

CABINET

2 December 2015

THE OVERVIEW & SCRUTINY COMMITTEE

7 DECEMBER 2015

UPDATE ON CREATIVE ENTERPRISE CENTRE, STREET CARE DEPOT AND STORAGE PREMISES, WINCHESTER

REPORT OF HEAD OF ESTATES

Contact Officer: Kevin Warren Tel No: 01962 848528

RECENT REFERENCES:

CAB 2658 Enterprise Centre, Street Care Depot and Storage Premises, Winchester – 11 February 2015

PER 276 Building Resilience in the Streetcare and Drainage Engineering Teams – 29 September 2015

EXECUTIVE SUMMARY:

The report updates Members on progress with the development of an Enterprise Centre for the Creative Industries; provision of a replacement depot for the Streetcare Team, and replacement storage premises to enable the museum store at the former Bar End Depot to be relocated to F2 on the Bar End Industrial Estate where the rest of the museums reserve collection is already held.

RECOMMENDATIONS:

To Cabinet

- 1 That the proposed development of the former Goods Shed and yard, Barfield Close, Winchester, into a Creative Enterprise Centre and depot for the combined Drainage and Streetcare Team be approved;
- 2 That the proposed development of three new industrial units at Matley's Yard, with two units to be used for corporate storage and one to be let on terms to be agreed by the Head of Estates, be approved.
- 3 That the Head of Estates be authorised to carry out stabilising works to the bank which forms the boundary between Matley's Yard and Rack Hill open space, in accordance with advice to be provided by a structural engineer.
- 4 That the Head of Estates be authorised to submit planning and other applications for change of use and works as may be required to secure the development of the property for the uses detailed in the Report.
- 5 That the principle of letting the new Creative Enterprise Centre to the University of Winchester on terms to be agreed by the Head of Estates be approved.
- 6 That, at an appropriate point in the development of the Creative Enterprise Centre, notice to quit be served on the artist tenants at Matley's Yard, and that these tenants be offered new studios at the new Creative Enterprise Centre on terms to be agreed by the Head of Estates, in consultation with the University of Winchester.
- 7 That, following the completion of the new Streetcare Depot, the combined Drainage and Streetcare Team be relocated there from the former Depot at Bar End.
- 8 Following completion of the industrial units at Matley's Yard, the contents of the Council's corporate storage facility at F2 on Bar End Industrial Estate be relocated to the two new units to be used for Council Storage.
- 9 That, following the vacation of the storage space at F2, the remaining artefacts stored at the former Bar End Depot be relocated to F2 where the rest of the museums reserve collection is already held, and that the premises be fully let to the Hampshire Cultural Trust.
- 10 That the grant payable to Hampshire Cultural Trust be adjusted once it is fully occupying F2, and the consequential savings in rates be vired towards operating costs of the new Council storage units at Matley's Yard, and the new Streetcare depot, as detailed in the report.
- 11 Pending the redevelopment of the site of the former Bar End Depot, the Head of Estates be authorised to secure such short term lettings of the premises as

can be achieved to help defray the cost of holding the site.

- 12 The Head of Estates be authorised to appoint such consultants as are required to progress the development of the sites and to undertake the design of the bank stabilisation works in accordance with Contract Procedure Rule 9.2 (obtaining quotations/tenders).
- 13 That the building work to be managed under a Construction Management process, with the construction works being let as a single project with appropriate package contractors appointed, and the Head of Estates be authorised to procure a construction manager and package contractors.
- 14 That, prior to the commencement of construction works, a building agreement and agreement for lease be entered into with the University of Winchester on terms to be agreed by the Head of Estates in consultation with the Head of Legal and Democratic Services and the Chief Finance Officer.
- 15 That the cost of the works to stabilise the cliff face between Rack Hill and Matley's Yard be met from the Asset Management Plan budget and vired to the open space budget.
- 16 The Head of Estates be given delegated powers to approve any wayleaves or easements required by the public utilities to provide their services to the sites detailed in the report.
- 17 That Cabinet recommend to Council:
 - (i) That authority be given under Financial Procedure Rule 6.4 to incur the Capital Expenditure for the scheme of up to £2.29m of which £1.45m will be unfinanced.
 - (ii) That in accordance with Financial Procedure Rule 7.2 a supplementary capital estimate of up to £590,000, of which £450,000 will be unfinanced, be approved.

