

Meeting: Cabinet **Date:** 21 September 2021

Wards affected: Collaton St Mary

Report Title: Purchase of Wilkin's Drive Paignton for employment use

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1. Purpose of Report

- 1.1 To support the Council's ambition for a thriving economy in Torbay. Cabinet is asked to support the acquisition, through the Growth Fund, of land at Wilkin's Drive, Paignton, for employment use. Business support activity undertaken by TDA shows that demand for employment land/accommodation from Torbay's growing businesses as well as inward investment enquiries outstrips supply. As a result, acquiring Wilkin's Drive is essential to accommodate this growth.
- 1.2 The Council agreed¹ to acquire land at Wilkin's Drive, Paignton, to enable the building of a school, subject to Education and Skills Funding Agency (ESFA) approval of the site, and subsequent funding. However, the way government assesses pupil need has changed meaning Paignton is no longer a priority area and therefore not likely to receive funding for a school. As a result, the original Council decision is null and void.
- 1.3 Prior to the ESFA's changed assessment the Council had been in negotiations with the landowners to acquire the site in order to build the school. In these negotiations the Council had indicated that it would use Compulsory Purchase Order (CPO) powers to acquire the site if necessary and current negotiations with the landowners have agreed a price as set out in exempt appendix 1; this includes the development area and a ransom strip. This was the position as of August 2020 and the landowners are still awaiting the next steps on the site acquisition.
- 1.4 Advice received from TDA's Estates Team estimate that the negotiated price is one which is consistent with employment land use.
- 1.5 The landowners are awaiting a decision as to whether the Council wishes to proceed with the purchase. The Council could choose to withdraw from the deal as the school is no longer required and the original decision set out in 1.2 is null and void. However, this runs

¹ Council meeting 8th August 2017, Agenda item 8: *Amendment to Children's Services Capital Programme to enable the Acquisition of site for new Primary School in Paignton*

the risk of the landowners seeking a residential planning approval that could result in the loss of potential employment use and the jobs and earnings that would provide. The Planning Authority could have grounds to oppose this use however national planning policy is likely to support residential on appeal.

- 1.6 Due to issues of market failure, recent strategic employment site developments such as Claylands, EPIC and Edginswell have only been possible due to public sector intervention. Given the demand for employment land from growing local companies and inward investors, and the short supply of employment land, the Council should protect this employment site in pursuit of its strategic objectives.
- 1.7 As a result of the Inglewood Appeal, the Developer has a number of obligations which includes a £500,000 off-site contribution towards the creation of jobs. This will be paid in tranches based on percentage of houses sold so it will take a while to come through, but the money, or other capital receipts, could be used to off-set some of the costs of purchasing the site. The allocation of this contribution would be subject to consideration with other potential uses after the s106 contribution has been received.
- 1.8 The Wilkins Drive site is expected to generate an additional 53,000 sq. ft of employment space, create 136 new jobs and a £4.8M uplift in Torbay's GVA.
- 1.9 If the Council acquires the site, there will be a further request for additional funding through the Growth Fund for the development costs. Exempt appendix 1 sets out an estimated range of costs. TDA will market the site and work with end users to develop a scheme that is financially viable.
- 1.10 The acquisition and development borrowing will need to be repaid and over the short term will have a "cost of carry" until the rental stream is generated to cover the costs. Therefore it is essential that a detailed business case that meets the criteria of the Fund is developed and presented for approval as soon as possible.

2. Reason for Proposal and its benefits

We want Torbay and its residents to thrive.

We want Torbay to be a place where we have turned the tide on poverty and tackled inequalities; where our children and older people will have high aspirations and where there are quality jobs, good pay and affordable housing for our residents.

- 2.1 The proposals in this report help us to deliver this ambition by supporting the delivery of the Economic Repositioning Plan. In particular this will support the 'Thriving Economy' element of the Community and Corporate Plan through improved investment in economic growth, jobs and infrastructure within Torbay.
- 2.2 The reasons for the decision are to:
 - Ensure Torbay's employment land is protected and used for its intended purpose as set out in the Local Plan and support job growth.
 - Ensure Torbay has adequate supply of employment land to accommodate local growth and inward investment.

- Ensure against the landowners seeking change of use to housing, which is likely to be supported by national policy.

2.3 Economic Benefits are as follows:

- Torbay could realise an additional 53,000 sq. ft of business space on this 3.5-acre site.
- The site could realise 53,000sq ft of new business accommodation, resulting in a gross rental income of around £397,500², yielding an additional £75,000 per annum of business rates and would create approximately 136 direct jobs with a potential GVA uplift of £4.8M per annum.

