

Report to: **Executive**

Date: **31 October 2019**

Title: **Langage Update Report**

Portfolio Area: **Strategic Assets – Cllr Hilary Bastone**

Wards Affected: **Newton and Yealmpton**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: **Following Council meeting 5 November 2019**

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Recommendations: that the Executive:

1. Note the recent positive progress made towards Langage Energy Park becoming a thriving enterprise; and
2. Recommends to Council to approve the use of up to £200k to fund the cost of extending the lease of the starter units from 21 years to 125 years, funded from the power station business rate reserve

1. Executive summary

1.1. Langage Energy Park has seen minimal development in the last 20 years, however a recent partnership approach between Langage Energy Park Limited (LEPL) and the Council is starting to yield results.

1.2. It is anticipated that a planning application for ~50,000 sq ft of commercial development will be forthcoming this financial year, it will include:

- i. Provision of a site for 30,000 sq ft of starter units for the Council, an obligation under the S106
- ii. A 10,000 sq ft unit for a commercial tenant
- iii. A further 10,000 sq ft unit that the Council may have the option of purchasing

- 1.3. A commercial position is being negotiated with LEPL to extend the Starter Unit lease to the Council from 21 years as per the S106 obligation to 125 years. This would cost the Council ~£200k but would secure long term income. It is recommended that this be funded from the Business Rates Pool. For clarity, the Council would then have new business units that it can rent out in Langage.
- 1.4. The Council received a sum of £100k as a contribution to the provision of public art on site. This sum was paid by the owners of the power station who have agreed that the money could be diverted to fund costs associated with bringing forward commercial development of the starter units.
- 1.5. The ability of the Council to apply its discretionary rate relief policy to businesses taking leases on the site has been recognised by LEPL and their commercial agent (JLL) as being of significant value to potential tenants and can be used appropriately to stimulate growth and enterprise on the Energy Park.

2. Background

- 2.1. Langage Energy Park has been in existence since the planning was granted in November 2000. For various reasons little development has occurred in that period, however more recently a partnership approach between the Council and the owner Langage Energy Park Limited (LEPL) has started to yield results. A location plan of the site is below and a site plan is shown in Appendix A.



- 2.2. Officers have agreed to simplify the S106 and associated documentation to clarify for potential tenants which obligations have been satisfied and which are ongoing.
- 2.3. The Council has taken an active role in fostering conversations between the Power Station and LEPL to help both parties understand and agree a practical way forward for the delivery of the S106 obligations remaining with the provision of heat, power

and gas. This is yet to be resolved but is moving forward constructively.

- 2.4. Discussions have been held as to how best to promote success, and LEPL have agreed to construct the starter units within the site to stimulate activity and growth. Furthermore, the Council has taken a flexible approach to the location of those units so as to ensure the best masterplan layout can be achieved across the whole site.
- 2.5. The current S106 agreement for the site requires LEPL to provide a site for 30,000 sq ft of "starter units" which are small business units such as we own and rent out in many other parts of the district. The site is only required to be for 21yrs under the S106.
- 2.6. A commercial negotiation over the lease length of the starter units has also been undertaken and agreement reached that the lease term can be extended from 21 years to 125 years.
- 2.7. A further S106 contribution of ~£1m is held by the Council for the construction of the starter units. LEPL have agreed to act as developer of the units for us, so as to simplify delivery.
- 2.8. The cost of delivering 30,000 sq ft of starter units identified in the S106 is in excess of the funding held for the purpose and so 10, 1000 sq ft units will be built initially. The remaining 20 able to be brought forward by the Council whenever it chooses.
- 2.9. A planning application submitted by LEPL for the first phase of development is anticipated this financial year which will be seeking planning approval for construction of starter units and a larger 10,000 sq ft unit for a commercial tenant.
- 2.10. A subsequent application for a 10,000 sq ft unit is likely to follow. The Council may be an interested party in that application if it decides to invest in the development to increase its asset holdings in line with the adopted Commercial Strategy. This will be subject to a future decision should the opportunity crystallise.
- 2.11. A further aspect recognised by LEPL is the value the Council can add to potential tenants by appropriately considering and applying its discretionary business rates relief policy. This policy allows tenants new to the area or expanding within the area to apply for a year's rate relief. For a large tenant, this can be a substantial amount of money and can be a significant help towards relocation costs.
- 2.12. Plymouth City Council already apply a similar policy to the part of the Langage site within their Council boundary.

