

Committee(s): Ordinary Council	Date: 2 November 2022
Subject: Baytree Shopping Centre Regeneration Proposal	Wards Affected: Brentwood South
Report of: Phoebe Barnes – Director of Assets & Investments	
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Summary

The Baytree Shopping Centre is a 135,470 sq ft multi-let shopping centre with 36 tenancies producing £1,157,327 gross rental income p.a. and a guaranteed initial net operating income of £675,000 p.a. until February 2023. This asset was acquired in March 2021 for £10.8m plus acquisition costs. As part of this deal there was a net operating income guarantee of £675,000 for two years after which the net operating income will drop to £402,437.

Baytree is a strategic regeneration opportunity that will enable major re-shaping of Brentwood's town centre. This will include an enhanced mix of uses including, leisure, residential, food and retail combined with potential community uses which will create a relevant and vibrant future heart for the town.

By undertaking a proactive approach to re-generation within Brentwood the council is uniquely placed to prevent the further decline of in town services and help shape the future of the town centre.

This report sets out proposals for the Council to re-develop the first phase of the Baytree Shopping Centre. The proposed redevelopment is to create a Cinema with leisure and additional retail units, residential units and new open air public space.

The total costs of the proposed re-development are forecast to be £23.340m (excluding financing costs) with a development time period of 18 months once the contractor has been appointed. This cost is split £21.898m on capital forecasts and £1.442m on revenue costs. The asset is currently leased to Seven Arches Investments Limited (SAIL) and as part of this arrangement have developed the regeneration plan. It is anticipated that Seven Arches Investments Limited will select the development partner during planning permission process and manage the re-development.

There are currently 36 tenants, generating a gross rental income of £1,157,327 per annum. This development would increase this to 30 tenants and a gross rental income of £1,780,000 per annum. Producing an additional £447,406 net revenue to the council per annum.

Officers and SAIL have completed an intensive feasibility study due diligence on the proposal and considered appropriate risk management implications. A detailed feasibility study on the development is set out in Appendix A (exempt).

Recommendation(s)

R1. That a total capital budget of £21.898m is approved for the intended redevelopment at The Baytree Shopping Centre as set out in the report. That this budget is profiled within the Council's Capital and Investment Strategy as follows:

2022/23 £987,730

2023/24 £12,451,880

2024/25 £8,484,483

R2. That delegated authority is given to the Director of Assets & Investments in consultation with the Section 151 Officer, Monitoring Officer and Leader to take all steps necessary, including entering into any legal agreements required, to complete the development proposed at Baytree Shopping Centre, Brentwood.

Main Report

Introduction and Background

1. The Council acquired two properties within Brentwood, (The Baytree Shopping Centre and Academy Place), from Threadneedle UK Property Authorised Investment Fund c/o Columbia Threadneedle (CT), for the combined price of £25,750,000 in March 2021.
2. The Baytree Shopping Centre was not on the open market for sale and a direct approach resulted in Threadneedle implying that they would only sell both assets together in one deal.
3. The amount attributed to the Baytree shopping Centre was £10.8m with the remainder being Academy Place.
4. Academy place is strategically located off London Road within minutes of the M25 and is a multi-let 46,197 sq ft office building with 6 tenants producing £995,571 gross rental income p.a. and net operating income of £995,571 p.a. This property was acquired to provide revenue support to the re-development of

the Baytree Shopping Centre during the period of development where it is anticipated that the remaining tenants would receive rent free periods to offset disruption from the building works.

5. The Baytree Shopping Centre is located in the heart of Brentwood and is a 135,470 sq ft multi-let shopping centre with 36 tenancies producing £1,157,327 gross rental income p.a. and initial net operating income of £675,000 p.a.
6. Upon acquisition the Baytree Shopping Centre had over 30% vacancy and whilst this figure has stabilised through temporary lettings (many of which are not paying rent) without significant investment this vacancy figure will increase. Furthermore, with the size and strategic positioning of the Baytree Shopping Centre this will result detrimental impacts on the town centre and will facilitate further degeneration on Brentwood Town centre if action is not taken. It is therefore of utmost importance that the council regain control and the ability to shape the town centre for future generations of local residents.
7. Acquiring the Baytree Shopping Centre resulted in the Council gaining a significant interest within the town centre, a site of strategic importance to the town centre and the ability to safeguard the provision of retail space and amenity services within the town centre. The redevelopment of this site was a crucial factor in the decision to initially acquire it.
8. The proposed redevelopment plan has the ability to significantly improve not only the Baytree Shopping Centre but the wider Town Centre, by creating new and improved public realm space, new and fit for purpose retail/leisure units and a 12,000 sq ft cinema unit. In addition to this the redevelopment has the potential to entice new operators to Brentwood providing a better all-dayan enhanced retail and leisure offering to the residents.
9. This proposal provides short term and long-term redevelopment opportunities to the Council in terms of potential further phases to the scheme, to increase the residential accommodation at the site and also improved connectivity and street enhancement works on the back of completing the current proposed development.

