

Forest Heath District Council

(This report is not a key decision. This report has been subject to appropriate notice of publication under the Council's Access to Information Rules)

Report of the Cabinet Member for Resources, Governance and Performance

CABINET

28 OCTOBER 2014

CAB14/174

PROPOSED DEVELOPMENT OF 11 INDUSTRIAL UNITS: SAM ALPER COURT, NEWMARKET (Decisions Plan Reference: OCT14/10)

1. Summary and reason for recommendation

- 1.1 This report seeks an 'in principle' approval of the release of capital funding in the region of £1.67million for the construction of circa 11 new industrial units, with associated photovoltaic provisions, at Sam Alper Court, Newmarket. The business case for the proposal can be found at Appendix A (Exempt).
- 1.2 This proposal aims to provide an annual income stream for Forest Heath District Council of up to £111,000 in rent, £21,000 in business rates and £14,000 from PV feed-in tariffs and energy sales, whilst providing an additional 15,000sq.ft of industrial space and aiding economic growth.

2. Recommendation

2.1 That subject to the approval of full Council:

- a) **the business case outlining the proposed development at Sam Alper Court, Newmarket, attached at Appendix A (Exempt), is approved; and**
- b) **£1.67M is allocated from capital reserves to fund the construction of industrial units.**

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3. Strategic Priorities

3.1 The recommendation(s) meet the following Strategic Priorities:

- i Increased opportunities for economic growth
- ii Resilient families and communities that are healthy and active

4. Key issues

Background

- 4.1 Sam Alper Court is located in the main industrial area of Newmarket, situated at the northern end of Depot Road. The site is accessed from Exning Road and covers approximately 1.56 acres, upon which 6 industrial units of 1,341sq.ft each currently sit (covering 0.23 acres). 0.65 acres of the remaining land is currently let for car parking purposes. Approximately 1.3 acres are therefore currently capable of taking further development.
- 4.2 Constructing additional commercial units, each incorporating photovoltaic (PV) installations, on this site has various potential benefits, including the following:
- Increased rental income (revenue) of up to £111,000 pa
 - Increased investment value of the site by up to £1.55 million
 - Increased supply of commercial space available to local businesses by circa 15,000sq.ft
 - Increased income from PV feed-in tariffs and energy sales of up to £14,000 pa
 - Assisting economic growth and employment generation – helping attract new businesses to the town
 - Improved aesthetics of the 'court'
 - Increased sense of site security
 - Increased service charge of up to £3,330 pa
 - Increased business rates generation – 40% to be retained by Local Authority (circa £21,000 pa could be achieved from this proposed development)
 - Increased public backing (provided the units let well)
- 4.3 It should be noted that the business case is built around the initial concept layout as can be seen at Appendix 2 of the business case. The scheme design is subject to change with respect to outstanding comments requested from Planning and Highways Authorities, which in turn may alter the numerical data contained within. Accordingly the business case should be used for assessing potential benefits of any proposed development against the cost required to construct the same and approving funding to proceed with the project.
- 4.4 As can be seen within the business case at Appendix 1, global, national and regional market reports would appear to describe encouraging market improvements enough to support the development of additional small industrial units at Sam Alper Court in Newmarket. The Council's stock of industrial units in Newmarket remains fully let and there continues to be relatively strong demand.

5. Other options considered

5.1 Various options have been considered in relation to this site, including the following:

- Do nothing
- Proceed with Proposed Development in Current Form
- Design a New Scheme
- Delay the Scheme
- Sell Site as Existing
- Sell Part of the Site
- Sell Site with Full Planning Permission
- Develop the Site with a Third Party (JV)

Having fully considered the options above, it is recommended to proceed with the proposed development in principle, as set out as a guide in the outline scheme design subject to formal planning and highways input.

6. Community Impact

6.1 **Crime and disorder impact** *(including Section 17 of the Crime and Disorder Act 1998)*

6.1.1 None.

6.2 **Diversity and equality impact** *(including the findings of the Equality Impact Assessment)*

6.2.1 There are no human rights and diversity implications contained within this report.

6.3 **Sustainability impact** *(including completing a Sustainability Impact Assessment)*

6.3.1 New industrial units will be designed and constructed to the latest Building Regulation requirements which will ensure the buildings meet higher standards of energy efficiency. The use of Photo Voltaic (PV) panels on the roofs of the units to generate electricity will also be investigated but will be subject to a separate business case.

6.4 **Other impact** *(any other impacts affecting this report)*

6.4.1 None.

7. Consultation

7.1 In preparing this procedure we have consulted the Local Planning Authority and the Highway Authority to gain officer opinion in principle. A detailed review is still to be carried out but the principle of development is accepted given the already industrial nature of the site.

8. Financial and resource implication

- 8.1 The allocation of £1.67million of funds are being sought to develop the proposed scheme. It is projected that the enhanced capital value of the site would be in the region of £1.55million, whilst a further £350,000 of PV related revenue is projected over 25 years. Assuming continuing positive market factors and a relatively problem-free construction process, the capital value also has scope to increase in time. The scheme is also likely to produce a rise in business rates receipts, whilst the service charges proposed should cover the annual site maintenance costs.

9. Risks

Risk Area	Inherent Level of Risk (before controls)	Controls	Residual Risk (after controls)
There is a risk that the budget is under-estimated and the project overruns on costs.	Medium	Review, challenge and negotiate cost estimates. Ensure a thorough procurement process for the build element.	Low
There is potential for the project to overrun on time as estimated in the above schedule.	High	Simultaneously work on design development and planning application preparation along with other elements capable of happening simultaneously. Ensure fixed price build contracts by tender to fix cost regardless of time.	Medium
There may be a change in the market climate between seeking approval to proceed with the development and completion of construction.	High	Regularly review and assess professional market reports and indicators and amend projections accordingly.	Medium
There is a risk that a major unforeseen issue may occur during the project build/pre-build process.	High	Carry out thorough pre-construction site investigations and monitor the process for any anomalies.	Medium
The Local Planning Authority or Highway Authority may object to the number of units proposed or indeed the principle of development.	Medium/High	Implement thorough pre-application discussions with the relevant Authorities, covering various iterations and obtain officer support for the scheme accordingly.	Medium
The PV panel installations may not achieve the projected level of returns with respect to changes in feed-in tariffs.	Medium	This risk is largely outside of the control of the Authority - feed-in tariffs are centrally set.	Medium

10. Legal and policy implications

- 10.1 None.

11. Ward(s) affected

- 11.1 Severals.

12. Background papers

12.1 None.

13. Documents attached

Appendix A (Exempt) – Business Case: Sam Alper Court, Newmarket