

Delegated Decisions - 26 September 2023

## Galley Hill Placemaking Strategy

Name of Cabinet Member	<b>Councillor Robert Middleton</b> Resources
Report sponsor	<b>Stuart Proffitt</b> Director Environment and Property
Report author	<b>Bee Lewis</b> Head of Property and Facilities <a href="mailto:bee.lewis@milton-keynes.gov.uk">bee.lewis@milton-keynes.gov.uk</a>
Exempt / confidential / not for publication	<b>Yes –Annex A</b>
Council Plan reference	<b>Item 25 - Continue to develop renewal plans for Bradville and Fullers Slade, and improvement plans for Galley Hill</b>
Wards affected	<b>Stony Stratford</b>

### Executive summary

Galley Hill and Fullers Slade are long standing communities in MK. Located next to these established communities are the rapidly growing new communities of the Western Expansion Area, including the newest community of Fairfields. Where these established communities meet, MKCC owns land & property. This includes:

- The former Professional Development Centre (MKPDC) which will be refurbished to provide a new 24 place school for pupils with Special Education Needs (SEN)
- Galley Hill Local Centre, comprising of the former Arts Centre, three retail units, and the Galley Hill Meeting Place (GHLC)
- The Watling Way Centre and the derelict Watling Way Pool (under lease to Walnuts Care)
- Other land, formerly used as parking for MKPDC, including a telecoms mast under lease to On Tower UK Ltd.

The priorities driving this decision are:

- The need to deliver capital receipts from land sales to help balance MKCC's books at a time of severe funding constraint in Local Government.
- The desire to help facilitate new local amenities & new jobs in our growing city, especially in regeneration areas, at a time of severe funding constraint in Local Government.

- The commitment to deliver improvements in established communities in MK, especially in regeneration areas, at a time of severe funding constraint in Local Government.

Having considered the potential opportunities, the proposal is to sell a piece of land (formerly the car park) at Galley Hill to a well-known low-cost supermarket brand, This development offers several benefits directly to both Galley Hill and Fullers Slade regeneration area residents. These are:

- The creation of a low cost, quality supermarket within walking distance of Fullers Slade, a regeneration area with a high incidence of food poverty and low car ownership.
- The creation of circa 50 new jobs within walking distance of the regeneration area
- Using proceeds from the sale, the delivery of much needed public realm improvements to the Local Centre
- Creation of a new vehicular/pedestrian access from Ridgeway to help alleviate pressure on the local highway network, and with no additional burden on the local estate roads.
- Using proceeds from the sale, the ambition to deliver a new community space for the local community, likely to be in the form of a new annex to the Watling Way Centre.
- Delivery of play area improvements in Galley Hill
- Demolition of the long derelict Watling Way Pool to remove a growing source of anti-social behaviour.

Galley Hill Residents Association has submitted an alternative proposal for the site, proposing a sheltered accommodation scheme rather than a discount supermarket. Following analysis by MKCC's Head of Housing Delivery, this embryonic proposal has been deemed unviable and therefore undeliverable in the current economic climate. See section four of this report for more details.

## 1. Proposed Decision/s.

- 1.1 That the improvement plans for Galley Hill area as set out in this report, linked to the regeneration of Fullers Slade, be agreed.
- 1.2 That resource allocation and spend approval in the 2023/24 capital programme for a contribution of £93,000 towards the new access road be agreed.
- 1.3 That resource allocation and spend approval of £150,000 in the 2023/24 capital programme for the refurbishment of the Galley Hill local centre be agreed.
- 1.4 That costs of £57,500 for legal and professional fees related to the disposal of the site, be agreed.

- 1.5 That authority be delegated to the Director Environment and Property to implement the following:
  - a) To progress the Heads of Terms for a sale of the development land outlined at para 2.6 for the provision of a new food store, having due regard to s123 of the Local Government Act, 1972.
  - b) To undertake feasibility for options to provide new community meeting space at a cost of up to £20,000.
- 1.6 That a stakeholder working group for the purpose of discussing the community investment highlighted in this report, be established, including a MKCC Ward Councillor, a SSTC Town Councillor, a representative from GHRA, the Cabinet Member, and any other community representatives felt appropriate.

## 2. Why is the decision needed?

- 2.1 The Corporate Property Strategy sets out how we will manage our Corporate and Commercial property estates to deliver the right buildings, in the right condition, to deliver good quality services to our residents and businesses. There is an opportunity to deliver a scheme at Galley Hill which will provide new facilities, create jobs, and improve the existing facilities.
- 2.2 The plan below shows the assets and adjacencies at Galley Hill.



