



CABINET

7 AUGUST 2018

BRITTON FARM - UPDATE

Portfolio Holder: Councillor Adrian Gulvin, Resources
Report from: Perry Holmes, Chief Legal Officer
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Summary

This report provides an update on the future use of the Britton Farm supermarket premises following the departure of Budgens and subsequent approval by the Council on 19 July 2018 for an addition to the Capital Programme (£850,000) to fund the re-modelling of the Britton Farm supermarket premises to allow it be let as new office accommodation for the Kent and Medway NHS Partnership Trust (KMPT).

1. Budget and Policy Framework

- 1.1 The letting of commercial premises owned by the Council is a matter for Cabinet.
- 1.2 Any additions to the capital programme are a matter for Full Council. Full Council approved the addition of £850,000 to the Capital Programme at its meeting on 19 July 2018.

2. Background

- 2.1 The Britton Farm, supermarket premises as shown edged black on the attached plan (Appendix 1) are owned by Medway Council. The Food Retailer Operations Ltd, trading as Budgens, left the premises due to insolvency in March 2017.
- 2.2 Cabinet at its meeting on 7 February 2017 granted delegated authority to the Chief Legal Officer in consultation with the Portfolio Holder for Resources to let the premises on the best terms reasonably obtainable (decision no. 14/2017 refers).
- 2.3 The Council marketed the premises through Agents to see if a retail tenant could be found.

2.4 At the same time, Officers engaged with public sector bodies locally through the One Public Estate initiative to look at other uses for the premises.

3. Advice and analysis

3.1 The marketing of the building was not immediately successful with an 8 month delay until any real interest was shown. Eventually retailers did engage with the Council's agents and outline terms were agreed in November 2017 for a letting of the majority of the premises to a retailer, with detailed terms and a lease only recently being agreed. However, this letting has not been completed.

3.2 During the period of vacancy of the building, Cabinet Members voiced concern at a missed opportunity to find other uses for the building, despite the lost rental income. Officers therefore used feasibility funding granted to the Council through the One Public Estate initiative to see if any local public sector organisations might find a re-modelled premises attractive. After a number of discussions, Kent and Medway NHS Partnership Trust (KMPT) indicated its interest in co-locating to the premises from other operational buildings in Medway.

3.3 As set out in paragraph 2.2 above Cabinet has already delegated authority to the Chief Legal Officer to agree the letting, in consultation with the Portfolio Holder for Resources. This delegated authority can be exercised to enter into a lease with KMPT.

3.4 On 26 June KMPT's Finance Board approved the proposed letting of a re-configured Britton Farm shop unit, subject to entering into a lease and approving the final design.

3.5 Re-modelling of Britton Farm will incur a capital cost. The proposed lease is geared to repay the costs in addition to a rental figure over a 10 year period. A capital scheme has been added to the Capital Programme at 19 July 2018 Full Council.

4. Options

4.1 Cabinet can decide to either:

4.1.1 Approve the proposed re-modelling of Britton Farm, with Full Council having made an addition to the Capital programme of £850,000 to pay for the works. This will include a substantial improvement to the exterior look of the building, the grant of a long-term lease of the premises to a public sector partner with a good covenant, the introduction of up to 200 public sector workers into Gillingham High Street, the ability to close the loading bay area and bring forward a residential development and also the option to provide innovation office space on the vacant first floor area; or

4.1.2 Continue with marketing of the premises for a retail use.

4.2 The recommended option is 4.1.1.

5. Risk management

5.1 The recommended option will require careful management.

| Risk | Description | Action to avoid or mitigate risk |
|------------------|---|---|
| Vacancy | KMPT do not complete a lease once the designs are agreed. | Officers to work closely with KMPT to agree the design. The building works will not start until an agreement for lease has been completed. Alternative uses of the building to ensure its long term suitability for commercial rental. |
| Cost overrun | The capital works cost more than the agreed budget and take longer to complete than the agreed project completion date. | Effective project management of the scheme by the Capital Projects team with oversight from the Portfolio Holder. |
| Project conflict | Conflict between the capital works to provide the office accommodation, the residential units and innovation space. | Effective project management of the scheme by the Capital Projects team with oversight from the Portfolio Holder. Close liaison with the Head of Operations of Medway Development Company. |

6. Consultation

6.1 Local ward Members have been informed of the proposals. Further consultation will take place as part of any planning applications to bring the various elements of the programme forward.

6.2 There will be appropriate consultation with the Health and Adult Services Overview and Scrutiny Committee about the co-location of services by KMPT.

7. Financial and legal implications

- 7.1 The vacancy of the Britton Farm supermarket has resulted in a loss of previous rental of £169,000 per annum (p.a.), additional business rates costs of £95,500 p.a. and repair and security costs of around £20,000 p.a.
- 7.2 The costs of the capital works will be funded through a new capital scheme. The proposed agreement with KMPT will repay those costs over 10 years in addition to a rental value for the premises. The feasibility work for these projects can be paid for from the £50,000 funding received at Round 6 of the One Public Estate project.
- 7.3 The residential works will be funded as a stand-alone project completed by the Medway Development Company.
- 7.4 The change of use of Britton Farm to include office accommodation and any residential development will require a planning application. The lease with KMPT will be in a format agreed by the Chief Legal Officer.

8. Recommendations

- 8.1 Cabinet is asked to approve the commencement of this project with the addition to the capital programme of £850,000 to fund the re-modelling of the Britton Farm supermarket premises to allow it be let as new office accommodation for the Kent and Medway NHS Partnership Trust (KMPT).
- 8.2 Cabinet is asked to approve the Medway Development Company adding the residential site to its work programme to be brought forward through the agreed shareholder approval process.

9. Suggested reasons for decisions

- 9.1 To provide a positive intervention on Gillingham High Street with re-use of a vacant building and to bring forward a new residential site.

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Appendices

Appendix 1 – Site plan

Background papers

None