Issue, Options and Analysis of Options

10. The previous owners of the Baytree Shopping Centre had not invested in the scheme for many years, with the previous owner wishing to dispose of the scheme in favour of a residential lead redevelopment. This would have resulted in the loss of town centre amenities as well as the loss of employment opportunities. Therefore, it was vital that the Council acquired the scheme and

progressed with the redevelopment. This is to ensure the town centre amenities are maintained and enhanced as well as protecting and enhancing employment opportunities.

11. Developing the development site addresses a number of corporate initiatives as detailed in the Brentwood 2025 Corporate Strategy.
12. Undertaking the initial re-development enables the Council to directly assist in growing the local economy by securing additional employment opportunities for local residents. These opportunities will be supplied from a range of different business functions operating from the sites together. The redevelopment also creates additional residential muse houses along South Street.
13. The current income from Academy Place and Baytree since acquisition has been earmarked annually into an In-borough Regeneration reserve. Therefore, the income has not been supporting the General Fund Revenue Account since acquisition. It is assumed this reserve, as well as the income from Academy Place will be utilised throughout the development to support financing costs of the new development as well as cover the initial financing costs for acquisition. Mitigating the council budget from being placed under significant financial stress.

Options appraisal

14. Do nothing - The Council has the option to not undertake the redevelopment.
 - a) The Council/Borough would not benefit from the additional jobs created by increasing the employment opportunities within the Borough.
 - b) The Council would not benefit from the additional net revenue generated of £447,406 p.a. into the general fund.
 - c) The council may lose the opportunity to secure a cinema operator within the Town centre by not undertaking this development as no other suitable location has presented itself.
 - d) Without significant investment the appeal of the Baytree will diminish and thus the vacancy rate will keep increasing. This will result in the loss of Town Centre amenities and employment opportunities. Furthermore, with the size and strategic positioning of the Baytree Shopping Centre this will result detrimental impacts on the town centre and will facilitate further degeneration on Brentwood Town centre if action is not taken.
 - e) The financial pressure will increase on the Council's finances by incurring costs of high void units and managing the asset

15. Approve the development on below proposal (**preferred option**)
- a) This is a site of strategic importance to the Council.
 - b) This site provides the opportunity to undertake a number of phased redevelopments subject to viability assessments on all phases. The first phase proposed is to create space for a cinema, leisure and additional retail units, residential units and a new public space. This will create employment opportunities of local residents and also significantly improve the town centre public realm.
 - c) The wider impacts from the redevelopment will be realised across the High Street with new operators being enticed to Brentwood thus reducing vacancy on the High Street and contributing to a thriving local economy.
 - d) Provides an additional net income £447,406 p.a. into the Council's budget.

The Proposal

16. The Baytree sites enables major a re-shaping of Brentwood Town Centre and provides significant improvement to the local residents in terms of amenities and offer. The proposal is to redevelop the site to produce a mix of uses including cinema, leisure, residential, food and retail combined with an enhanced public realm. This will create a relevant, vibrant future heart to the town and prevent further negative impacts on the town centre by having a derelict shopping centre.
17. The redevelopment includes part demolition of existing 1960's retail units and shopping mall total (34,358 sq. ft) and refurbishment, and extension of 1960's retail units (31,549 sq. ft), to create a 12,000 sq. ft Cinema box, restaurant units and additional retail space. There will be 7 three/two bed muse houses along South Street and improved public realm including both hard and soft landscaping works and connectivity, incorporating Crown Street and the multi storey car park on Coptfold Road.
18. The proposed scheme comprises the first phase of a wider regeneration scheme for Brentwood High Street to ensure that it continues to meet up to date requirements and supports the local economy, it will include the following:
- a. Partial demolition of existing mall, retail units and substation
 - b. Construction of new retail units
 - c. Refurbishment and extension of existing retail units creating restaurant space and a 3/4 screen cinema
 - d. Replacement substation
 - e. Construction of terrace of 3-storey houses