Recommendation(s) / Proposed Decision

1. That delegated authority be given to the S151 officer, in consultation with the Cabinet Members for Finance and Regeneration, Tourism and Housing, that once a business case has been presented to him that meets the Growth Fund criteria, to authorise allocation from the Growth Fund an amount equal to the negotiated price as set out in exempt appendix 1, in order to acquire Wilkin's Drive employment site.
2. TDA to be instructed to market the site and develop a scheme that is aimed at businesses above business rate threshold.

² Assuming 10% office a £7.50 per sq ft figure has been used.

1. Introduction

- 1.1 The Council agreed³ to acquire land at Wilkin's Drive, Paignton, to enable the building of a school, subject to ESFA approval. It was expected that the ESFA would provide the required funding to cover the Council's cost in acquiring the site. However, changes in the general pupil places need for this area has changed and the area is no longer a priority and therefore funding from government to support this project is now not expected. Therefore the original Council decision is null and void.
- 1.2 This proposal is for Torbay Council to continue to acquire the site specifically to develop it for employment use, as identified in the Local Plan, supporting the delivery of the Corporate & Community Plan and the Economic Repositioning Plan. This is one of the few remaining employment sites that can come forward in the short term. In order to accommodate local growth and inward investment that will safeguard and create new jobs it is imperative Torbay Council acquires this site. If not, there will be very few options available to Torbay's growing companies that could result in them relocating elsewhere. Teignbridge Council is taking a proactive approach to allocating dedicated employment sites in their new Local Plan. It is understood that the review of Torbay's Local Plan has so far identified only 1-2 possible sites⁴ that can be designated purely for employment with the remainder of the allocation needing to be met through mixed use sites. To support job and business growth and the wider benefits that go with that it is essential the Council continues to intervene proactively and intelligently to protect the supply of employment sites available in Torbay.
- 1.3 In earlier negotiations the Council had indicated that it would use Compulsory Purchase Order (CPO) powers to acquire the site if necessary and current negotiations with the landowners have agreed a price as set out in exempt appendix 1; this includes the development area and a ransom strip. This was the position as of August 2020 and the landowners are still awaiting a decision from the Council. TDA's Estate's Team have estimated this to be a fair price for employment land use. Should the Council not proceed with the acquisition of the site, it is probable that the landowners would look to secure a residential planning approval resulting in a loss of employment land. Planning could have grounds to oppose this use however national planning policy could support residential on appeal.

³ Council meeting 8th August 2017, Agenda item 8: *Amendment to Children's Services Capital Programme to enable the Acquisition of site for new Primary School in Paignton*

⁴ Due to site viability issues

- 1.4 Therefore it is proposed to acquire the site on a speculative basis but informed by the demand for employment space which has been reported through to TDA. This demand significantly exceeds known supply. Once acquired TDA would then be instructed to market the site for employment and develop a scheme that is aimed at businesses, particularly those requiring space above business rate threshold, supporting local business growth and potentially inward investment.
- 1.5 The site offers 3.5 acres of land with an expected potential development capacity of 53,000 sq ft. factoring in site constraints. In addition to the land acquisition cost, further site investigations are needed to understand the full build costs. Estimated build costs for a light industrial unit range are set out in exempt appendix 1.
- 1.6 Assuming 53,000sq ft of development employment use could result in a gross rental income of £397,500⁵, yield an additional £75,000 per annum of business rates and would create approximately 136 direct jobs with a potential GVA uplift of £4.8M per annum. This would directly address corporate objectives relating to the economy, improve the Council's asset position and provide a modest income.

Demand for employment land

- 1.7 Whilst there has been no current test for demand on this specific site, Torbay currently has demand for just under 280,000 sq. ft. from existing businesses and inward investors. This significantly outstrips current supply. The majority of this demand is for light industrial space. TDA would directly target these businesses as part of the site marketing and seek those with higher value jobs to offer.

Supply of employment land

- 1.8 The few remaining employment sites across Torbay are constrained, most having multiple constraints⁶, resulting in market failure where the constraints mean that the cost of the development is not supported by the income that can be generated by a typical private developer. As a result, sites that have come forward in recent years to support employment growth have typically been in Torbay Council control (e.g. Claylands, Edginswell, EPIC) and typically supported by grant.
- 1.9 The revised Local Plan is only planning to review the housing land supply - there is no current plan to review employment land supply and is assuming the amount set out in the previous plan is still accurate. Our calculations indicate that Torbay would only need to identify a further 28,000⁷ sq. ft. of employment land until 2030. With current demand for employment space at 280,000 sq. ft., this is insufficient. Furthermore, development of the

⁵ £7.50 per sq ft figure has been used.

