with the prospective tenants on terms to be settled by the Corporate Head of Asset Management, in consultation with the Corporate Head of Resources."
- 3.2 The amendment requested will enable the tenants to visualise the space they will be renting and as such remains in keeping with the statutory requirements below.
- 3.3 Local authorities are given powers under Section 123 of the Local Government Act 1972 Act (the 1972 Act) to dispose of land in any manner they wish, including sale of their freehold interest, granting a lease or assigning any unexpired term on a lease, and the granting of easements. The only constraint is that a disposal must be for the best consideration reasonably obtainable (except in the case of short tenancies of less than 7 years), unless the Secretary of State consents to the disposal.

4 WORKFORCE IMPLICATIONS

- 4.1 The project will be managed from within the estates team and any specialist resource required will be brought in as required.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 There is a potential tenant expressing strong interest in one of the units and officers are in discussion with another possible occupier for one of the remaining two units. Having spent some time generating tenant interest, albeit not pre-lets, it is now important to build out the scheme, to keep that interest and translate it into occupiers. During the construction of the scheme it appears likely that a tenant will be secured for the remaining unit. Pre-let deals are difficult to achieve, especially when dealing with relatively small businesses who would much prefer to be able to see the premises before signing a tenancy agreement.

6 CONSULTATION AND COMMUNICATION

- 6.1 The scheme has planning permission, and formal consultation was undertaken through that process.
- 6.2 Cllr Learney, Cabinet Member for Housing and Asset Management, has been consulted and supports commencement of the construction process to proceed without the need for three pre-lets in order to support economic development opportunities across the district.
- 6.3 The Parish Council has been kept informed of progress and is supportive of the scheme. The Parish Council will also be kept up to date as the scheme moves forwards.

7 UPDATE FROM PARISH

- 7.1 Bishops Waltham Parish Council have confirmed by email that they are still very supportive of the scheme as they are keen to see increased employment opportunities in the town.

8 ENVIRONMENTAL CONSIDERATIONS

- 8.1 A number of environmental aspects were taken into consideration as part of the planning application and approval process. The achievement of BREEAM Outstanding has been considered, however on detailed evaluation. BREEAM outstanding is considered unachievable in part due to the topography of the site - the site is located in a former quarry with steep, wooded banks on three sides
- 8.2 The suitability of installing PV panels on the roof of the industrial units has also been considered. Due to the steep, wooded sides of the quarry the location does not benefit from sufficient sun light to make PV viable.

- 8.3 Renewable heat technologies will be explored to provide heat to the buildings, and if not financially viable, the building will be heated electrically. Tenants will be advised of the benefits of, and advised to sign up to, a green electricity tariff.
- 8.4 The collection of rainwater to supply grey water in the units will be explored.
- 8.5 It is the intention to retain as many of the trees surrounding the site as is feasible as this not only helps carbon retention but also acts to minimise any noise travel between the scheme and neighbouring existing housing. A new hedge will be planted along the boundary between the road and the site to improve the aesthetic appearance of the scheme.
- 8.6 There is a strip of land owned and maintained by Hampshire County Council's Highways Authority bordering the Units; the Council will engage with HCC to request to acquire the maintenance contract of the land to create a wild flower verge, the planting of which will be used to enhance the biodiversity of the area.
- 8.7 As part of the construction process every effort will be made to use local suppliers and trades to minimise the carbon footprint of the construction process. An assessment of the embodied carbon and emissions from construction will be conducted to provide data to the Climate Emergency action plan to enable mitigation.
- 8.8 The units are located on a former commercial site near a settlement that has demonstrated a lack of local employment space, which has been exacerbated by the loss of space at Bury Farm. These units will provide opportunities for local employment and access to services for the community and so reduce the need to travel and transport supplies and goods. The Council Plan identifies the need to provide workspace in areas where they reduce the need to travel to work. The units are accessible via foot and there are regular bus services to Bishops Waltham from Southampton and Winchester enabling employees at the units to arrive by public transport.