- f. Creation of new fire escape route
- g. General rearrangement of existing spaces and retail units
- h. Replacement of shopfronts
- i. New external roof plant equipment, renewable energy measures and green roof finish
- j. Hard and soft landscaping to new areas of public realm within application red line
- k. Associated works and re-configuration Site preparation, including clearance of selected existing trees, shrubs, and other vegetation to facilitate the works.
- l. Ecological and landscaping/biodiversity enhancements to the site.

19. The main work at this stage will be focused around a new public square, located towards the south of the Shopping Centre, away from the High Street frontage and Chapel Ruins. Minor work along the west side of Chapel High primarily comprises the replacement and enhancement of existing shop frontages in the interests of visual amenity and the overall appearance of the area.

20. The new facilities will be provided within the limits of the existing site, with a programme of demolition allowing for the efficient use of the town centre location, and to provide modern and sustainable buildings that will not only serve the needs of immediate users but provide flexible spaces for other town centre uses in the future.

21. The scheme has been designed to provide an open-air pedestrian route through its centre to a new Baytree Square” which will ensure a physical and visual link to amenity space around Chapel Ruins and the High Street itself, as well as new areas of high-quality public realm to allow the enjoyment of the site by a wide variety of users.

22. The scheme will include new residential properties along South Street. These will provide a complimentary land use and outlook for the existing dwellings on the opposite side of South Street, as well as an active street frontage in this location.

23. The reconfiguration of the site as a whole will also allow for service yards and parking facilities to be condensed and used more efficiently, as well as being predominantly covered.

24. The existing scheme will remain open during the redevelopment and all existing Public Rights of Way will be maintained and kept open as much as possible during the re-development phase.

25. The assumed program for the whole redevelopment is over 21 months with a suggested program contained within Appendix A feasibility report.
26. The proposed development has a time frame and intended development schedule as follows;
27. RIBA Stage 4 – Technical Design/Tender Period: 16-weeks (**proposed to align with planning determination period,
28. RIBA Stage 5 – Construction Period: 52-weeks.
- a. Contractor mobilisation – 1 Month
 - b. Enabling/site preparation works period – 2 Months
 - c. Main works construction period – 9 Months
29. It is proposed that construction will start Q2/Q3 2023 and will be completed by Summer 2025.

Financial Proposal

30. The current final redeveloped scheme is anticipated to produce approximately £1.78m of gross rent p.a. An increase of £625k compared to the current gross rent.
31. There is a development appraisal contained within Appendix B. In addition to the traditional development appraisal the Council must consider the financial impact on the Council's Medium Term Financial Strategy and Capital and Investment Strategy. This is disclosed within Appendix C.
32. The total development costs including all fees is £23,340,343. This includes contingencies for the following
- build cost inflation & risk at 22%
 - additional build cost contingency at 5%
 - a 5% fee cost contingency
33. This is higher than the figures advised in the feasibility report due to additional contingencies fees and all other associated cost such as rent free being incorporated as prudent measures.
34. The total Gross Development Value is £36,099,855.
35. This gives a slightly positive profit of £170,505 once acquisition costs and development costs are deducted which equates to 0.47% profit on cost. It is

important to note however that with such large contingencies of over £1m it is projected this scheme will come in neutral. The development appraisal also includes the whole acquisition cost for the Baytree Shopping Centre.

36. This proposal produces a net additional revenue return for the General Fund of £447,406 p.a. once the residential sale values, borrowing costs and MRP allocations have been factored in. This includes the income from Academy Place as well

37. It is intended that the income from Academy Place would also support the reduced income at Baytree Centre whilst the redevelopment is worked up and delivered. Once completed the income from Academy Place and the Baytree Shopping Centre can be incorporated in to the general fund revenue account thus increasing the council funds.

38. It is envisaged that phase two of the master plan redevelopment would take place once vacant possession of the Eastern side of Chapel high is obtainable in 2028. This would be to create further residential streets, improved public space and fit for purpose retail. It would also enable the reinstatement of 'New Road' providing straight-line access from the high street to Coptfold Road. However, this phase would be subject to viability assessments and the Council's financial position.

