
London Road Development options

Committee considering report:	Executive
Date of Committee:	17 th December 2020
Portfolio Member:	Councillor Ross Mackinnon
Date Portfolio Member agreed report:	8 th December 2020
Report Author:	Joseph Holmes (Executive Director – Resources)
Forward Plan Ref:	EX3978

1 Purpose of the Report

- 1.1 This report details the objectives of development on the London Road Industrial Estate and requests funding to help achieve these objectives through successful development of the site. The project remains a priority as part of the Council Strategy, and this report seeks to provide a way forward to enable development on the site, in a phased approach, following consideration of the Development Brief, and the consultation on this, as well as the Council's objectives for the site as a whole.

2 Recommendations

- 2.1 The Executive resolves to approve as follows:
- a. a phased approach option to the development of the site within an overall vision for the development as a whole.
 - b. the objectives of the development as per paragraph 5.14.
 - c. commissioning a Supplementary Planning Document (SPD) to help better align development proposals with Planning Policy, to set out estate wide design criteria and infrastructure requirements and for the cost of this work to be found out of annual funding requested in this report.
 - d. a one-off budget of £45,000 to provide funding for feasibility services in the 2020-21 financial year including, as appropriate, negotiations with estate stakeholders with commercial interests.
 - e. the renaming of the London Road Industrial Estate working in consultation with the public.
- 2.2 That the Executive recommends, for inclusion on the budget papers, a revenue budget of £100,000 per annum over the next three years to provide for consultancy support

during the project development where the Council does not have internal resources to provide the specific project resources.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	<p>Revenue budget requests are included within the recommendations; there is current no on-going revenue budget associated with this project other than staffing costs.</p> <p>The request of £100,000 per annum over the next three years is to progress the scheme through to a planning application. Some of these costs may be able to be capitalised as part of any future development, but as the project is at an early stage, these works will begin as revenue.</p> <p>The site currently has a value worth £7.7m (as at 31.3.20) with an annual income from the site of £0.4m p.a. (2020-21 budget). Any future development will need to consider this as part of the development and the Council's wider financial position.</p> <p>Any capital budget requests will be considered in the capital strategy, and will come back to the Executive (and Council if applicable) once the development route is clearer.</p>
Human Resource:	None directly
Legal:	<p>None directly – this scheme has been subject to a legal challenge in the past, and this paper sets out mitigate risks, where possible, to enable effective development of the site.</p> <p>Depending on how the land is assembled for the objectives including regeneration as set out in the report, the Council will have regard to its obligations under Section 123 Local Government Act 1972 which relates to best price achievable in the open market.</p> <p>In relation to the delivery mechanism for achieving the objectives the Council will have regard to the Public Contracts Regulations 2015 if procuring a joint venture vehicle for the delivery of the objectives.</p>

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Risk Management:	<p>There are substantial risks with developing any site of this size. In light of previous work on this site, risks have been mitigated by:</p> <ul style="list-style-type: none"> • Requesting an overarching budget for external support from a multi-disciplinary team • Moving to a phased approach, making each development a smaller scale piece of work • That a phased approach will allow for a greater level of flexibility on each of the development options • That a phased approach will maximise financial control and the potential for a completed plot to subsidise a follow on plot • That a phased approach allows potentially individual development agreements per plot based on known market conditions at the time, fully surveyed and known site constraints of each plot and reflecting opportunities for built-in risk & reward at a higher or lower level of commitment per development agreement. This approach generally has greater control than one over-arching development agreement across the whole estate. 			
Property:	<p>There are significant property implications. This site is key site left within the Council's property portfolio of assets that are not for direct service provision. The Property Services team will be involved in the project group and the council will also use external advisors where appropriate to support the development of the site.</p>			
Policy:	<p>Supports the delivery of the Council Strategy priority to develop local infrastructure, including housing, to support the local economy</p>			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				

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A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		The overall development should have a positive environmental impact through redevelopment and better active transport routes. As schemes are developed, this will be more clearly identified.
Health Impact:		X		As schemes are developed, this will be more clearly identified.
ICT Impact:				None identified
Digital Services Impact:				None identified
Council Strategy Priorities:				Supports the delivery of the Council Strategy priority to develop local infrastructure, including housing, to support the local economy, as well as the Economic Development Strategy.
Core Business:				No implication other than resource to support the development.
Data Impact:				None identified
Consultation and Engagement:	Property Services and Legal Services			

