

Cabinet

21 December 2016



Title	Development in the Borough (Bugle Returns Public House site)		
Purpose of the report	To make a Key Decision		
Report Author	Heather Morgan, Head of Regeneration and Growth		
Cabinet Member	Councillor Ian Harvey	Confidential	No (several confidential appendices)
Corporate Priority	Financial Sustainability		
Recommendations	Cabinet is asked: <ul style="list-style-type: none">• To agree the demolition of the existing building and redevelopment of the front part of the site for residential development• To agree the proposed capital provision of £2.4m for the redevelopment of the front part of the site (including contingencies) over the period January 2017 – 2019• To give delegated authority to the Group Head of Regeneration and Growth (in consultation with the Leader as Cabinet Member for Strategic Assets) to agree the actual spend of the budget and to deal with any minor variations (with the agreement of the Deputy Chief Executive responsible for Finance as required)• To give delegated authority to the Group Head of Regeneration and Growth (in consultation with the Leader as Cabinet Member for Strategic Assets) to agree any subsequent minor amendments to the proposals as a result of results of surveys, advice from the Local Planning Authority or other responses.• To note the current position regarding the options for the open land and lakes to the rear of the site and that a subsequent report will come to Cabinet		
Reason for Recommendation	This is a cross cutting development which will help the Council deliver on all four of its key priorities: (1) Housing (developing an existing site for housing) (2) Financial sustainability (use existing assets to obtain ongoing, sustainable revenue streams and capital appreciation) (3) Economic Development (using assets to stimulate the local economy)		

	(4) Clean and Green Environment (robustly protect our Green Belt and provide high quality public spaces)
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1. Key issues

- 1.1 On 21 July 2016, Council approved the Corporate Plan 2016 – 2019 which set out a very clear vision for how we want to move forward as a borough. It focuses on a number of core challenges and how we propose to tackle these. The redevelopment of the Bugle Returns PH and the land to the rear gives the Council an opportunity to demonstrate to the local community how it is going to turn these priorities into firm action.
- 1.2 There is an ever growing need for housing, and the Council is striving to meet the needs of residents in a variety of ways. One way is to look at whether we as a Council can use our existing assets for housing. The Bugle Returns PH was bought early in 2016 expressly for this purpose (as well as resolving a number of very long standing issues which were on considerable concern to the local community and the Council). Any redevelopment will need to respect the designation of the site as green belt in the adopted Local Plan, and ensure the potential for using the rear of the site for recreation is not stymied.
- 1.3 Redevelopment and retention of the site and buildings will ensure the Council is maximising the opportunity to obtain an ongoing, sustainable income stream and holds on to an asset which will appreciate in value over time. There is also scope as part of the process for local architects and construction companies to bid for the work, which (if appointed) will be of benefit to the local economy.
- 1.4 The Position Statement (**confidential Appendix 1**) gives some very useful background including an appraisal which was undertaken on a range of possible redevelopment and refurbishment options.

2. Options analysis and proposal

- 2.1 There are a number of options for the front portion of the site:
 - (a) Redevelopment for residential purposes (**preferred option**)
 - (b) Refurbishment for residential purposes
 - (c) Redevelopment for an alternative use
 - (d) Demolish the building and use the site for recreation/leisure only

Redevelopment for residential
- 2.2 As it evident from the initial information contained in the Position statement, the most realistic option (and that which meets corporate priorities) is a redevelopment for residential accommodation. The location of the existing building at the front of the site means that the most realistic option is a flatted development. Planning constraints (green belt) severely limit the options for development across a wider portion of the site.
- 2.3 **Confidential Appendix 2** includes an indicative plan setting out what a redevelopment could potentially look like (location, footprint, and parking) as

well as elevational details of a similar scheme which may be appropriate response to the site. Cabinet should note that this may not be the final scheme as (as it is subject to the grant of planning permission).

- 2.4 This outline scheme would maximise the opportunity for residential on the site, would provide high quality accommodation to meet current market expectations and provide a strong income stream (see Section 3 – Financial Considerations) below. **This is the preferred option.**

Refurbishment for residential

- 2.5 As a building, the Bugle Returns has some merit and refurbishment was initially considered as a distinct possibility. However there are a number of limitations in terms of configuration, and there has clearly been limited investment in the fabric of the building in recent years. Whilst it would have been feasible, this option would not provide the quality of accommodation that a new build would which is important if the Council decide that the units will to let out at private market rent (with the income being used to help provide more suitable affordable rented accommodation elsewhere in the borough). For these reasons this option is not recommended.

Redevelopment for alternative use

- 2.6 Other options would revolve round a mixed use scheme with retail at the ground floor and residential above. The size of the ground floor unit is unlikely to meet the requirements of a national food operator and it is not in a location where there is perceived local demand. Without a pre-let (which would be challenging) there is the possibility that the unit would lie vacant and not generate income. Whilst a restaurant might be an option, this is unlikely to maximise income and care would need to be taken with the design to ensure the amenity of the flats above was not adversely affected. Neither of these options are recommended.