### 2.3 MK Professional Development Centre (MKPDC) shaded red

Following assessment of MKPDC through the Asset Rationalisation Programme (ARP) MKPDC closed on 31 March 2023 and all training courses were moved to Civic Offices. Following a Delegated Decision taken on 14 March 2023, work is now underway at MKPDC to convert the property for use as special education needs (SEN) school. This work includes reconfiguration of the existing car park and will, in conjunction with the development proposals, also benefit from the proposed new access off Ridgeway, which will obviate the need to access the site past the current St Mary and St Giles school. In turn, that access will be stopped up, separating the two school sites to improve traffic safety measures.

### 2.4 Galley Hill Local Centre (GHLC) shaded orange

The local centre comprises of three retail units, the former Arts Centre, and the Galley Hill Meeting Place. The centre is very tired and shabby and is in need of a facelift – without intervention it will continue to significantly deteriorate. Within the development proposal outlined in this report, a sum of £150,000 has been identified to carry out improvements to the Local Centre and the public realm.

#### a) Former Arts Centre

Funding of £550K was set aside for a refurbishment of the former Arts Centre to bring it back into use as a community facility. This work has been completed and we have been in discussions with both Stony Stratford Town Council (SSTC) and Galley Hill Residents Association (GHRA) for them to take a lease. However, the building was refurbished on a 'shell and core' basis, meaning that only the essential works to prevent further deterioration and to bring it up to a modern, lettable standard were completed. Fit out of the building was not included and so it does not meet the needs of GHRA.

Additionally, the initial conversations with both SSTC and GHRA were on the basis of a 2 -year lease to determine how well-used the facility would be. To get best value from the works carried out to the building, we ideally need a long-term tenant (minimum 10-year lease). Taking on the responsibilities under a lease can be onerous for a voluntary organisation when considering running costs, fit-out costs, maintenance obligations, insurance, and statutory compliance and we have therefore concluded that it would make sense to explore options for alternative uses. Our current thinking is that it may be suitable to be a Charities Hub. We are carrying out further feasibility work to this end.

Finding community space for residents of Galley Hill remains a priority and we plan to undertake a feasibility study at a cost of up to £20,000 to determine feasible options.

#### b) Galley Hill Small Meeting Place

The Small Meeting Place (SMP) was the first Meeting Place to be designed and completed in the early days of the city's development. It has been let to a tenant in recent years and is used by a number of community groups, including GHRA. However, there are significant backlog maintenance works and the property is currently closed pending the results of a structural survey.

We are working with the current tenant to find an alternative location for them.

Pending the outcome of the structural survey and the extent of works needed, we propose to let the building as part of the Charities Hub. The Charities Hub is working with the Resident's Association with a view to agreeing a regularised use of the former Arts Centre. Funding for the works to the Meeting Place will be allocated from the Council Plan 2022/23 Annex R - Political priorities to support Foodbank Extra.

#### c) Retail Properties

There are two units under lease to the same tenant at GHLC. Unit 1 is operating as a local convenience store and post office. Unit 2 is operating as a fast-food outlet. The two units combined generate an annual rent of £37,179. Both leases determine in June 2028 with no automatic right of renewal. There are no plans proposed to change these arrangements.

The tenant has sub-divided one of the units, making a third unit for a barber/hairdresser and we are assisting the tenant to ensure that the right permissions are in place (for example, planning permission, and Building Regulations compliance), which were not requested prior to any changes.

#### 2.5 Watling Way Centre shaded blue

The asset is leased to Walnuts Care and attracts a rent of £1,000 per annum. It comprises of the Watling Way Centre and the derelict Watling Way Pool. The pool is beyond economical repair and is attracting low-level vandalism, while the structure is giving rise to safety concerns. Both parties agree that the pool should be demolished and the space reconfigured to provide parking and potentially an extension for the Watling Way Centre which could also be hired as community space. The estimates for demolition are circa £50,000 and the works are being procured via a suitable procurement framework. The Director Environment and Property took an Officer Decision to enable this to continue. Reconfiguring the parking would deal with the anti-social behaviour that the derelict pool is attracting and provide dedicated spaces for the centre.

Funding for the demolition has been allocated from the Property Reserve, which will be topped up by the same amount from the sale of the completed development.