Planning

39. Savills advising SAIL on planning have reviewed the policy requirements of the determining authority.

40. The principle of the redevelopment of the Baytree Centre is confirmed through Policy BC05 of the adopted Brentwood Local Plan. This policy refers to Brentwood Town Centre and specifically recognises the Baytree Centre as an opportunity area to improve permeability and integration into the wider public realm and to create a more welcoming and flexible space at the heart of the Town Centre.

41. The project team have engaged with Officers through the pre-application process, with an initial meeting held on 7th July 2022. The proposals were then the subject of a Design Review Panel on 8th August 2022. Written responses were provided to both of these meetings and in summary confirmed support for the proposals in principle. Specifically, the pre-application written feedback confirmed:

“Overall, it is considered that the principle of the development is supported and would be in line with the Council’s adopted local plan policies”.

42. Other comments have been fully appraised by the team to ensure they are factored into the finalisation of the proposals. This pre-application process has also included input from the Council’s Heritage officer.
43. This positive position from the Council will be further supported by the additional public and member engagement foreseen between now and submission.
44. There are no known issues of concern with regards to ground condition, archaeology, noise, air quality or lighting that it is considered would prohibit the granting of planning permission on the site. Landscape and Visual Impact work is underway and the proposals will enhance the existing landscaping by incorporating further trees and vegetation.
45. The project team is currently on track to provide the supporting information required for a complete planning application ready for submission and validation in November
46. SAIL as part of the feasibility study have instructed various consultant reports required for the feasibility study and planning submission. Appendix A details the results of these supports in supporting the application for regeneration.
47. Proposals for the redevelopment of The Baytree Shopping Centre recognise the shifting demands of a contemporary retail environment, creating a visible, desirable destination of mixed retail, leisure and restaurant offers that support a daytime and evening economy.
48. Priority has been given to sustainable regeneration, replacing the existing internalized shopping centre format with high-quality public outdoor spaces. Fabric-first principals of design have been incorporated, retaining much of the existing buildings’ structures and their embodied carbon whilst allowing for high levels of thermal performance. Renewable energy, operational carbon generation and water use are a key focus of the redevelopment’s energy strategy.
49. The new ‘streets-and-squares’ format of the proposals and the building materials used are heritage- and townscape-led. Improvements are proposed to South Street’s residential character. Pedestrian permeability along a key north-south desire-line is created. The reintroduction of a cinema and a new public Square at the heart of the Town Centre creates a focus for rejuvenated activity and entertainment and the potential for additional future connections – it lays the

ground for the northern and southern sections of the historic New Road to re-join.

50. The new architecture of the cinema box, its materials and texture, will capture the experience and excitement of a shared theatrical experience and add a new dimension to the existing town centre buildings. The use of a buff brick paired back detailing and considered proportion of the South Street houses and shop fronts enclosing the new Square will set these contemporary buildings sensitively alongside their historic neighbours. The introduction of a common shopfront design throughout the development, with controlled and repetitive fascia and bus stop signage and lighting brings a sense of order, identity, and quality.
51. The proposals build upon the positive consultation work undertaken to date, incorporating positive public feedback, the adopted Local Plan and Brentwood's Town Centre Design Guide, pre-application advice and an Essex Quality Review Panel critique.
52. Given the location of the shopping centre is set back from the route of the Roman road and from the Medieval High Street and chapel, the proposed development is unlikely to impact upon any highly significant archaeological remains that could preclude development. It is possible that remains of a most likely local significance could be impacted, however. Archaeological trenching is therefore likely to be required to assess presence/absence of remains requiring further mitigation. It is suggested that this is secured by attaching an appropriately worded archaeological planning condition to the granting of planning consent.
53. The long-term baseline noise survey is underway, and a noise monitor is on-site, the manned plant noise monitoring has now been completed. The baseline noise levels will be used to describe the existing environmental conditions and in combination with the noise modelling predictions will be used to determine the potential impacts of the proposed development.
54. Two types of assessment will be completed to assess the impacts of existing and proposed industrial noise sources on proposed and existing noise sensitive receptors and to assess the impacts of the existing noise environment on the proposed residential properties. The industrial noise assessment will set the noise limits for the external plant and equipment and will assess the impacts of vehicle movements in the service yard on the proposed residential properties.