9 EQUALITY IMPACT ASSESSEMENT

- 9.1 None

10 DATA PROTECTION IMPACT ASSESSMENT

- 10.1 None Required

11 RISK MANAGEMENT

- 11.1 Initially it was agreed that the scheme would only be built out if all three units had been pre-let reducing the risk to the council. Having attempted to achieve pre-lets the evidence shows that it is very difficult to especially on a multiple basis. With the requirement of 100% pre-lets risks the development not being delivered at all and therefore not helping local businesses and not delivering

on the council's desire to help the local economy grow, particularly in the smaller employment areas of the district.

Risk	Mitigation	Opportunities
<p><i>Property</i></p> <p><i>There is a risk that if we do not proceed with construction the current tenant interest will fall away</i></p> <p><i>Building "on spec" without a pre-let may mean that no tenants will be found for the property</i></p>	<p>The risk is mitigated by pressing ahead with construction of the scheme to demonstrate to those parties interested that the council is serious about the development.</p> <p>Stimulation of tenant interest and keeping prospective tenants informed of the construction and likely occupation date. Marketing the opportunity to potential tenants.</p>	<p>The remaining space will be much easier to let once the market can see a completed scheme and see exactly what they will be receiving.</p> <p>Taking this risk demonstrates the commitment of the council to support local businesses in market towns.</p>
<p><i>Community Support</i></p> <p><i>There is a risk the proposed uses maybe considered a nuisance by the neighbours</i></p>	<p>The risk has been minimised by discussions with the neighbour opposite who is supportive of the scheme. The risk is further mitigated by careful consideration of the uses proposed by prospective tenants.</p>	<p><i>Consideration given to the use of the Considerate Contractor scheme as part of the development process.</i></p>
<p><i>Timescales</i></p> <p><i>Potential tenants may require a unit to co-locate with a lease expiry of their current premises.</i></p>	<p>This is all the more reason to press on and build the scheme so we are able to offer the units to meet potential tenant deadlines.</p>	<p>Increased work load supports the need for additional staff to deliver more projects successfully.</p>
<p><i>Project capacity</i></p> <p><i>There is limited capacity currently within the team to deliver schemes of this</i></p>	<p>The risk is mitigated by the use of external consultants in helping to</p>	<p>Engaging with local businesses who can offer various services to assist</p>

<i>nature.</i>	deliver the project	in delivering the scheme.
<i>Financial / VfM</i> <i>There is a risk that construction inflation may be identified as the scheme progresses.</i>	This was mitigated by the quantity surveyors allowing a project contingency which has been built into the appraisal.	This has meant that the project is still financially viable.
<i>Innovation</i> <i>By not carrying out the scheme there is a risk that the Council is seen to not maximise the economic benefit of its land holdings.</i>	The risk is mitigated by building out the scheme to demonstrate the councils commitment to help the economic prosperity of the smaller towns in the district	It will provide local businesses with the opportunity to expand but stay local to where much of their workforce is based.

12 SUPPORTING INFORMATION:

- 12.1 Small scale commercial units can be helpful entry level accommodation for small businesses. However, such small businesses can have limited cash flow therefore are sometimes unable to commit to pre-let agreements. Although the council takes more risk in building without a pre-let it is a clear demonstration of the commitment to support the economy across the district. Property market research for Enterprise M3 Local Enterprise Partnership shows that there is a shortage of industrial unit supply. The units are class B1c and B8 and suitable for a range of light industrial activities allowing flexibility in the use of space. The size of units at just over 200sqm is also attractive to smaller trades and businesses.

13 OTHER OPTIONS CONSIDERED AND REJECTED

- 13.1 The council is keen to do what it can to support local businesses and redeveloping a small existing land holding is considered to be the most advantageous way of achieving the council's goal in Bishop's Waltham. An alternative option is not to proceed with the scheme which would not take the opportunity to stimulate economic prosperity in the smaller settlements within the district and improve job opportunities for local people. By not proceeding with the scheme it would also be contrary to the climate emergency actions which aim to encourage sustainable transport and the reduction in the need for people to commute long distances for employment.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3048 – Bishops Waltham Depot Site, 20th June 2018, set out in detail the proposed scheme

Other Background Documents:-

None

APPENDICES:

Exempt Appendix 1 - updated financial appraisal