

COUNCIL MEETING – 29TH JULY 2021

AGENDA ITEM NO. 4 (1)

SOUTHWOOD SANG VISITOR CENTRE AND CAFÉ DESIGN DEVELOPMENT

A report from the meeting of the Cabinet held on 6th July, 2021

SUMMARY:

This report requests the approval of funding and the procurement of the professional team to progress design development for the Southwood SANG Visitor Centre and Café.

The Council is recommended to approve that £126,000 be allocated from the Stability and Resilience Reserve to facilitate the design development and planning application for the Visitor Centre and Café.

Subject to the 2020/21 outturn position, alternative funding may be available and will replace funding from the Stability & Resilience reserve.

1. INTRODUCTION

- 1.1 The purpose of this report is to seek approval to proceed with design development for the SANG Visitor Centre and Café at Southwood Country Park following an initial feasibility study.

2. BACKGROUND

- 2.1 In 2017, Cabinet resolved that Southwood Golf Club be closed to provide Suitable Alternative Natural Greenspace (SANG) in order to create natural open space and to mitigate the impact of new housing on the Special Protection Area (SPA). The new SANG would be called Southwood Country Park and the creation and management of the SANG would be funded through developer contributions.
- 2.2 Officers have been working with the Portfolio Holders and Deputy Leader to consider options for the former Golf Club buildings which could include a visitor centre, toilets, rangers' office, and education space, funded through developer contributions. The original SANG budget allocated £200,000 for SANG related accommodation but it is considered that up to £600,000 could be made available within the overall funding for the SANG.

- 2.3 There is an aspiration to enhance this with a café. This element would not be funded by developer contributions as it is not an eligible cost and therefore any capital investment would be based on a business case which demonstrates the return-on-investment for this aspect.
- 2.4 Soft market testing has been undertaken with several Café Operators including two with experience of running facilities in Country Parks to understand the financial model and viability of the investment. The feedback was that, to ensure the quality of the provision as part of offers and to secure a long-term relationship with a provider, a turnover-based rent will be necessary as part of the arrangement.

3. DETAILS OF THE PROPOSAL

General

- 3.1 To progress the scheme, it is necessary to develop the detailed design. Several options have been assessed at high-level as part of developing the initial feasibility and Outline Business Case. To reduce cost, it is anticipated that the project will use as much of the existing building as possible.
- 3.2 The SANG Visitor Centre elements are funded via developer contributions up to a maximum of £600,000. This money has not been received by the Council due to delays in development. It was originally anticipated that a substantial proportion of this funding would be received in 2022/23. However, the Union St development that will contribute £962,526 of the SANG funding is now due to be occupied in 2024 prior to which the SANG payment must be made. Currently £59,701 from another development has been received with a further equal sum expected within the next 12 months together with £18,670 from a further development. Further allocations and receipts are expected between now and 2024 on smaller developments. These SANG payments must fund not only SANG accommodation but also the environmental improvement, management, and maintenance of the park. Therefore, the funding of the SANG visitor centre elements are likely to require forward funding until 2024.
- 3.3 Consideration has been given to the appropriateness of providing a flat on site. Provision of accommodation within the park would not be in accordance with planning policy unless related to and necessary for, the management of the park. Security does not constitute a matter that can be considered in these circumstances. Early soft market testing with external SANG operators suggested that provision of tied accommodation was likely to be disadvantageous in attracting employees with the management skills required for the Country Park as, from previous experience, providers have had difficulties with finding suitable occupants for such accommodation. Although there is a financial case if this unit could be occupied in terms of return compared to capital cost, this would be a risk to the provider and the Council if unoccupied. While, from a security perspective, there are attractions to the provision of accommodation the planning and the associated capital finance risk of not having revenue generated from the flat, based upon planning officer comments in relation to restricted use, means that it is not proposed to include

a residential unit within the suggested development. In designing the premises and planning the management of security will, therefore, need to be an important consideration and the costs included within the final business case.