## 2.6 Remaining Land shaded yellow

The land shown in yellow is used as overflow car parking for MKPDC, it does not have any other use, apart from a telecoms mast. The land in green is designated as school playing fields and is outside of the scope of this proposal.

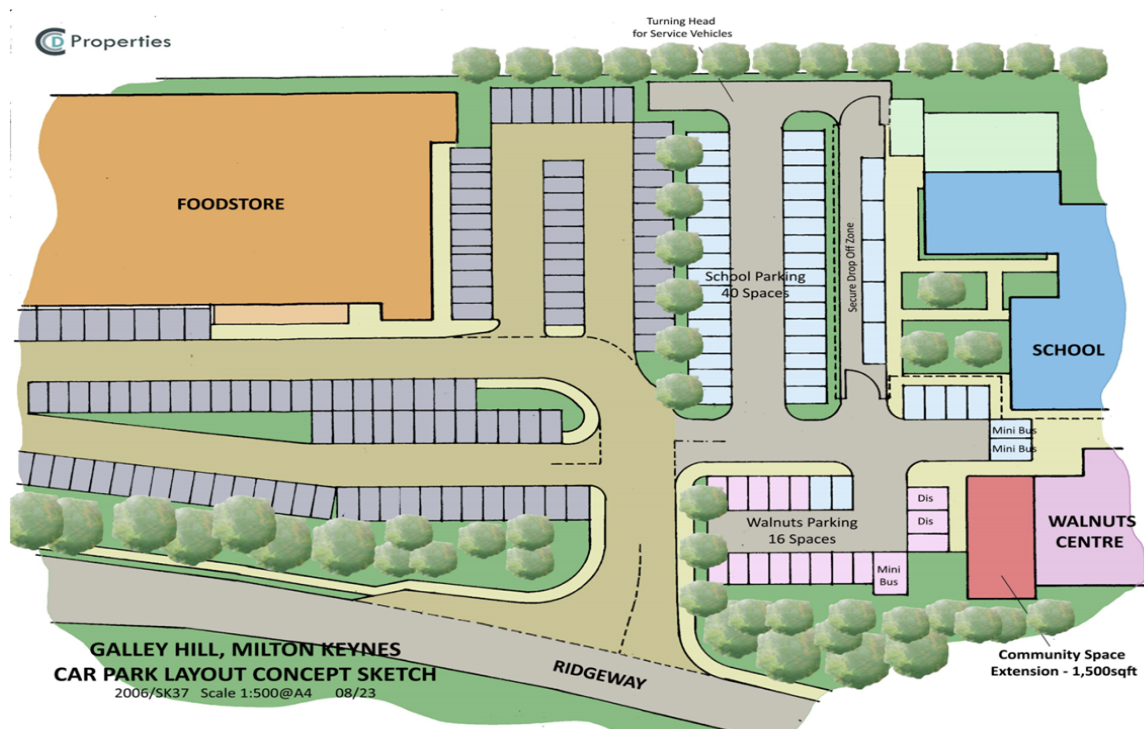
As a result of reviewing the asset portfolio, officers have developed a Business Plan which sets out the opportunity to develop the site to deliver a food store in line with political aspirations for the area to create new employment opportunities and social value linked to our regeneration of the adjacent Fullers Slade estate. We have carried out soft market testing (twice) and received offers to lease the asset from two operators. Additionally, we have received an offer to purchase the land, and we are recommending a direct sale of the development land (see Annex A).

There is a convenience store at Galley Hill local centre and consideration has been given to the impact of a new, larger food store nearby. However, industry analysis shows that instead of having a negative impact on convenience stores, the presence of a larger food store increases footfall and convenience purchases (see annex B).

There will also be increased footfall from the users and new tenants at the local centre and the new SEN school.

The development would require a new access from Ridgeway and a reconfiguration of the existing car parking. This new access complements the works needed to provide the SEN school and the works needed at the Watling Way Centre. The sketch plan overleaf is shown for indicative purposes.

The telecoms mast on the development site is leased to On Tower UK Limited with a rental income of £1,750 per annum. The lease renewal of the telecoms mast is currently being negotiated and the operator is supportive of the proposal to build a food store.





### 3. Implications of the decision

Financial	Y	Human rights, equalities, diversity	N
Legal	Y	Policies or Council Plan	Y
Communication	N	Procurement	Y
Energy Efficiency	N	Workforce	N

#### a) Financial implications

As set out in Section 2, there are several ‘moving parts’ to this strategy and some interdependencies to consider. For example, the provision of the new access road which will benefit the SEN school and the Watling Centre, is dependent on the food store development. The works required to GHLC are also funded from the development. The Financial Case is set out in Annex A.

