

Wiltshire Council

Council

26 November 2019

Subject: **The Maltings**

Cabinet Member: **Councillor Philip Whitehead, Leader of the Council and
Cabinet Member for Economic Development
Councillor Pauline Church, Cabinet Member for
Children, Education and Skills
Councillor Toby Sturgis, Cabinet Member for Spatial
Planning, Development Management and Investment**

Key Decision: **Key**

Executive Summary

The regeneration of the Maltings and Central Car Park site is a long-standing policy objective of the Council which is shared by the Swindon and Wiltshire Local Enterprise Partnership (SWLEP).

It is a prime city centre but needs redevelopment to boost Salisbury's economy and respond to the economic shocks that have impacted on the city in recent years. This is recognised by SWLEP and Government, which has allocated £6.1 million Local Growth Funding towards the site's regeneration. The council's strategic planning committee has endorsed the Maltings Masterplan and granted permission for a first phase hotel, library and gym, whose delivery will unlock a second phase of development on Market Walk.

A report setting out a delivery plan for the initial phases of the Maltings was considered by the Cabinet at its meeting held on 8 October 2019, and its proposals approved. The minutes of this meeting are available [here](#).

Proposal(s)

That Full council approve the allocation of capital finance towards the acquisition of third-party land holdings and fund further development as detailed in the October report.

Reason for Proposal(s)

To ensure that regeneration of the Maltings and Central Car Park is delivered in line with the council's Business Plan and the Maltings Masterplan, generating positive outcomes for Salisbury's economy.

Alistair Cunningham OBE

Executive Director Growth, Investment and Place

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Purpose of Report

1. To request that council approve the capital allocation to finance acquisition of third-party interests and development costs to enable the project to proceed.

Relevance to the Council's Business Plan

2. The Maltings project is an important regeneration project within the council's Business Plan, Growing the Economy.

Background

3. The regeneration of the Maltings and Central Car Park site is a long-standing policy objective of the Council. It is also a priority action for the Swindon and Wiltshire Local Enterprise Partnership (SWLEP).
4. Most of the site is owned freehold by the Council including the land on which the Maltings shopping centre sits. The shopping centre itself is owned part freehold and part leasehold (with the Council holding the freehold) by Nuveen, which purchased it in November 2014. Nuveen's interest also includes the ground floor retail units on Market Walk, which it acquired later. The Council had itself sought to purchase the shopping centre when it came on the market in 2014, with Cabinet giving approval for an offer to be made. However, the offer that the Council's advisers recommended it could support fell below the successful bid to acquire the interest at that time.
5. The Council has in the past sought to develop its plans alongside private sector partners. Initially Stanhope plc was selected by a two stage OJEU process to deliver a comprehensive regeneration of the site, however several factors including deteriorating market conditions and viability issues linked to abnormal ground conditions prevented this scheme from proceeding. More recently the Council has been working with Nuveen to deliver a phased regeneration scheme in the site, but progress has been hindered by changes

in market conditions and the impact of the unprecedented events of 2018 that had a direct and significant impact upon the Maltings shopping centre.