Demolish existing building and use for recreation only

- 2.7 This option would not maximise the potential of the site bearing in mind the existing building and footprint within the green belt. This option is not recommended.

3. Financial implications

- 3.1 A high level appraisal has been undertaken of the redevelopment proposal (as set out in **confidential appendix 2**) in order to establish (1) the cost of the redevelopment and (2) the revenue income stream from the private rented units once they are complete (**confidential Appendix 3**). Cabinet will note that the scheme is financially viable and achieves an on-going income stream estimated to be £185k per annum (gross). Cabinet are reminded that the cost of borrowing and the acquisition costs will need to be discounted.
- 3.2 A capital budget of £2.4m will need to be set aside for the delivery of this project. This would be financed from borrowing. The capital provision within this financial year is estimated to be c.£50,000 (surveys, plans and planning application), with c £2.25m in 2017/18 and £1.65m in 2018/19 (assuming the build is paid for in staged payments).
- 3.3 There will be an additional cost of c. £21,000 over the lifetime of the project for the expert external resource which is being utilised. This will be absorbed from within existing budgets and no additional revenue is required.

3.4 Cabinet need to be aware that an overage clause was part and parcel of the deal when the Council acquired the site from Trust Inns Ltd. This is now standard in commercial property deals, and the implications for the development moving forward have been fully considered as part of the redevelopment proposal.

4. Other considerations

Land to rear

4.1 The Position Statement (**confidential appendix 1**) set out a number of possible options for the land to the rear (including the lake area). Further expert advice has been sought from another authority familiar with providing 'country park' facilities. These will need to be reviewed and further work done to establish the most realistic options (which are compatible with its designation as green belt, recognise the proximity of a number of residential properties, makes the best use of natural features and provides the 'best fit').

4.2 A separate report will come to Cabinet once these have been developed further. Officers are looking to minimise any budgetary spend and will be focusing on bringing forward only the most likely options (which will be developed to a high level only initially). The commissioned surveys will cover the whole of the site to minimise costs.

4.3 Whilst ideally this report would have dealt with both elements together, there is a greater need to move forward on the residential which is ready to move forward now and will provide much needed residential accommodation and an income stream (once complete). We have therefore 'decoupled' the two elements.

4.4 Cabinet should note there is a Licence to Occupy for an Angling Club for the lakes. This will not directly affect the development at the front of the site. However it does form part of the wider considerations for the land to the rear.

Project resource

4.5 Cabinet should note that the core project team currently comprise officers from assets, housing, leisure and sustainability to ensure that development on the front portion of the site is compatible with the land to the rear, and vice versa. There will be a constant dialogue to ensure that this remains the case. In particular, care will need to be taken to ensure that there is a separate access to the rear of the site (in order to maximise the value of the residential development).

4.6 Advice has been brought in to expedite this redevelopment and these costs are referred to in paragraph 3.3 above. Officers at Spelthorne will maintain oversight of the whole process (meeting key milestones, reviewing budgetary spend) but the detailed management of the process and contractors will be undertaken externally.

Planning

4.7 Sketch proposals are currently being discussed with the Local Planning Authority (as part of the standard pre-application advice process which any applicant can avail themselves of). Alterations and amendment may be required as part of the planning application process. These alterations may reduce or change the floor space and therefore the build cost, as well as the

number and configuration of the units and therefore the income which can be generated as a result.

Possible further amendments to the scheme

- 4.8 It is recommended that delegated authority be given to the Group Head Regeneration and Growth and the Leader (who holds Cabinet responsibility for Strategic Assets) to agree refinements to the scheme as it progresses through the various development phases (including planning). The redevelopment would slow considerably (and the process would become very unwieldy) if changes to the proposal were to have to come back to Cabinet each and every time for a decision.

Procurement, Legal and Other

- 4.9 The timetable below includes the relevant lead in times for procurement (architects and construction company will go through the Councils standard procurement process). Legal Services are assisting as required.
- 4.10 Sustainability issues will be covered as required as part of the development process, and the development will need to meet planning and building regulations requirements in respect of those with disabilities.

5. Timetable for implementation

- 5.1 An indicative timetable for the project is set out in **Appendix 4**. Cabinet should note that this is subject to no adverse findings as a result of various technical surveys (the key ones being ecology and contamination), and to there being no delays in obtaining planning permission. The Leader will be kept updated on any departures from the timetable (along with a reasoned justification).

Background papers:

Appendices:

- 1 Position statement (**confidential**)
- 2 Redevelopment proposals (**confidential**)
- 3 Financial (**confidential**)
- 4 Indicative timetable