To The Overview & Scrutiny Committee:

- 18 That the Committee decides whether it wishes to exercise its powers of call in, or to make any comments or recommendations to the Portfolio Holder, or if of significance to Council.

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REPORT OF HEAD OF ESTATES

DETAIL:

1 Introduction

1.1 At its meeting of 11 February 2015, Cabinet authorised taking a surrender of the lease of the former goods shed and yard at Barfield Close from TJ Waste and EMR with effect from 28 February 2015.

1.2 Amongst other things, Cabinet also approved:

- Further investigation into redeveloping the former goods shed into an enterprise centre for the relocation of the visual art facility currently at Matley's Yard, to foster small creative businesses and to the development of a number of light industrial units in the former goods yard for letting on flexible terms.
- The principle of developing a small depot for the Streetcare Team (which will by then be amalgamated with the Drainage Team) and a pest control store, in an extension of the former goods shed, enabling their relocation from the former Bar End Depot to be further investigated.
- The principle of demolishing the three existing Matley's Yard industrial units, and the investigation of their replacement with three modern units.
- The principle of using two new units at Matley's Yard for corporate storage - including an election store – which would enable these items to be relocated from the existing storage facility at F2 in Bar End.
- The appointment of consulting engineers to advise on the cost, extent and design of works necessary to stabilise the cliff face at Rack Hill.
- The principle of funding the Enterprise Centre and small light industrial units using Prudential Borrowing, subject to a financial appraisal

confirming that the proposals (excluding the Rack Hill works) would meet the Council's required value for money and prudential code criteria.

- 1.3 The Head of Environmental Protection raised a number of queries regarding the potential contamination of the Goods Shed site, and the tenants were unable to satisfactorily resolve these concerns without undertaking further detailed site investigation work. Consequently, completion of the lease surrender was delayed until 9 October 2015.

2 Current Position

- 2.1 Following completion of the surrender, cost consultants were appointed to prepare preliminary budget cost estimates for:
- the demolition and rebuilding of the premises at Matley's Yard;
 - the creation of a depot for the Drainage and Streetcare Team; and
 - the refurbishment of the former goods shed and the construction of new small industrial units in the yard for combined use as a Creative Enterprise Centre.
- 2.2 The preliminary cost estimates are set out in Exempt Appendix B. Appraisals for each of the three development options have been prepared.
- 2.3 As proposed in the previous Cabinet report, discussions have been held with both the University of Winchester and the University of Southampton's Winchester School of Art to identify whether it would be possible to involve them in supporting the development of an Enterprise Centre based around the Creative Industries. The School of Art have confirmed that they will partly fund two studio spaces for their graduates. The School will also work with the Matley's Yard artists and the University of Winchester to determine how other graduates from the School of Art might benefit from the Centre.
- 2.4 The University of Winchester have requested terms for the lease of the entire premises, for the purposes of operating a Creative Enterprise Centre. Indicative lease terms were submitted and considered by the University SMT at a meeting on 16 November 2015. The University have confirmed their agreement in principle to the proposed lease, subject to detailed arrangements being agreed. The University have confirmed that they will prepare a Memorandum of Understanding between the parties to reflect this agreement.
- 2.5 The terms of the proposed Building Agreement and lease are set out in Exempt Appendix C. The terms propose that the Council undertakes the refurbishment of the former Goods Shed to accommodate the artists currently situated at Matley's Yard on a mezzanine floor. Offices on the ground floor would be suitable for other creative practices and individuals working in industries such as design (software, graphic, fashion etc), music and film,

architecture, publishing etc, and requiring an office base. At one end of the building, a workshop could be constructed to provide a multi-use space which may be used, for example, for painting scenery for stage productions.

2.6 In the yard, the Council would construct three industrial units which it is proposed might be used for performing arts purposes, e.g:

- A dance/movement studio
- rehearsal space
- A recording studio/music rehearsal space.

The space would be let on terms which would allow students, graduates from either university or existing small businesses to develop their business proposals in a secure, modern, well managed environment where they can gain help and advice in developing their business ideas.