4 Executive Summary

- 4.1 The development of the London Road Industrial Estate (LRIE) has been discussed and progressed over a long period of time. The site is an important element of the Council's overall asset base and presents a number of opportunities to benefit the local area, as well as enhance the overall economic activity of the vicinity and the wider district.
- 4.2 The site at present has a wide range of businesses on the site, but the land use density is low and there are some vacant and underused sites included in the area. The Council's Development Brief for the area, approved at the November Executive, sets out that the LRIE is viable for development and presents two options for development; a comprehensive approach or a phased approach.
- 4.3 This report sets out a range of recommendations to enable the progression of the LRIE development on a phased approach. There are others that have been considered, but have been rejected as articulated later in the report. This report does also recommend a substantial sum to be set aside for this scheme; this is mainly to provide the Council with further planning and advisory services to help enable development and to mitigate some development risk where the Council does not have the skills and expertise in-house.

5 Supporting Information

Introduction

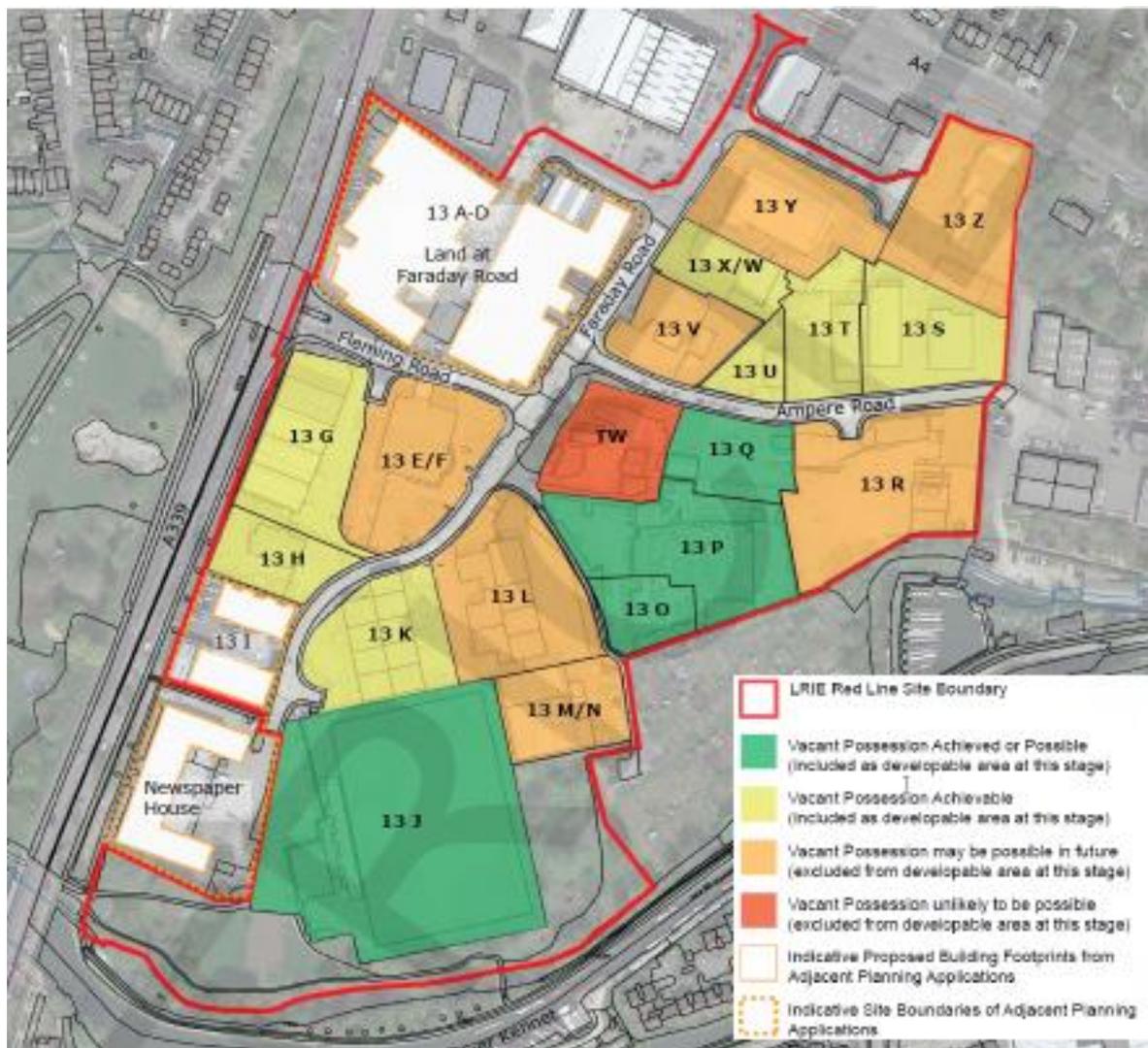
- 5.1 The Council has had a long standing ambition to see the redevelopment of the London Road Industrial Estate (LRIE). The Development Brief, approved in November 2020 by the Executive, provides an opportunity to see development on the LRIE site.
- 5.2 To support the development of the site, the Executive are requested to approve an overarching vision for the development of LRIE that will provide an overarching focus over the coming months and years to progress the site.