Main Considerations for the Council

The Maltings – Rationale for Intervention

6. The Maltings and Central Car Park is identified as an important town centre regeneration opportunity in Salisbury in the council's Business Plan. It is a prime city centre location, but it feels cut off from the core of the city and has significant redevelopment potential to improve visitors' experience. The Maltings offers the possibility of delivering a step change in Salisbury's profile, environment and economic performance. This can be done by redeveloping the area, opening up Market Walk to create a strong link between the Maltings and the Market Place, and delivering a high-quality landscape setting by enhancing the River Avon and Millstream edges. Proposals also include the establishment of a cultural hub including improvements around the City Hall and Playhouse area.
7. The area around the Maltings, Central Car Park and Library is allocated in the Wiltshire Core Strategy for a retail-led mixed-use development to enhanced Salisbury city centre's position as a sub-regional shopping and cultural centre (Core Policy 21).
8. The Swindon and Wiltshire Local Enterprise Partnership's (SW LEP) Strategic Economic Plan identifies the regeneration of Salisbury city centre as a focus in its strategy for the southern corridor of the LEP area (the 'A303 Growth Zone'). It has as a priority action to deliver the master plans for regeneration of Salisbury (amongst other key settlements) to deliver a strong economic, cultural, leisure and visitor offer.
9. In view of this and acknowledging the need for public investment alongside private to enable phases, Government awarded as part of its third Growth Deal with SW LEP a Local Growth Fund Award of £6.1 million towards the redevelopment of the Central Car Park and Maltings area of Salisbury. As with all Growth Deal 3 projects, Local Growth Funding should be spent by March 2021.
10. Shocks to Salisbury's economy in recent years have made more acute the need for redevelopment of the Maltings and Central Car Park to safeguard and promote Salisbury's future prosperity and growth. The nerve agent incidents of 2018 have had a significant and enduring negative impact on how the city is perceived by potential visitors. As a heritage city the effect of this has been particularly felt by its businesses which depend on tourism and day visitor spend. Prior to this, Aviva's takeover of Friends Life in 2015 and its closure of its Salisbury offices following this deal led to the loss of around 450 jobs from the city centre. This has had a significant impact on the town centre's customer base. In combination with changing economic conditions affecting retail and town centres, particularly the increasing level of consumer shopping online. Salisbury as with many town centres faces significant challenges and there is a need to respond to these positively and improve the visitor experience to maintain its vitality.

Planning

11. Wiltshire Council Strategic Planning Committee endorsed the Master Plan for the Maltings and Central Car Park as a material planning consideration for the purposes of development management on 19 June 2019. The Masterplan sets out a flexible strategy for a new development including its general layout, scale and other aspects that will need consideration. The framework is deliberately non-prescriptive of the potential quantum of any given use or indeed its location. This is to reflect the fluid nature of the economy and uncertainty being faced by investors and traditional city centre uses. It identifies design principles and four main character areas:

- a. Character Area 1 – Market Walk and the Maltings
- b. Character Area 2 – Cultural Quarter
- c. Character Area 3 – Commercial and Residential Core
- d. Character Area 4 – Riverside and Coach Park Welcome

The Master Plan was publicly consulted on in April and May 2019.

12. Planning for a first phase of redevelopment, comprising the demolition of the former British Heart Foundation unit on Fisherton Street and construction of a new building for a library, gym and hotel, was first submitted to Wiltshire Council by Nuveen's agents in December 2018. The application was recommended for planning permission to be granted but was refused on design grounds by the Strategic Planning Committee on 19 June 2019. Nuveen's architects made amendments to the design of the new building in response to the committee's concerns and these were resubmitted for consideration by the Strategic Planning Committee on 11 September 2019, which granted the revised submission planning permission.

13. Plans are being developed for the second phase of development which will form a high-quality arcade linking the Market Place and the Cultural Quarter by redeveloping the existing library building and the Market Walk.

Rationale for acquisition of third-party interest and progressing development

14. To summarise the current position:

- a. The need to redevelop the Maltings and Central Car Park, identified for a considerable number of years, is now more acute than before to respond to changes in retail and town centre economies generally as well as shocks to the Salisbury economy in recent years. £6 million Local Growth Funding, with a spending deadline of March 2021, is allocated towards delivery of this.
- b. Planning permission is now secured to deliver a first phase scheme comprising a new hotel and space for a library and gym on the site, following a unanimous decision by the Strategic Planning Committee.
- c. The Master Plan for the overall site has been endorsed by Strategic Planning Committee and will be a material planning consideration in decisions making for further phases of redevelopment of the site.

15. The purpose of this report is to seek Council's agreement to allocate capital finance towards the acquisition of third-party land holdings and fund further development.

Overview and Scrutiny Engagement

16. The Maltings scheme was presented as part of the whole Salisbury / south Wiltshire recovery programme to Environment Select Committee on 8 January 2019, and an update is due on 5 November 2019.

Safeguarding Implications

17. There are no safeguarding implications relating to this report's proposals as they concern solely the acquisition / redevelopment of commercial land assets.

Public Health Implications

18. There are no direct Public Health implications relating to this report's proposals as they concern solely the acquisition / redevelopment of commercial land assets. The proposals will enable the council to deliver positive environmental and economic outcomes which will have a positive impact on Public Health.

Procurement Implications

19. Procurement implications are dependent on the structuring of the project which concerns the financial and business affairs of the parties concerned (including Wiltshire Council), which is exempt information under schedule 12A of the Local Government Act 1972 as amended.