2.7 Following the completion of the works, if requested to do so by the University of Winchester, the contractors employed by the Council could be further engaged to fit out the premises ready for occupation by the tenant. This further work might be carried out at the expense of the University, or at the Council's expense, subject to the full recovery of costs by way of an additional rent which reflected the capital employed and an appropriate return on investment.

2.8 In the event that the University did wish the Council to fund the fitting out works, this would be subject to the agreement of terms and a further report to Cabinet.

2.9 The terms propose a lease:

- for a term of twenty years with a tenant break at the end of the fifteenth year of the term;
- at a rent exclusive of rates and all other outgoings plus VAT;
- with upward only rent reviews at the end of every fifth year of the term.

It provides for:

- the tenant to insure the premises;
- the tenant to keep the interior and exterior of the premises in good repair and condition;
- the tenant to sub-let the first floor of the former goods shed to the artists currently based at Matley's Yard;

- the premises to be used for the purposes of a small business centre for the use of the creative industries and educational purposes associated with the development of the creative industries, such uses not to be illegal, immoral or offensive. These uses to include rehearsal, production, education/training, display and creation activity as well as some storage related to day to day activities within the building. The landlord's decision to be final in that respect. The premises are not to be used for residential purposes and overnight sleeping is not permitted.
- the premises may be used for such other purposes as are expressly approved by the Council.

3 Consultation

- 3.1 Extensive consultation has been undertaken with the School of Art, University of Winchester and current tenants at Matley's Yard (known as "The Yard"). The proposed centre was the subject of a special meeting of the Cultural Leadership Group in March this year, at which representatives of The Yard, Live Theatre Winchester Trust, Platform 4 Theatre and other organisations shared their views about the organisation and fit-out of the proposed centre.
- 3.2 A number of conversations have already taken place with Art Council England (ACE) South West, and officers there are supportive of the proposal for a Creative Enterprise Centre. Further work is now beginning on suitable grants available from ACE, although based on initial conversations these are more likely to be for professional development or education work than for capital costs.
- 3.3 On Monday 16 November, three groups consisting of creative practitioners who may be interested in taking space at the Centre and representative of local professional networks visited the goods shed site. This followed a visit on Tuesday 10 November for artists currently based at Matley's Yard. Participants on both occasions offered helpful feedback, in relation to facilities, selection of tenants and other practicalities. Inevitably, it will be impossible to provide the best facilities for all types creative practices, but follow-up surveys are now in hand to ensure that the optimum combination of facilities for the size of the development can be established.
- 3.4 The University of Winchester is also planning to carry out its own consultation with potential tenants and hirers, and has been provided with notes of these visits to help shape its views about the facility mix and fit-out requirements.

4 STREET CARE DEPOT

- 4.1 The Street Care Team are currently occupying space in the former Bar End Depot. The Team and the Pest Control store need to be relocated from the former Bar End Depot to enable the site to be redeveloped. Since the report in February 2015, the Street Care Team has been expanded to include two engineering posts and these staff will in future be based at the new depot.

4.2 The Streetcare Team will pay a rent (by way of internal recharge) for the new accommodation together with the cost of utilities, rates and any other occupational charges. On the basis of current estimates, the rent for the new accommodation will be £25,000 p.a.x, but the final figure will depend upon the extent of the floor space provided. There is an allowance of £40,000 a year built into the baseline budget for operating costs for the Streetcare Depot. Based on running costs of approximately £29,000 per annum it is estimated that this proposal will produce a revenue budget saving of £11,000 per annum against the current budget of £40,000 per annum.

4.3 Following the completion of the new Streetcare Depot, the Team and Pest Control will have to relocate their equipment from the old premises to the new.

5 MATLEY'S YARD STORAGE

5.1 The Council's storage is currently situated in leasehold premises at F2 Bar End Industrial Estate. The property rent is £54,000 p.a.x and 1/3 of this rent is attributable to the space used for Council storage. The rent payable on the new premises (by way of internal recharge) will depend upon the extent of the floor space provided however assuming that a mezzanine floor is installed in both of the buildings, a rent of £30,650 p.a.x will be applicable to the building. Based on running costs of approximately £18,000 per annum it is estimated that this proposal will produce a revenue budget saving of approximately £31,000 per annum.

