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Appendix A to this report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972

Report to: **Executive**

Date: **11th March 2021**

Title: **Commercial Units, Batson Creek, Salcombe**

Portfolio Area: **Enterprise, Cllr Hilary Bastone**

Wards Affected: **Salcombe**

Urgent Decision: **Y** Approval and clearance obtained: **Y**

Author: **Dan Field** Role: **Project Manager, Senior Specialist (Assets)**

Contact: **Email: Dan.Field@swdevon.gov.uk**

Recommendations:

That the Executive recommends to Council to:

- 1. Approve proceeding with the construction of the five new commercial units at Batson Creek, Salcombe in accordance with the existing planning approval 1505/19/FUL),**
- 2. Approve the revised business case as set out within Exempt Appendix A of this report, increasing the capital project budget from £1m to £1.28m.**
- 3. Approve proceeding with awarding the construction contract as set out within Exempt Appendix A of this report.**
- 4. Approve proceeding with the delivery of the new substation and 1MW transformer through Western Power Distribution.**
- 5. Finance the project through internal borrowing, in the form of a 50 year loan of up to £780,000 at a fixed interest rate of 1.5%, to fund the construction. The remainder to be funded through capital receipts, as previously approved.**

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1. Executive summary

- 1.1 The purpose of this report is to provide the Executive with a project update and to seek approval of the corresponding recommendations.
- 1.2 Increasing property prices in Salcombe have contributed to a decline in the availability of waterfront commercial workspace for small and medium sized enterprises, which are vital to supporting the local marine industry.
- 1.3 This has forced businesses to either move away from the central waterside locations, operate from commercial vehicles, or delay upscaling ambitions.
- 1.4 The delivery of five new commercial units will begin to address these issues and ensure that Salcombe remains a sustainable and viable coastal community for future generations.
- 1.5 Following completion of the recent tender evaluation the recommendation remains to deliver the five new commercial units in accordance with the current planning permission (1505/19/FUL).
- 1.6 The project cost of up to £1.28m would be delivered through a combination of capital receipts and internal borrowing. It is proposed that internal borrowing is at rate of 1.5% which represents the most economically advantageous rate that the council can offer to support the delivery of this important project.
- 1.7 The revised business case is presented in **Exempt Appendix A**. Although the yield is low, the business case still ensures that all debts are covered and a small amount retained to account for ongoing maintenance responsibilities.
- 1.8 The recommendation therefore remains to proceed with delivering the five new commercial units with acknowledgement that the development will contribute to boosting the rural economy through investment in the UK's marine and maritime sector, prevent jobs and local skills from becoming 'at risk'.
- 1.9 The business units would create a home for ~10 jobs and provide a £3.6m boost to the local economy during the construction phase. It is also entirely aligned to the recommendations in the LEP Coastal Productivity Plan to protect and enhance coastal communities.
- 1.10 Approval of the revised business case will ensure that the project can be managed correctly, with appropriate consideration of risk, and the new units delivered on time, budget and to the expected quality standards.

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- 1.11 Subject to Executive approval the revised business case would be presented for Full Council approval on the 25th March 2021. This will enable the borrowing to be agreed and the project to proceed in time to commence construction in September 2021. This report should be read in conjunction with the separate Executive report titled: Harbour Depot, Batson Creek, Salcombe which is also being presented at this Executive meeting.

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2. Background

- 2.1 The need for the delivery of new commercial units in Salcombe was first identified in 2013.
- 2.2 Increasing property prices have contributed to a decline in the availability of waterfront commercial workspace for small and medium sized enterprises, which are vital to supporting the local marine industry.
- 2.3 In 2017 Salcombe was identified as having the highest seaside property prices in the UK (www.propertywire.com/news/uk/salcombe-uks-highest-seaside-town-property-prices-biggest-rise-broadstairs/).
- 2.4 This has forced businesses to either move away from the central waterside locations, operate from commercial vehicles, or delay upscaling ambitions.
- 2.5 This market failure has resulted in South Hams District Council (SHDC) submitting two successful planning permissions (2017 and 2019).
- 2.6 The proposal is to construct five new commercial units on a parcel of SHDC owned site, located to the west of Gould Road and opposite the entrance to SHDC's Batson Creek car park (TQ8 8DU).



Figure 2.1: Site Location

- 2.7 The site is currently used for boat trailer storage, coach parking and recycling facilities and can be accessed by turning left off Gould Road.

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- 2.8 The existing site area is 2100m², partly gravelled and partly tarmac, and is currently used by the Salcombe Harbour Authority for boat trailer storage. The site is fenced off from Gould Road by a 1.6m high timber panel fence.