55. The noise impacts of road traffic from the surrounding roads on the residential properties will also be considered, however, any impacts are likely to be minimal due to the low number of additional vehicles using the network.
56. The proposal will generate more demand for parking based on Essex County Council's Parking Standards SPD (2009) despite the reduction in floor area, owing to the change in composition of land uses going from mainly retail to a mixture of retail, restaurant/bar, and other leisure (gym and cinema) uses. A report prepared by Mayer Brown in 2020 including survey data indicates that there is capacity in Brentwood's three main car parks William Hunter Way, Chatham Way and Coptfold Road MSCP. Brentwood Borough Council commissioned 'Parking Perspectives' to develop a parking strategy for Brentwood town centre including collection of parking data from all the Council's car parks. Non-residential parking standards are expressed as maximum, and lower provision is appropriate in town centre locations such as in this case, including residential uses. On this basis we are confident that we can demonstrate that the proposal is compliant with policy BE13 of the adopted Local Plan.
57. For access and servicing it has been demonstrated that up to a 10-metre/18-tonne rigid bodied truck and a large refuse collection vehicle can comfortably enter, turn, and exit the proposed rationalised western service yard. There is an indication as to where five loading bays can be positioned within the service yard backing onto the service routes to the units, in reality there is space for a larger number of smaller vehicles in these spaces as well as around the yard.

Market Demand

58. Whilst the UK economy is not (at the date of this report), in recession the Bank of England has been forced to raise interest rates to 2.5% which is a 12 year high and has hinted that further increases are likely. The UK market is anticipating the base rate will hit 4% before the end of 2022 before stabilising during 2023. This increase is a direct action in an attempt to reduce the UK inflation rate which is currently 9.4% (significantly above the 2% target). Inflation is set to peak at approximately 13% during quarter 4 of 2022 before beginning to reverse in 2023 however to what extent it depends on how embedded inflation becomes in the wage bargaining process.
59. On top of high inflation and increasing interest rates, the UK is experiencing significant increasing in everyday items such as utilities creating a cost-of-living crises across the country.

60. Despite the increasingly challenging macro environment, feedback to the Q2 RICS Commercial Property Monitor was still on balance positive with the headline metric capturing both occupier and investor sentiment coming in at +6 compared with +17 in the preceding three-month period. Inevitably, however, the headline number continues to mask significant divergence in performance at a sector level. The industrials/logistics segment of the market remains particularly strong despite seeing prices rise on average by in excess of 60% over the past couple of years according to CBRE data. Significantly, the CBRE numbers also point to the vacancy rate in this area slipping to just 1.18%. In contrast there are some signs of a stalling in the rebound in the retail sector which, given the pressure on household budgets in the wake of the cost-of-living crisis, is not altogether surprising.
61. The sentiment in UK property market is widely viewed as entering a downturn phase of the cycle. Despite this, the downside threat to the market is relatively limited even with the challenge presented by rising interest rates and a weakening economic outlook. In particular, we would draw comfort from the relatively limited build-up of debt and development compared with some past real estate cycles.
62. The most recent official data for the sector (May) shows output some 5% up over the past twelve months and around 3.5% higher than in January 2020 (pre pandemic level). Inevitably, there is considerable volatility on a month-by-month basis particularly at a sector level.
63. In terms of forward-looking indicators, the Q2 RICS Constructions Monitor suggests that workloads will continue to grow over the next twelve months albeit at a somewhat lesser pace than currently in response to the more downbeat economic climate.
64. Although macro uncertainty is a growing concern, feedback to the RICS survey suggests that the more immediate challenges for the industry still revolve around building materials and labour.
65. Despite this backdrop and current economic performance there is a general consensus that during 2023 inflation will stabilise before falling and as a response the base rate will stabilise, easing pressure on consumers finances. This coupled with a reduction in utility prices during late 2023 early 2024 should provide consumers surplus finances.
66. This project if proceeded with will be constructed during a downturn and period of low consumer confidence with the completed scheme coming to the market during an upturn market in 2025.