5.2 Following the completion of the new units the items stored at F2 will be transferred to the new accommodation. The new small industrial unit will be offered for letting in the open market to an appropriate tenant. If the current tenant wishes to take a lease of the new unit, they should be given the opportunity to take a lease at the market value.

6 MUSEUMS STORE

6.1 Following the vacation of F2 it will be possible to relocate the artefacts in the current store on the former Bar End Depot site. The artefacts have already been reviewed to minimise the volume of material to be relocated. The remaining materials will be transferred to F2 and the whole building will then be occupied by Hampshire Cultural Trust.

6.2 There is a one off budget of £75,000 available for relocating the occupiers to their new locations.

7 WORKS TO RACK HILL

7.1 The boundary between Rack Hill and Matley's Yard (which is accessed off Wharf Hill, Winchester), comprises a vertical chalk cliff face. There are a number of trees at the top of the bank and the cliff face is unstable. There has already been one collapse when a tree in the bank fell into the Yard below bringing loose chalk down with it.

- 7.2 Rack Hill is an area of open space and Engineering advice has been obtained which confirms that bank stabilisation works need to be undertaken. It is proposed to appoint a structural engineer to design a scheme of work to stabilise the cliff face. This work does not form part of the construction projects detailed in the report, but can be most cost-effectively procured as part of the ground works. It is estimated that the bank works will cost between £35-50,000 to complete and will be funded from the Asset Management Plan revenue budget for 2015/16.

8 NEXT STEPS

- 8.1 The appointment of an Architect is progressing with quotes being sought from five practices. The Architect will develop the initial sketch proposals and liaise with the Development Management Team to ensure that an application will proceed smoothly through the planning process. Consultation over the proposals will be undertaken with neighbours, the University and the Cost Consultants to ensure that a commercially viable scheme can be delivered which sits comfortably with the local environment. With regard to the residents of the properties in Wharf Hill adjoining the site, the possibility of forming pedestrian rear access to their dwellings will be explored with them.
- 8.2 Further work will be undertaken with the Streetcare and Pest Control Teams to finalise their requirements and form these into a brief for the Architects, along with details of the specification for the new storage premises.
- 8.3 The terms for the letting of the Creative Enterprise Centre to the University will be further refined with a view to entering into a building agreement and agreement for lease for the proposed development. A commencement of work on site will be conditional upon the completion of the building agreement and agreement for lease with the University, and the grant of planning permission for the development works.

9 CONCLUSION

- 9.1 The Council has for many years sought to provide support for the development of small businesses in the City. The Council has also had a desire to see creative industries develop and flourish both for the economic benefits this brings and to support the two Universities based here.
- 9.2 By working in collaboration with the University of Winchester it will be possible to develop a facility in which small and emerging creative businesses can develop. By using the strengths of the two organisations together, it is possible to create the financial conditions which will enable the City Council to provide the investment necessary to deliver the project without subsidy.
- 9.3 This project will provide new freehold accommodation for the storage of election equipment, furniture and records, a new depot for the Streetcare and Pest Control teams, allow archaeological storage for the Cultural Trust to be centralised, release a significant prominent site for redevelopment and begin

to extend Winchester's influence as a centre of excellence for creative industries into the world of art and performing arts.

10 FORMER BAR END DEPOT SITE

- 10.1 Following the completion of all of the accommodation moves, it will be possible to progress the redevelopment of the former depot site. By securing vacant possession of the site, it is possible to begin to unlock the value within this prime site. While development options are considered, the Council will continue to incur rates on the site which are currently £79,496.25 a year. Once the site is developed and let, the Council's obligation to pay the rates will cease.
- 10.2 Pending the redevelopment of the site, authority is sought to let the accommodation on terms to be approved by the Head of Estates, to help defray the costs of holding the property.
- 10.3 If Members decide to proceed with the development of a new leisure centre on land at the rear of the running track, this will require an access through the former depot site. Any development of the former depot site will need to deal with contamination arising from the previous industrial use of the land. A separate report will be prepared in future dealing with the options for developing the land.