#### *Funding Options and Exit Strategy*

##### *Assumptions*

In considering the exit strategy, we have made the following assumptions:

- a) That we will seek to ensure ‘best consideration’ in terms of land value in line with S123 of the Local Government Act 1972.
- b) That the site is not suitable for a residential development due to the access limitations and uses of the adjacent land, combined with the established need to deliver new and better facilities in the area.
- c) That we wish to minimise the risks posed from construction and potential procurement issues.
- d) That, in accordance with the CIPFA Prudential Code for Capital Finance, which restrict borrowing when making solely commercial investments, we have no desire to retain the asset in the long-term.

In line with the assumptions above, the recommended option is a direct sale to a food store operator who will be responsible for gaining planning consent. This option poses the fewest risks for us to manage and in many ways is the simplest option. The costs to MKCC would be in respect of legal and professional fees related to the sale, plus 50% of the new access road costs.

The sale of the land will generate a capital receipt. The net receipt after disposal costs will be used in accordance with the capital strategy as funding to support the capital programme.

The funding of the improvement works to the local centre, and the access road will be from capital receipts.

#### b) Legal implications

There are several matters arising from the proposals which will require advice and input from Legal:

- Taxation
- Sale Agreements
- Lease arrangements

This will be a detailed piece of work for the legal team and will have resource implications. However, we have also included professional fees for external legal advice in the overall project costs, should that be the preferred route.

## 4. Alternatives

- 4.1 The alternative option is to carry out all the works and deal with all of the matters arising without developing the food store. It would not be financially viable to provide the new access road, which has a negative impact on the HCN school, the Watling Way Centre, and St Mary & St Giles school as all traffic would continue to be funnelled through the SMSG access road.

Works to GHLC would still be needed and this would add an additional pressure of at least £250,000 to the capital programme. Additionally, there is no suitable alternative use for the development land and MKCC would lose the benefit of a capital receipt. There would also be no funding available to explore the provision of a long-term community facility. This is not the recommended option.

- 4.2 GHRA has proposed that an alternative use for the development site could be Sheltered Accommodation. We have reviewed this proposal and concluded that the proposal is not viable for the following reasons.

Sheltered Housing applications by developers and Housing Associations are no longer common as this is an increasingly unviable form of accommodation. The few applications we do get are predominantly for very expensive schemes, with very high service charges for tenants and residents, because these are the only viable options for developers. Most are also for private or shared ownership options; the only rental homes are generally from the 31% affordable requirement imposed by MKCC but even this is not generally physically provided as the rents would be too expensive to class as affordable and developers can prove that they cannot viably provide the full affordable element, so we tend to get negotiated down to a small commuted sum of money.

Other than these expensive schemes, which are designed for downsizing homeowners, we do get some Extra Care planning applications. However, these are also difficult to viably provide and we have either agreed them as part of a very large site (4000 homes) where the developer has opportunities to cross subsidise them, or on small Extra Care sites already in situ, but the number of affordable properties is very small and indeed the provider cannot make affordable rent work (as Service charges are so high) so they will be social rent homes (minimal in number as the provider will have to subsidise the charges) and shared ownership starting at 25%.

Apart from development issues, this is a form of housing that many Housing Associations and Councils across the country are moving away from and redeveloping their schemes to offer housing to a wider cohort with more dynamic tenant-led services.



It is increasingly being recognised that the traditional model of accommodation with an onsite manager is no longer financially viable. A manager sitting on site dealing with issues as they arise is not a good use of time, at times they may have little to do and at others they may be inundated with problems, that they themselves may not be able to manage and so they call in the experts anyway. A 'managed' site is also expensive and adds significant service charges which may be unaffordable to tenants.

Given the difficulty in making a Sheltered Scheme financially viable, this is not the recommended option.

## 5. Timetable for implementation

5.1 Indicative milestones for the development site are shown below:

<b>Action</b>	<b>Completion</b>
Delegated Decision	26 September 2023
Tenants/Operators Legal Agreements	February 2024
Planning Pre-application	December 2023
Planning detailed application determined	February 2024
Target Disposal	December 2024

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### List of annexes

Annex A (Confidential) – Financial Case

Annex B – Retail Impact Study

### List of background papers

None