67. Omni Retail have been directly involved with lettings at Baytree Shopping Centre since acquisition in 2021. During this time, the scheme has been in a state of paralysis hindered by the poor selection of dated and unfit for purpose retail units within a scheme which has limited appeal. Brentwood High Street has seen a number of new entrants, including Pret and Gail's Bakery. There are significant demands within the leisure and retail sectors to trade in Brentwood due to its affluent population and proximity to London. It is important to note that we also want to differentiate Brentwood from other town centre high street locations. In order to do this we will make sure the final tenant mix has a mixture of both national, regional and local operators to give Brentwood the edge over other locations nearby.
68. There are currently a significant number of leisure and retail occupiers who have expressed an interest in trading in Brentwood or have a live requirement for the town. These operators along with local, pop-up and new enterprise occupiers will ensure the tenant mix at the scheme is relevant and remains consistent with the local population's expectations.
69. The other new units and existing units are designed to be flexible, for example the proposed unit 6 has the capability of being split into 3 smaller units or let as one larger unit depending on market demands at completion. There are a number of operators both leisure and retail who have expressed interest in the redeveloped scheme along with live requirements for Brentwood. It will be important to determine the best tenant mix for not only the scheme but Brentwood as a whole therefore operators will be targeted along with leaving flexible retail space for either local start up business or pop-up shops.
70. Rental level - The historic valuation method of devaluing all premises to an ITZA failed to consider retailers' profitability, margins, and sales densities, has now been superseded with a global occupational cost based off a rate per square foot. The rates being used for the development ranging from £20 to £25 psft reflect current market conditions and are comparable to rents being paid in both Brentwood and similar affluent market towns in the Southeast. We expect that due to the scarcity of suitable large restaurant and retail units in the town together with the proximity to a new Cinema, ample nearby parking, and a new landscaped civic area in Baytree, that we may well be able to improve upon this expected rental rate psf.

71. With the range and quality of retailer interest that we have received to date, we expect to transact with a number of national brands whose covenant will be far superior to our existing tenant line-up and as such, in most instances, this will drive down the equivalent yields below 6%, further improving the Centre's capital value based on our market rents.
72. Given the current depth of demand, it is envisaged that it should be possible to identify a potential tenant for the units prior to practical completion of the proposed construction works. With this in mind, a full marketing campaign will be put in place to commence when construction starts on site. There is a high probability that the property will therefore be let on prevailing commercial terms at the point of completion, although it would be sensible to allow an additional three / six months post practical completion for the sake of expediency.
73. Halifax bank has stated that house prices rose at an annual rate of 9.9% in September with the increase being flat since June. This 9.9% represented the slowest rate since January and during September house price fell by 0.1% and we are entering a sustained period of lower growth.
74. The residential sales market in Brentwood is outperforming the national trend as there is an acute shortage of fresh supply coming to market which has led to chain inertia, stemming the speed at which transactions tend to complete.
75. The mean price paid for a property in the borough over the last 12 months is reported at £514,000 reflecting a 5.8% increase over the last 12 months. The mean price per square foot over the same period is £485.
76. As of September 2022, the median number of days it took to sell a house in the borough was 62 days. This has increased since December 2020 where it stood at 52 days however is still well below the January 2020 5-year high of 79 days. This reflects the increasing desire for accommodation in Brentwood.
77. It is clear that although the UK is facing serious head winds in respect to affordability and living costs there are pockets of the county where demand and affordability will continue to sustain a healthy residential property market. There is an expectation that house prices inflation in Brentwood will remain steady with neither significant increases nor any decreases in value over the next 18 months.

Council Due Diligence

78. The Council appointed Seven Arches Investments to undertake detailed due diligence and feasibility study on the development site this report is contained in Appendix A.

Risk Management

79. The Council via Seven Arches Investments Limited has carried out thorough due diligence process on the proposal as highlighted in the report.
80. It is intended that the Council will instruct SAIL to manage the development utilising their expertise and knowledge.
81. SAIL will instruct specialists to deliver the development and ensure the development is fully compliant with the statutory requirements.
82. The property will be included within SAILs property insurance policy once developed.
83. Market Implications have been considered such as:
 - **Planning Risk** – Through consultation, consideration of planning policies and other relevant documents and regular being in regular dialog with the Local Planning Authority this risk can be reduced.
 - **Construction Risk** – The risks associated with all developments will be closely managed with stringent legal contracts, cost monitoring and ensure industry experts are employed to manage the process.
 - **Occupational Market Risk** – It is intended that agreement for lease's will be entered into prior to redevelopment to mitigate this risk. It is envisaged that both a local and national agent will be employed to undertake a full marketing campaign maximising the potential occupants.
 - **Cinema Market Risk** – It is the Council intention that an agreement for lease is entered into prior to redevelopment to mitigate this risk.
 - **Retail Market Risks** – It is the Council intention that an agreement for leases are entered into with key operators prior to redevelopment to mitigate this risk.