11 FINANCIAL PROCEDURE RULES

- 11.1 Under Financial Procedure Rule 6.4, for capital expenditure schemes in excess of £100,000 a full financial appraisal must be completed. This has been done based on the Valuation Appraisal information at Exempt Appendix D and the summary results are provided in Exempt Appendix E and interpreted in the Resources section below.
- 11.2 The development of any scheme seeking to deliver accommodation to be occupied by new small businesses is always difficult, because the risk of failure of a new business is significantly higher than with an established company. Consequently, the direct return from the investment will be modest; however, by working with the University, the appraisals do demonstrate that a scheme to deliver facilities where small business can take root and grow can be achieved without subsidy. The implementation of the developments outlined in the report will enable the former Depot site on Bar End Road to be developed and unlock the latent value which exists in such a well located site.

OTHER CONSIDERATIONS:

12 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 12.1 The project is relevant to the Active Communities, Prosperous Communities, High Quality Environment and Efficient and Effective Council themes. It is hoped that the project will help grow and establish Creative Industries in the City. The project will make use of existing Council owned property, improve or

redevelop it to modern standards and release a key site for further development.

13 RESOURCE IMPLICATIONS:

13.1 The project will be managed by the Head of Estates and will require input from University of Winchester, Streetcare, Pest Control, Facilities Management, Legal, Finance, Building and Planning Control and Major Projects teams. The construction works will be run with a team of consultants appointed for the purpose.

13.2 Revenue budget savings of approximately £42,000 per annum have been identified in 4.2 & 5.1 above.

14 RISK MANAGEMENT ISSUES

14.1 The risk management issues for this project are set out at Appendix A

BACKGROUND DOCUMENTS:

Winchester Workspace Demand Study – July 2013

Working Space for All 1 October 2013

Consultation responses -Creative Enterprise Centre Site Visits by Creative Practitioners Summary of Visits

APPENDICES:

APPENDIX A:- Risk Register

APPENDIX B :- Project Cost Assessments (Exempt)

APPENDIX C :- Proposed terms for lease to University of Winchester (Exempt)

APPENDIX D:- Valuation Appraisals and Financial report (Exempt)

APPENDIX E:- Financial Appraisal of Scheme (Exempt)

Risk ID	Description of Risk <i>please state the cause, effect and impact of this risk</i>	Owner	Risk Scoring		Overall Score
			Impact	Probability	
01	There is the risk that the University will not proceed with the lease of the Creative Enterprise Centre	Kevin Warren	3	2	6
02	There is a risk that graduates from the City based Universities will leave the area to find suitable accommodation to enable them to set up new businesses with the attendant loss of economic growth in the District	Kevin Warren Kate Cloud	4	1	4
03	There is a risk that it will not be possible to redevelop the former Bar End Depot site, while it remains occupied by Streetcare, Pest Control and the Trust.	Kevin Warren	4	1	4
04	There is a risk that the development of the Creative Enterprise Centre, Depot and Storage accommodation will be too expensive and therefore unviable for the Council	Kevin Warren Corporate Property Surveyor	4	1	4
05	There is a risk that contamination within the sites may make the development prohibitively expensive	Kevin Warren Amanda Dennis	4	1	4
06	There is a risk that the supply of electricity to the site is not sufficient for the proposed development	Kevin Warren Corporate Property Surveyor	4	1	4
07	There is a risk that objections may be received to the planning application	Kevin Warren	2	2	4
08	There is a risk that the cost of the project may exceed the budget	Kevin Warren Corporate Property Surveyor	2	2	4

09	There is a risk of adverse publicity	Kevin Warren Eloise Appleby Martin O'Neil	2	2	4
10	There is a risk that planning conditions may limit the types of uses permitted on the site	Kevin Warren Development Management	2	2	4
11	There is a risk that the end product does not meet the needs of stakeholders	Kevin Warren Eloise Appleby	2	2	4
12	The risk is that the university may refuse to complete the lease until such time as the right of way crossing the site has been formally extinguished.	Kevin Warren Mia Scott	2	1	2
13	There is a risk that the remediation works to Rack Hill may go over budget	Kevin Warren Head of Landscapae and Open Spaces	2	2	4