Equalities Impact of the Proposal

20. There is no direct Equalities Impact relating to this report's proposals as they concern solely the acquisition / redevelopment of commercial land assets. The development will be subject to equalities assessment throughout its life to ensure any equalities impacts are minimised.

Environmental and Climate Change Considerations

21. There are no direct Environmental / Climate Change considerations relating to this report's proposals as they concern solely the acquisition / redevelopment of commercial land assets.

22. Statutory bodies including the Environment Agency, Natural England and Historic England have been consulted on the Maltings Masterplan and first phase application. Consultation with environmental bodies will continue to take place on planning matters in any subsequent planning applications.

23. Discussions with the Environment Agency and other relevant agencies are also taking place in terms of mitigating flood risk both at the Maltings and the wider city to safeguard future development proposals.

Risks that may arise if the proposed decision and related work is not taken

24. If the proposed decision and related work is not taken, there is a risk that regeneration of the Maltings fails to happen, and the Local Growth Funding for the scheme lost.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

25. As with any allocation of funding towards commercial investment, there is a risk that the value of that investment may decline. The council has a strategy to mitigate this risk.

Financial Implications

26. The overall capital requirement, revenue cost of capital for that budget, and a prudent assessment of potential income streams were assessed in the October report to cabinet and it was demonstrated that, allowing for voids and associated costs, that the income generated can cover all costs including finance, further development and tax.

27. Cabinet considered the overall financial envelop required to enable the acquisition of third-party interests and deliver the proposals at its meeting on the 8th October. That information was contained in the exempt part of the agenda due to its commercial nature. Council is being asked to increase the capital programme in year by the amount agreed by Cabinet. The detailed elements of the increased funding envelop as agreed by Cabinet can be provided to members upon request. If members wish to discuss the detail of the funding request it is recommended that it should take place after excluding the public from the meeting due to the commercially sensitive nature of the information which if released could prejudice the Council's negotiations to conclude the acquisitions in question.

28. The amount sought for capital financial allocation equates to the overall requirement reported to cabinet in confidential session. The detailed financial analysis is based on

- the value of the assets to be acquired, as set out in the RICS Red Book valuation report issued by the council's professional advisors
- the allocation of £6.1 million LGF grant
- cost estimates for further development works which may be required to bring the scheme to fruition
- the total revenue cost of capital based on a 50-year annuity loan at 2.6%
- relevant tax implications
- a prudent assessment of potential income streams

29. It is acknowledged that the proposed purchase and development would not be undertaken on a commercial basis but for regeneration and revitalisation purposes under the council's Capital Strategy. The capital allocation sought is therefore a fixed sum, based on prudential calculations as set out above which demonstrate affordability after careful risk assessment as a long-term investment.

30. The sum sought and the evaluation of the assets to be acquired and further development costs concern the financial and business affairs of the parties concerned (including Wiltshire Council), which are exempt information under schedule 12A of the Local Government Act 1972 as amended. The sum is fixed, based on the considerations that have been undertaken above and reported to cabinet in confidential session in October. These have not been varied since that time and if any variation were sought this would be subject to further approval from the council to revise the project's financial scope.

Legal Implications

31. Wiltshire Council's Legal Services have been engaged in the development of this proposal. The decision being sought is in line with the Council's constitution and policy framework, including its Business Plan, the Maltings Master Plan, Approach to Disposal of Assets and Property Acquisitions, and Capital Investment Strategy.

32. The Council has the legislative authority to make acquisitions, under its general power of competence, and legal due diligence will be undertaken on all proposed acquisitions to ensure that no onerous conditions or obligations are taken on.

Workforce Implications

33. There are no workforce implications relating to the proposed decision.

Options Considered

34. Do nothing. Without the council's intervention the regeneration of the Maltings will not proceed, and the risks outlined in paragraph 25 will be realised.

Conclusions

35. In line with the council's Business Plan priority to regenerate the Maltings, and having considered the options available, council is recommended to approve a capital allocation to finance acquisitions of third-party interests to enable the project to proceed.

Simon Hendey (Director - Housing and Commercial)

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25 September 2019

Appendices

None

Background Papers

Maltings Masterplan

Maltings Phase 1 Planning Application

SWLEP board agreement to repurpose Local Growth Funding allocation for the Maltings