Figure 2.2: Current Trailer Park & Proposed Site

- 2.9 This location complements the surrounding environment which already supports a number of marine related businesses. The Kingsbridge Estuary is home to a thriving marine industry which is an important contributor to the local economy. The project will contribute towards the positive development of an important marine hub and is supported by a wide range of key stakeholders and end users.
- 2.10 In 2019 SHDC gained planning permission (1505/19/FUL) for the construction of the five new commercial units. The internal area of the new units varies between 60m² and 65m² and are acceptable for B1(b) light industrial, B2 General Industrial and B8 Storage and Distribution use classes only as defined by the Town and Country Planning Use Class Order 1997.
- 2.11 The approved site layout is included in **Appendix B**.
- 2.12 An overview of the latest procurement timetable is presented below:
- **February 2017:** SHDC gained planning permission (1505/19/FUL) for the construction of seven new units. Unfortunately, the number of units had to be reduced from seven to five, as part of the revised planning permission (July 2019), to address concerns over the scale of development and to also ensure that the function of the site as a boat trailer park, is retained, albeit in a reduced capacity.

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- **March 2019:** SHDC commenced use of the SCAPE minor buildings framework to progress the project through the feasibility, planning and pre construction stages.
- **July 2019** SHDC gained planning permission (1505/19/FUL) for the construction of five new units.
- **Early 2020** In consultation with SLT it was agreed to not commit to the SCAPE Gateway 5 costs and to instead undertake a further competitive tendering exercise. The project team believed that this would achieve better value and that whilst not necessarily the preferred route, would help to attract interest from smaller, local contractors. This could be considered even more relevant in response to COVID.
- **March 2020:** SHDC appointed AECOM to provide the team with Project Management and Quantity Surveying support through to on site completion.
- **December 2020:** Tender documentation was issued in accordance with the South Hams and West Devon's joint Contract Procured Rules (2014).
- **February 2021:** Tender submissions received.

2.13 Refer to Section 4 of this report for further information regarding the current expenditure and business case.

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3. Outcomes/outputs

- 3.1 Salcombe has small but well established marine sector, which needs new facilities as the old ones become re-purposed around the tourism industry. Batson Fish Quay, located in close proximity to the new units, provides the platform for the commercial fishing industry with much of the crab landed each amount of evcyear being exported across the world.
- 3.2 The project will begin to address these existing issues which are holding back the productivity of small and medium enterprises and is therefore vital in enabling the area to diversify and continue to thrive as a marine hub.
- 3.3 It is important that Salcombe remains a sustainable and viable coastal community for future generations and any further decline in waterfront space will put jobs and local skills at risk.
- 3.4 The business units will create new job opportunities as businesses expand or move into the area. Businesses in these types of units vary in the number of employees they have, from one man bands, to 3-4 depending on the nature of the business. It would be reasonable to estimate that around 10 jobs will be secured within the premises once they are occupied.
- 3.5 During the construction phase, a significant amount of economic activity will occur in the locality. The contractor is regional and will use local supply chains where appropriate and it is estimated that the total construction spend has a local multiplier effect of 2.84 to the local economy whilst works are on site. This would equate to a £3.6m boost during 2021/2022.
- 3.6 South Hams District Council (SHDC) gained planning permission for the development in July 2019 (Ref 1505/19/FUL). This permission supersedes a previous permission gained, also gained by SHDC, in February 2017 (0784/16/FUL) for the construction of seven new units on the same development site.
- 3.7 The 2019 approved scheme comprises the construction of five new commercial units in Salcombe, Devon and includes:
 - **Five Commercial Units:** the internal area of each unit will vary between 60m² and 65m² and be acceptable for B1(b) light industrial, B2 General Industrial and B8 Storage and Distribution use classes only as defined by the Town and Country Planning Use Class Order 1997.
 - **Off street parking:** two dedicated parking spaces will be provided per unit in addition to a designated disabled bay.
 - **Vehicle turning area:** located in the north of the development area and incorporated following consultation with Devon County Council (local highway authority). The

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turning area will facilitate access and egress for large delivery vehicles and therefore minimise impact on the surrounding network.