3. Outcomes/outputs

- 3.1. The best outcome for the Energy Park is for it to become a thriving commercial centre, promoting employment, commerce and enterprise within South Hams.

3.2. The Council should play a central part in facilitating that outcome through strong and consistent engagement with LEPL to explore joint opportunities for success. This report captures the outputs of that facilitation as follows:

- i. A varied s106 which records the obligations which have been satisfied and identifies on going obligations so they are more easily understood for potential occupiers
- ii. the development of 10 new starter units for the Council to own and manage in accordance with the s106 agreement and subject to planning.
- iii. The re-allocation of S106 funds to support enterprise
- iv. The opportunity for future investment in a larger commercial unit, subject to the agreement of a business case and commercial terms to the agreement of both parties.
- v. Constructive Pre-App advice on ecology to streamline the planning process
- vi. To encourage business to submit applications for relief from Business Rates which are in accordance with the Council published criteria for determination by the Discretionary Rate Relief Panel on a case by case basis to support enterprise.

3.3. Subject to the securing the necessary planning permissions This in turn should lead to the construction and build out of a significant business park within South Hams, attracting good businesses and generating wealth and opportunity in our District.

3.4. Furthermore, the Council could benefit from business rates income from all of the development as well as rent from the starter units to support front line services.

3.5. The starter units are likely to rent for about £6 /sq ft or about £7000 / yr. As such, upon the completion of the starter units and full occupancy being reached, a potential income stream of £70,000 a year could be achieved. Management and maintenance costs may need to be deducted (depending on the lease arrangements), but it is still a positive financial position for the Council to achieve.

4. Options available and consideration of risk

4.1. Langage Energy Park may become a success without the engagement of the Council, however history suggest it will be harder and slower.

4.2. Engagement with LEPL by appropriate officers to facilitate success does not come at a direct cost to the Council and should continue into the future.

4.3. The risks the Council faces are limited to the delivery of the Starter Units, as this like any construction project, will need careful project and financial management. It is proposed that this is carried out by officers within the Assets team supported by outsourcing for specialist advice if necessary (funding to come from the re-allocated S106 money in recommendation 2 of this report and to be capped at £30k).

4.4. The construction of the starter units is "speculative" in as much as we have not yet got tenants ready to lease them. Whilst we will not have any debt to pay on the construction, we would be liable for business rates once they are complete should they remain unoccupied.

4.5. The demand for good quality starter units of 1000 sq ft is strong across the District and Langage. Therefore uptake of the units is not considered an undue risk. By way of supporting evidence, the units being completed in Ermington have all been pre-let during the construction phase.

5. Proposed Way Forward

5.1. That members support the recommendations of this report and note the progress made in recent months to facilitate success at Langage.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		A s106 can be varied by the Head of Practice for Development Management in consultation with the Ward Members and Chairman of DM Committee to secure the objectives of the Committee or any other planning purpose
Financial implications to include reference to value for money		Investment of £200k from Power Station Business Rates Pool to secure a long lease for the starter units of 125 years. A potential future income stream of about £70k / yr less management and maintenance costs Future business rate income.
Risk		Minimal
Supporting Corporate Strategy		Commercial Strategy
Comprehensive Impact Assessment Implications		
Equality and Diversity		N/A
Safeguarding		N/A

Community Safety, Crime and Disorder		N/A
Health, Safety and Wellbeing		N/A
Other implications		N/A

Supporting Information

Appendices:

Appendix A – Langage Energy Park Plan

Background Papers:

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed/sign off	Yes
SLT Rep briefed/sign off	Yes
Relevant Head of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	Yes