- **Tenant default** – All this risk can never be fully mitigated through active asset management this risk can be managed and reduced.
- **Funding risk** – The proposal aims to reduce the financial implications in the council and with a staged approach to borrowing will enable close monitoring of this risk.
- **Property / Asset Issues** – Using industry experts to manage the properties these risks can be reduced significantly.

84. In conclusion, with all the due diligence and the feasibility study undertaken by SAIL, this proposed redevelopment is considered to be a good deal where a major in-borough asset is developed, providing increased revenue, employment opportunities and significantly improving the town centre amenities/attractions whilst contributing to a thriving local economy.

Reasons for Recommendation

85. The proposed phase 1 redevelopment of the Baytree Shopping Centre would allow the Council to invest in a significant town centre asset and enabling the redevelopment and regeneration of the site and providing much improved public realm, social space and street scape for the residents of Brentwood as well as a financial income to the council.
86. This phase 1 redevelopment will also produce new employment opportunities for the residents of Brentwood, it will help produce an evening economy based around Everyman Cinema and leisure uses which are incorporated into this redevelopment. This will provide significantly improved town centre amenities and the attractiveness of the town for further investment.

Consultation

87. No formal consultation has been undertaken or is required.

References to Corporate Plan

88. Value for Money: policies that invest in key services to create opportunity for all provide better value for Brentwood's taxpayers and enhance the Borough's infrastructure whilst modernising and transforming Brentwood Borough Council. We will re-prioritise and focus our resources and be innovative in our approach.

89. Our Borough: Policies which promote our environment, support sustainable growth, and safeguard our high-quality environment including heritage and countryside. We will provide responsive, accessible and forward thinking services for vulnerable residents, supporting people back into work and providing good quality housing making Brentwood our residents' Borough of Choice.

Implications

Financial Implications

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90. The detailed Financial Implication on the Councils MTFs and Capital & Investment Strategy are set out within Appendix C. It is expected that the Council will borrow externally from PWLB, however officers will manage the treasury function to maximise the best return for the Council and utilise Capital receipts plus short-term borrowing as appropriate.

91. Other financial considerations are also gained through development of this asset, such as maintaining business rate income that is included within the collection fund, as well as additional business rates and an increased tax base for the Mews houses.

Borrowing Limits

92. The proposed development will need to be incorporated into the Council's prudential indicators set out in its Treasury Management Strategy. For the current year, no revision is required to these indicators' due slippage within the current agreed Capital Programme the additional impact of £988k for this financial year can be maintained within existing set limits. The revision to these limits for 2023/24 onwards will be part of the budget setting process.

93. The Council currently has £173m amount of borrowing to date. Split £135m long term and £38m short term for the General Fund. There is also £57m of long-term borrowing for the self-financing of the HRA. This development will increase the current borrowing held by the Council; however, the financing costs can be funded from the income of both Academy Place and Baytree so there is no revenue strain on the General Fund.

94. It must be stressed that the development will undergo continuous viability assessments to ensure the scheme remain affordable to the Councils revenue account. If the optimised borrowing rate cannot be achieved then the project will be delayed to ensure the Council is not faced with financial burden. The scheme will only go ahead so long as it is financially viable to do so.

Legal Implications

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95. The recommendations set out within this report are within the Council's powers and duties. The Council has power under s1(1) of the Localism Act 2011 to do anything that individuals generally may do, provide it is not prohibited by legislation and subject to public law principles. There is no express prohibition, restriction or limitation contained in a statute against use of the power in this way. In addition, s111 of the Local Government Act 1972 gives a local authority power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

Economic Implications

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96. The council has acquired The Baytree Centre to directly deliver improvements that will have a positive impact on the wider local economy, among other things. Investment in The Baytree Centre to deliver regeneration will play a key part in improvements to Brentwood town centre. Provision of improved leisure and retail as part of regeneration delivers an objective that has been a corporate and local priority for several years. The recommendation helps facilitate an important milestone towards achieving town centre regeneration and drive economic growth.

Background Papers

None

Appendices to this report

Appendix A: Feasibility Study (Exempt)

Appendix B: Redevelopment Appraisal

Appendix C: Financial Impact Assessment