The delivery of a mixed-use site that delivers economic growth, an improved local environment within which to work, travel and live, and provides effective links to the town centre

Background

- 5.3 The 11 hectare site within the Council's freehold ownership referred to as the London Road Industrial Estate consists of a variety of units with leasehold ownerships varying from 25 years to 90 years. The exception is Thames Water who hold their plot freehold. West Berkshire Council (WBC) is the See plan below – Thames Water site in red marked 'TW'.
- 5.4 The Council has had a long standing ambition to develop the site and this also included in the Council Strategy 2019-23 within the priority "develop local infrastructure, including housing, to support the local economy". There was also a recent task-force, a sub-group of the Overview and Scrutiny Management Committee, review and report that was responded to by the Executive in September 2020. Learning from this report has been included within the proposals incorporated in this paper.

Map 1.1: London Road & lease situation



5.5 The Council wishes to see economic regeneration and growth as part of this development. As highlighted in the vision, the Council is committed in the Council Strategy, and through its Economic Development Strategy, to enhance the economic activity across the district and to secure jobs within the local area.

5.6 The Council receives annual ground of £0.4m per annum representing a yield of over 5% against Council freehold assets worth a total of £7.7M (as at 31.3.20). Given the reductions to Council funding in recent years, where councils receive nothing from the revenue support grant from the Government, the Council does need to consider its wider financial position as part of this redevelopment, both from an income point of view and from business activity, the development of jobs, and share of business rates retention generated on the estate.

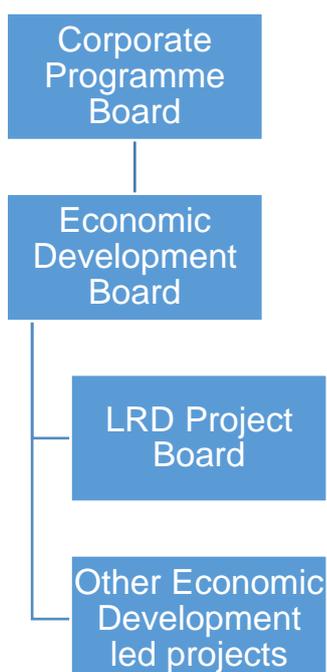
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- 5.7 The Council recently (September to October 2020) consulted on a development brief prepared by Avison Young (AY) on future options for the development of the site. At its meeting in November 2020 the Executive approved the final Development Brief. The Development Brief highlighted two main options for development; a comprehensive approach to the whole site vs a plot by plot or 'phased' approach. On review of the Development Brief, the wider market conditions, and previous experience of the site, it is proposed to deliver development on the site on a phased approach basis. This is also driven by the Council risk appetite on development on this site; it is important to see progress to support the local economy and to enhance the Council's reputation for delivering development on this site. In light of Covid-19 and the business uncertainty from the pandemic, a phased approach is more appropriate to mitigate risk of non-delivery and of further market changes requiring a changed approach.
- 5.8 The Development Brief, and comments to the consultation on it, highlight the need for an overarching plan for the site. In order to achieve this, and recognising the resource constraints on the Council, as well as wide range of skills required, it is proposed to request funding for a multi-disciplinary team to support the internal project team to provide advice on a variety of areas, including:
- Site master-planning including a Supplementary Planning Document
 - Site and financial appraisals for the individual plots
 - Community engagement and support
 - Market advice and testing
 - External legal support on possible partnering agreements
 - Planning consultancy
 - Environmental advice
 - Procurement development options
- 5.9 Estimates for this work are expected to total £100,000 per annum over a three year period; a long enough time to commence planning action on the LRIE based on an overall masterplan for the estate and provide a framework for all phases of development.