- 3.4 An Outline Business Case has been developed based on a return-on-investment model of 5% per annum return on capital investment with time for scaling-up (i.e., 30 year pay back). This includes an element for MRP within the debt profile.
- 3.5 The Outline Business Case has used a baseline rent of £12,000 p/a plus 5% of turnover estimated at £18,000 per annum, based upon soft market testing. This generates a maximum capital funding envelope of £600,000.00 for the development of Café facilities alongside the Visitor Centre and therefore an overall maximum capital envelope of £1,200,000 for project delivery.

Alternative Options

- 3.6 There is an option to develop the SANG Visitor Centre facilities without a Café within the allocated £600,000 funding from developer contributions. While this would reduce Capital investment and risk to the Council, the combined Visitor Centre and Café is identified as a priority for Place within the Council Business Plan and generally this type of facility supports a cafe.
- 3.7 The creation of Southwood Country Park is a significant amenity for residents across the Borough and has already attracted considerable visitor numbers without any facilities. There is an aspiration to maximise visitor numbers and enhance the visitor experience by offering a high-quality café on the site subject to business case.
- 3.8 There are several SANG/SPA facilities which have a similar offer who have seen a significant uptake in visitor numbers following investment in an on-site café and an overall enhancement to the value of the local amenity.

4. IMPLICATIONS

Risks

- 4.1 Through the soft market testing exercise for SANG operators, we have established that most Country Park operators consider the provision of a café on added amenity value terms rather than business case viability. Accordingly, there are no external benchmarks readily available and there is a risk that the Café will not achieve the turnover projected in the business case. Based upon the soft market testing this risk is low due to the visitor numbers already using the Park as well as Southwood Woodland who would also access the Café.
- 4.2 The substantial developer contributions which will fund the development of the SANG Visitor Centre have been delayed until 2024 and there remains the risk that there could be further delay. This means that the Council will need to forward-fund this element if the project proceeds.

- 4.3 The soft market testing evidenced interest from café operators in the facility. We intend to secure terms for a letting to an operator early in the design process to ensure input into design development subject to a final decision on funding and planning permission for the project.
- 4.4 There are several exclusions in the project cost estimate (e.g., fit out of café) and agreement as to how these will be met will form part of the letting terms negotiation. A review of site security options still has to be completed to avoid significant ongoing revenue cost.
- 4.5 Detailed surveys have not been undertaken, however, as the intention is to use much of the existing foundation and footings and lightweight timber construction, we believe that the risk of abnormal costs on the project are relatively low.

Legal Implications

- 4.6 The agreement for lease will be conditional on grant of planning permission and approval of capital funding for the project.

Financial and Resource Implications

- 4.7 The concept design has an indicative cost of approximately £1,200,000. This is an estimate only at this stage; however, it is anticipated that this would be a maximum Capital funding requirement as the project will look to utilise as much of the existing building as possible to reduce costs.
- 4.8 A Final Business Case will be developed to support the decision to progress the scheme following the next stage (design and planning). Visitor counters have now been installed at the site to provide better data to inform this.
- 4.9 The Council is recommended by Cabinet to approve an allocation of £126,000 from the Stability and Resilience reserve to progress detailed design and planning in the next phase. Subject to the 2020/21 final outturn, alternative funding will be identified to reduce the pressure on the Stability and Resilience reserve.
- 4.10 It is worth noting that expenditure on the design and planning stage is at risk. The Council has not received any significant SANG receipts and it will need to fund all elements of the project until such a point that SANG adequate SANG receipts have been received to fund eligible expenditure. In the short-term, the Council will need to finance any expenditure from the Stability and Resilience reserve but will seek to identify alternative funding streams to mitigate the impact on this reserve over the MTFs period.

Equalities Impact Implications

- 4.11 There are no known Equalities Impact Implications arising from this report.

5. CONCLUSIONS

- 5.1 Development of a Visitor Centre and Café at Southwood Country Park is identified as a priority for Place in the Council Business Plan. An Outline Business Case has been developed to understand the capital investment required to fund the Café element of the scheme and the return-on-investment model that would support this.
- 5.2 Based on soft market testing, concept design development and indicative cost estimates, it is anticipated that the Capital investment would pay back over a maximum 30-year period.
- 5.3 In order to progress the scheme and a Final Business Case, detailed design work is required. The anticipated costs for design and professional fees up to contract award (and Final Business Case) is £126,000.
- 5.4 This investment is at risk if the scheme does not go ahead.

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