⁶ As evidenced by the Heart of the South West Employment Land Review 2019

⁷ The assumption in the Local Plan is that 17 ha of employment land (circa 680,000 sq ft) is needed from 2012-2030. Once you subtract developments that have taken place during the plan period (Claylands, EPIC, Torbay Business Park) and planned developments (Edginswell and Lymington Rd), this only leaves circa 28,000 sq. ft.

new Local Plan has so far has identified only 1-2 possible new dedicated employment sites⁸ with the remainder of the allocation needing to be met through mixed use sites.

- 1.10 Teignbridge District Council is taking a proactive approach to identifying employment land so if Torbay does not have adequate supply, current and future job growth could be lost, along with current and future business rates. Furthermore, if the Economic Repositioning Plan is to be delivered and we are to drive growth through supporting our businesses to grow, attract inward investment and build the photonics and microelectronics cluster, it is essential for Torbay Council to lead and intervene to stimulate employment use.
- 1.11 As a result of the Inglewood Appeal, the Developer obliged to fulfil a number of obligations which includes a £500,000 an off-site contribution towards the creation of jobs. This will be paid in tranches based on percentage of houses sold so it will take a while to come through, but the money could be used to off-set some of the costs of purchasing the site, subject to prioritisation with other possible uses of the contributions when received.

2. Options under consideration

- 2.1 Two options have been considered:

To acquire the site as set out in this paper and realise the economic benefits whilst recognising there are some financial risks. The benefits are that approximately 53,000 sq ft of new employment space would be created resulting in a gross rental income of around £397,500⁹, yielding an additional £75,000 per annum of business rates, creating approximately 136 direct jobs with a potential GVA uplift of £4.8M per annum. This would directly address corporate objectives relating to the economy, improve the Council's asset position and could provide a modest income.

- To not acquire the site. This presents no financial risk to the Council but could present economic risks as the landowners have indicated that they might seek change of use. Planning could have grounds to oppose this use however national planning policy could support residential on appeal. This would reduce the supply of employment land and could see Torbay's businesses relocating elsewhere. It should be noted that Teignbridge District Council is taking a proactive approach to identifying employment land.

3. Financial Opportunities and Implications

- 3.1 See exempt appendix 2.

⁸ Due to site viability issues

⁹ £7.50 per sq ft figure has been used.

4. Legal Implications

4.1 None

5. Engagement and Consultation

5.1 Wilkin's Drive is identified in the Local Plan as a site for employment

5.2 TDA on behalf of the Council has engaged with the landowners in relation to acquiring the site for building a school. Through this process, threat of CPO was used and back in August 2020 a price was agreed. However, ESFA is not likely to approve the site as Paignton is no longer a priority area. The landowners are still awaiting a decision on the purchase of this site and a decision is needed.

6. Purchasing or Hiring of Goods and/or Services

6.1 TDA will work with the Developer to establish and implement an Employment and Skill Plan creating training and job opportunities for local people, in line with Torbay's Community Wealth Building ethos.

7. Tackling Climate Change

7.1 We will explore with any Developer site specific energy saving measures.

8. Associated Risks

8.1 The cost of borrowing to acquire the land and build out the site may exceed the rental income. This site would be the subject of a future capital bid to address the gap in funding eg. Next round of Levelling Up Fund, UK Shared Prosperity Fund. TDA would also work to identify suitable businesses that create high value jobs and are able to pay the rent required.

8.2 There may be a time lag between acquiring the site and identifying the gap funding needed so the Council would need to acquire the site and 'bank' until future gap funding is identified. As a result, there will be no income from the site to pay back the borrowing.

8.3 If the site isn't acquired, there is a risk that this site could be lost to housing. This has already been mentioned by the landowners.

8.4 If the site isn't acquired, there are a very few options available to accommodate local growth that could result in jobs, employers and business rates being lost to the area.

9. Equality Impacts - Identify the potential positive and negative impacts on specific groups

	Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
Older or younger people			There is no differential impact
People with caring Responsibilities			There is no differential impact
People with a disability			There is no differential impact
Women or men			There is no differential impact
People who are black or from a minority ethnic background (BME) (Please note Gypsies / Roma are within this community)			There is no differential impact
Religion or belief (including lack of belief)			There is no differential impact
People who are lesbian, gay or bisexual			There is no differential impact
People who are transgendered			There is no differential impact
People who are in a marriage or civil partnership			There is no differential impact
Women who are pregnant / on maternity leave			There is no differential impact
Socio-economic impacts (Including impact on child poverty issues and deprivation)			There is no differential impact
Public Health impacts (How will your proposal impact on the general health of the population of Torbay)			There is no differential impact

10. Cumulative Council Impact

None

11. Cumulative Community Impacts

None