

Rother District Council

Report to	-	Cabinet
Date	-	29 July 2019
Report of the	-	Executive Director
Subject	-	Development of Land at Barnhorn Green, Bexhill

Recommendation: It be **RESOLVED:** That:

- 1) £10,000,000 from the approved £35m Property Investment Strategy Capital Programme be allocated for the development of commercial property and a doctors' surgery on land adjacent to Barnhorn Road recently acquired by the Council; and
 - 2) the Executive Director be authorised to:
 - a) develop and submit a detailed planning application for the proposed development;
 - b) procure the works set out in this report and enter into contracts as necessary for the completion of this development; and
 - c) to agree the lease with the local Clinical Commissioning Group, GPs, and the East Sussex Health Care Trust.
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Head of Service: Ben Hook

Lead Cabinet Member: Councillor Oliver

Introduction

1. The purpose of this report is to seek approval to proceed with developing a recently acquired commercial site, and to use £10m of the £35m approved for the Property Investment Strategy.
2. The Council has recently acquired land at Barnhorn Road, Bexhill, forming the commercial allocation of the Barnhorn Green mixed-use scheme (known locally as Rosewood Park) for the sum of £600,000.
3. This acquisition was approved by the Property Investment Panel at their meeting of 25 April 2019 including the likely development costs and associated income that could be expected from the site. The transfer of land was completed on 5 July 2019 and a plan of the site is attached as Appendix 1.

The Site

4. The land measures approximately 1.5 hectares (3.71 acres), and comprises the commercial element of a larger, mixed use 25.5 hectare scheme. The site is of a regular shape, level and has access to an adopted public highway. The site is currently uncultivated grassed fields, with mature hedges, trees and domestic fences along the boundaries. There is one access point to the

site, via a new estate road. The main estate road leads off from Barnhorn Road.

5. Barnhorn Green is a key commercial development allocation in the west of Bexhill, the development of which is identified as a project in the Council's Corporate Plan. Outline Planning permission was granted in 2014 for a mixed-use development made up of employment land, residential, a nursing home, doctors' surgery and a primary school (RR/2012/1978/P). The outline permission allows for up to 3,500sqm of employment floorspace (comprising 2,750sqm of B1(A) office and up to 750sqm of B1(C) light industrial) to be provided, along with a doctors surgery sufficient to accommodate up to 10 GPs.

Commercial Floorspace

6. As part of the Council's Property Investment Strategy, acquisitions of land and property should contribute to the economic development of the District. By acquiring and developing the site, the Council can ensure that it is developed in accordance with planning policy and regeneration objectives, whilst also generating a return on its investment.
7. Based on the Ministry of Housing, Communities and Local Government job density guide, the delivery of 3,500sqm of employment space is expected to generate between 200 and 230 jobs depending on the final use of the buildings.
8. The current outline planning permission allows 2,750sqm of B1(A) office floorspace and 750sqm of B1(C) light industrial floorspace and is valid until November 2019. This mix is currently under review to ensure it meets the requirements of the area as well as the needs of the local market place. Recent activity would suggest that light industrial space is in greater demand than office space.

Doctors' Surgery

9. In addition to commercial units, the development of a doctors' surgery represents an opportunity for the Council, both to facilitate improved local healthcare facilities and to generate a secure income stream for the authority. Following approval for the acquisition of the land the Council has initiated discussions with the existing local surgery, the Clinical Commissioning Group (CCG) and the East Sussex Healthcare Trust to bring a new surgery forward.
10. Discussions with local healthcare providers are currently at early stage and are yet to determine how best to progress this element of the site. However, the development of a new, modern GP facility is necessary to support both the existing population and potential housing growth in the area.

Development Costs

11. As part of the acquisition process, professional advice was commissioned on the likely costs for the development and likely rentals that would be achieved following completion. The following costs were provided:

Construction Costs	Size (sqm)	Cost/sqm	Total
Office Space	2,750	£1,950	£5,362,500
Light Industrial	750	£1,050	£787,500
Doctors Surgery	700	£2,500	£1,750,000
Site Enabling Works	-	-	£450,000
Professional fees (including architects, engineers etc.), surveys, legal costs, and contingency			£1,650,000
			£10,000,000

12. As Members will note, the light industrial space is cheaper to build than the office space and therefore a revision of the mix could see the total development value reduce. However, this is dependent on a revision of the planning allocation and therefore the budget should be set based on the approved scheme.

Income and Finance

13. Upon full completion of the site it is anticipated that combined rental income of the commercial floor space (under the existing approved mix) and doctors' surgery will be in excess of £640,000 gross of voids. The net yield when factoring in borrowing costs and repayments is projected to be in excess of £160,000 per annum.
14. The Council has approved borrowing of £35m for investment under the Property Investment Strategy. The £10m required for this development will be allocated from this Capital Programme item. The additional income generated by this project forms part of the overall financial strategy to reduce the net cost of the Council and achieve a balanced revenue budget. It also contributes to the regeneration strategy for the District, providing jobs and business space.
15. The amount and timing of any borrowing will be subject to the expectations of Public Works Loan Board borrowing rates over the year and the timing of spend. Advice will be taken from the Council's Treasury Management advisors as necessary. Any borrowing will be within the limits set by the Council within its approved Treasury Management Strategy. The effect of the borrowing and its timing will need to be reflected in a future update of the Council's Medium Term Financial Strategy.

Timeline for Delivery

16. Should Cabinet approve the recommendations, officers will begin the procurement of the necessary professional services to bring the scheme forward. It is anticipated that full planning consent will be achieved by March 2020 with enabling works to begin immediately afterward. It is anticipated that the construction works will begin in the summer of 2020 and be complete in early 2022.

Conclusion and Recommendations

17. This project presents the opportunity for the Council to bring forward a scheme that will bring significant benefit to the local community. It will offer

the opportunity for; improved healthcare provision, improved local employment opportunities, and support the delivery of much needed housing in the area.

18. In addition to the economic and social benefits to the area, this scheme will generate much needed additional income into the Council to support services into the future. It will also deliver on Corporate Plan priorities and Local Plan employment floorspace allocations.
19. It is recommended that Cabinet support this scheme and allocate £10m from the Property Investment Strategy Capital Programme provision. It is also recommended that authority be given to the Executive Director to enter into contracts and bring forward planning applications as necessary for the completion of this scheme.

Dr Anthony Leonard
Executive Director

Risk Assessment Statement

The following risks have been identified should the recommendations not be approved:

- The Council has acquired this land as part of the Property Investment Strategy and Corporate Plan (CA02.09) + (CA02.06) with the intention to develop as set out in the report. Should the project not progress then the land will remain undeveloped and be a cost to the Council.
- The much needed expansion in primary healthcare, needed to support the existing population and housing growth in the area, would be at risk if not coming forward and in turn limit the potential for development.

The following risks have been identified should the recommendations be approved:

- Failure to rent/sell the final properties could leave the Council unable to service the debt incurred as part of construction.
- Failure to achieve full planning permission.
- Actual costs for construction following procurement processes could result in higher development costs limiting the return on investment.