Governance

- 5.10 The project has been assessed as a tier 1 project using the Council's project sizing toolkit. This involves regular project reporting to various internal boards, see below

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5.11 The LRD (London Road Development) Project Board meets regularly and includes the Portfolio holder with responsibility for economic development as well as another Executive member and leader of the Liberal Democrat Opposition, and also includes officers from across Council departments.

5.12 The LRD Board then feeds into the Economic Development Board with project highlight and exception reports where required. Overall progress on the project is monitored through the Corporate Programme Board that oversees all Council project activity. This provides a substantial amount of member oversight through the process of considering and implementing development options. Reports will also come through to the Executive where required in line with the Council's constitutional requirements.

5.13 There is also a dedicated lead project officer for this scheme as well as a project sponsor (Executive Director – Resources) and member lead (Portfolio Holder with responsibility for Economic Development).

Proposals – Objectives of the development

5.14 Reflecting upon the Development Brief and members' aspiration for the site, the following key objectives for the development of the site have been provided below.

- To deliver a mixed-use development; recognising that this is economic development led, where high quality regeneration is of equal importance to financial returns and that a mixed use should include housing. This will ensure a more vibrant development and enhance the economic opportunities of the site
 - Enhanced infrastructure on the site that successfully connects with Newbury Town Centre and other entrances to the site
 - Acts as a gateway from the A339

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- To enhance the economic activity that takes place on the site; this can be measured through a variety of means as the Council cannot, nor would want to, dictate the exact nature of business on the site. These measures will include:
 - maximise the amount of business square footage on employment land within development proposals.
 - Increase in the number of jobs generated on the site
- To protect the value of the Council's financial position, which may mean by investing Council funds into the site, including:
 - Continue to receive income from the site via rental income and business rates (and any potential replacement to this property tax) as a preferred approach.
 - To retain some long term asset interest / or receive an appropriate capital receipt for some or all of the site to achieve other highlighted objectives where they outweigh a long term income stream.
 - Improving general infrastructure to ensure sustainable growth on the estate.

Proposals – Next Steps

5.15 There are a range of aspirations for the site, and the recent consultation on the development brief highlighted a broad spectrum of wishes for the site. To help achieve a development of the site that meets the vision and objectives included in this paper, there are a variety of steps that are proposed to be taken forward over a range of time periods. These may flex in their timescales due to outside factors, and the nature of a complex development site, but are highlighted to provide a broad overarching view of the future phases.

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6 Other options considered

- 6.1 The Council can continue with a 'do nothing' option of leaving the site as it is and managing leasehold arrangements as they come towards expiry. This has been discounted as it does not support the Council Strategy objectives and the infrastructure on the site will continue to deteriorate.
- 6.2 Redevelopment could be delivered by a 'comprehensive approach' as set out in this report. The comprehensive approach requires the Council to acquire all interests on the estate to create one large redevelopment site. This would require an enormous upfront financial outlay, either via borrowings or in partnership, and where the potential enhanced financial rewards are marginal compared to a phased redevelopment. Similarly the comprehensive approach is not only more challenging to deliver but where the risks to the Council are greatly increased. For these reasons the comprehensive approach to redevelopment has been discounted.

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6.3 The Council has the option to put the site on the market and seek a sale and capital receipt. This has been discounted at present as it would be unlikely to achieve the Council Strategy objectives, and the current market would is very uncertain for potential investors in the site.

7 Conclusion

7.1 For the Executive to consider the report and the recommendations included in order to progress the development of a key site that is part of the delivery of the Council Strategy.

8 Appendices

8.1 None

Background Papers:

September 2020 Executive report

November 2020 Executive report

Subject to Call-In:

Yes: No:

The item is due to be referred to Council for final approval

Delays in implementation could have serious financial implications for the Council

Delays in implementation could compromise the Council's position

Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months

Item is Urgent Key Decision

Report is to note only

Document Control

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Change History

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