- **Boat trailer storage:** this area will compensate for the loss of the current trailer storage facility and will be handed over to the Salcombe Harbour Authority following completion.
- **Service Infrastructure:** the project requires the installation of a new electricity substation and transformer due to the limited existing network capacity. The substation has been sized to consider the demand requirement of both the new commercial units, the separate Harbour Depot (which forms a separate Executive report) and residual capacity to support any further aspirations.
- **Service Continuity:** Delivery of a new oil disposal facility and recycling lay down area, to location identified to the North of the development area, to compensate important existing provisions.
- **Removal of Attendants Hut:** Demolition of the redundant attendants hut, located opposite the site at the entrance to the boat park. This will help to improve access and visibility.

- 3.8 Following completion SHDC will own and rent the units, at market rate, through a competitive tender process. The letting and ongoing facility management will become the responsibility of SHDC's estates team.
- 3.9 The new units are targeted towards small and medium enterprises involved in supporting Salcombe's marine and maritime sectors.
- 3.10 The delivery of the new units will help to ensure that Salcombe can remain an attractive place to start and grow a business, as well as supporting those businesses already established in the area. There are examples of existing local businesses who have international recognition and wish to expand but are unable to do so. The creation of new and affordable units is therefore a key project outcome necessary to both satisfy the requirements of existing businesses as well as promoting entrepreneurship in the ever evolving marine sector.
- 3.11 In the medium term delivery will meet a key output of the Salcombe neighbourhood plan which indicates the need for new affordable year-round employment opportunities and support for

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local businesses associated with the fishing, tourism, marine and associated service industries.

- 3.12 In the long term the delivery of these new units forms an integral part of SHDC's Batson masterplan and will help to retain a local skilled workforce and ensuring Salcombe remains a sustainable coastal community.

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4. Project Finances

- 4.1 The project has a previously approved Capital budget of £1,000,000, as detailed within the Commercial Development Opportunities Executive report on the 13th December 2018 and approved by Full Council on the 17th January 2019.
- 4.2 The previously approved business case was based around Council borrowing of £500,000 from the Public Works Loan Board (PWLB) and the allocation of £500,000 from S106 funding from Land at Torhill Farm, Godwell Lane, Ivybridge (27_57_1347/14/F) to fund the Ermington Employment Units (thereby freeing up £0.5m of capital receipts funding).
- 4.3 The current project expenditure is presented below:

	Expenditure 19/20	Expenditure 20/21 to date	Total Expenditure to date
Total	£64,994	£10,860	£75,854

- 4.4 Tender documentation was issued on the 4th December 2020 through Pro Contract, in accordance with South Hams and West Devon's joint Contract Procured Rules (2014).
- 4.5 Tender submission were received from four contractors on the 6th February 2021.
- 4.6 The returned tender prices range between £800,000 and £1,250,000.
- 4.7 The tender evaluation score was based upon 80% cost and 20% quality.
- 4.8 Completion of the tender evaluation process and consideration of the all cost elements has identified a project shortfall, against the current £1,000,000 approved capital expenditure, of £280,000.
- 4.9 Despite the budget increase, the business case ensures that all debts are covered and a small amount retained to account for ongoing maintenance.
- 4.10 The recommendation therefore remains to proceed with delivering the five new commercial units with acknowledgement that the development will contribute to boosting the rural economy through investment in the UK's marine and maritime sector, prevent jobs and local skills from becoming 'at risk'.
- 4.11 The tender submissions remain commercially sensitive and as such all financial information is included within **Exempt Appendix A.**

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5. Consultation, Support and Funding

- 5.1 The local need for the delivery of new commercial units in Salcombe was first identified in 2013. This has resulted in SHDC submitting two successful planning permissions, over the last seven years. Unfortunately both these schemes have not been delivered due to their financial viability.
- 5.2 In 2017 SHDC commenced work on a Batson masterplan of which the delivery of these new units is a key element. The masterplan has been undertaken in consultation with stakeholders and local representatives with key events taking place in October 2017 and October 2018 respectively.
- 5.3 In 2018 further discussions were held with the local marine traders to ensure there was still demand for new units. This consultation identified that a minimum of eight 60m² units were required to address immediate local demand.
- 5.4 Unfortunately, the number of units had to be reduced from seven to five, as part of the revised planning permission (July 2019), to address concerns over the scale of development and to also ensure that the function of the site as a boat trailer park, is retained, albeit in a reduced capacity.
- 5.5 During the course of 2020 the project team were unfortunately unsuccessful in being able to secure any external funding from the European Regional Development Fund.
- 5.6 The local call for these new units has continued to be expressed to SHDC through the Salcombe Harbour Board which is attended by a range of local stakeholders, including the Salcombe Marine Business Forum.
- 5.7 Please find further supporting statements below:

“Ever since the employment unit project was first mooted, I have been behind the project, in the hopes of providing much needed extra employment space in Salcombe. It’s really good news at last that the project is moving forward.” **Cllr Judy Pearce**

“The provision of new employment units has been talked about for a long time and at last we have the opportunity to provide sustainable and affordable workspace for small local businesses. These are essential to keep our small businesses operating in town, allow them to grow and provide employment where it is needed. The project timing will help the surrounding area to help move on from the impact of Covid.” **Cllr Mark Long**

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6. Options available and consideration of risk

6.1 With consideration of the information presented within this report and **Exempt Appendix A** the options available to the Council are as follows:

Option 1: Do not proceed (NOT THE RECOMMENDED OPTION)

6.2 The decision could be taken by the Council that the additional funding is not justified and as such that the scheme remains unviable.

6.3 This decision would need take into account the following:

- it must be recognised that whilst the yield is low the project aligns well with the "investment in area to support economic growth" and to foster and protect small businesses in Salcombe.
- the significant work that has been undertaken over the last 5 years to try and identify a more viable scheme and external funding opportunities.
- the substation saving that the latest tendering exercise has provided when compared against previously quoted construction prices.
- the impact on the separate harbour office project, presented within a separate report, as the costs associated with the delivery of the new substation and 1MVA transformer which has been quoted by Western Power are currently shared.

6.4 This is not the recommended option as would fail to address the existing market failures and put jobs and local skills, within the marine sector, 'at risk'.

Option 2: Proceed with construction (RECOMMENDED OPTION)

6.5 The decision could be taken by the Council to approve the revised business case and proceed with the project.

6.6 This is the recommended option as the development will contribute to boosting the rural economy, through investment in the UK's marine and maritime sector, and ensure that Salcombe remains a sustainable and viable coastal community for future generations.

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7. Proposed Way Forward

- 7.1 Subject to approval, award the construction contract to the based upon the recommendations of the tender evaluation process.
- 7.2 Commission delivery of the new substation and 1MVA transformer by Western Power Distribution.
- 7.3 Deliver the new commercial units in accordance with the following key project milestones:

Meeting	Date	Critical Milestone
Council	25 th March 2021	Support of Executive
Contract Award	31 st March	Full Council Approval
Start Date	September 2021	
Completion Date	March 2022	

- 7.4 A detailed programme will be identified following contract award and in accordance with NEC form of contract.

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8. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>Statutory powers are provided by the S1 Localism Act 2011 general power of competence. Capital projects on the Capital Programme programme are implemented in line with the Council's legal requirements, which are examined on a project-by-project basis. To date there are no undue legal concerns.</p> <p>Since there is commercially sensitive information in Appendix A regarding the budgets for the projects, there are grounds for the publication of this appendix to be restricted, and considered in exempt session.</p> <p>The public interest has been assessed and it is considered that the public interest will be better served by not disclosing the information in the appendices.</p> <p>Accordingly this report contains exempt Information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972.</p>
Financial implications to include reference to value for money	Y	<p>This report sets out a budget increase requirement from £1m up to £1.28m, although £233k of this is contingency.</p> <p>This is part funded through £500k capital receipts and part through internal borrowing of up to £780k at 1.5% over 50 years. The anticipated rental income is £28,800 per annum.</p>
Risk	Y	<p>All construction projects contain risk. The contingency on this project reflects the ground works and sensitive nature of the site, and has been set at 24% of the construction budget.</p>
Supporting Corporate Strategy	Y	<p>Enterprise</p>
Climate Change - Carbon / Biodiversity Impact	Y	<p>The structure is designed to simple and unheated. However, it will have insulation in excess of that required under building regulations by way of future proofing. The drainage system is complex to</p>

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		ensure than no contamination or pollutants can enter the estuary, which is a SSSI. The cladding will be timber for both aesthetic reasons, and as a sustainable material and carbon store. The orientation of the roof and tree cover adjacent to it means that the building does not lend itself to solar panels.
Comprehensive Impact Assessment Implications		
Equality and Diversity		
Safeguarding		
Community Safety, Crime and Disorder	Y	
Health, Safety and Wellbeing	Y	
Other implications	N	N/A

Supporting Information

Appendices:

Exempt Appendix A – Revised Business Case

Appendix B – Site Location Plan (19/1505/FUL)

Background Papers:

Commercial Development Opportunities Executive report on the 13th December 2018

Full Council on the 17th January 2019.

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed/sign off	Yes
SLT Rep briefed/sign off	Yes
Relevant Heads of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	Yes