

SWANLEY REGENERATION

Cabinet - 3 March 2016

Report of Chief Officer Communities & Business

Status: For decision

Also considered by: Policy and Performance Advisory Committee - 1 March 2016

Key Decision: Yes

Executive Summary: Cabinet has approved the demolition of the former Working Men's Club at 18 High Street Swanley, the former Bank at 16 High Street Swanley and the vacant shop units and accommodation above them at 27 - 37 High Street Swanley, subject to further investigation into the possible VAT and CIL implications of developing the site.

This report informs Members about the VAT and CIL implications. It also informs Members of the planning implications for 27-37 High Street Swanley of it being listed as an Asset of Community Value.

The report seeks consent to proceed with the demolition process at the former Working Men's Club at 18 High Street, the former bank (CAB centre) at 16 High Street and the disposal of the temporary building currently on the Bevan Place site.

This report supports the Key Aim of Value for money, and supporting an developing the local economy

Portfolio Holder Cllr. Fleming

Contact Officer Robin Cooper Ext 7099

Recommendation to Policy and Performance Advisory Committee: That it be recommended to Cabinet

- i) To note the CIL and VAT implications of developing land at 16 - 18 High Street and to demolish both buildings (The former Working Men's Club and former CAB building) at the earliest opportunity noting the demolition works have already been procured and the contractor is ready to mobilise.
 - ii) To note the revised costings for the demolition (contained in the exempt appendix) and note that the previous contractor remains the best value for money.
 - iii) To approve the demolition of the former Working Men's Club and CAB
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building and note this is subject to a Prior Approval Notification

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- ii) To note the revised costings for the demolition (contained in the exempt appendix) and note that the previous contractor remains the best value for money.
- iii) To approve the demolition of the former Working Men's Club and CAB building and note this is subject to a Prior Approval Notification

Reason for recommendation: Development of these sites will generate significant income and capital receipts that can be reinvested. High quality development will serve the needs of Swanley and improve this important gateway site into the town thus supporting the Council's Economic Development Strategy. It will also result in higher performing assets in accordance with the Council's approved Property Investment Strategy.

Introduction and Background

- 1 The Council has owned property comprising Bevan Place Car Park and 16 High Street (a former bank) and 27-37 High Street, Swanley, for some time. More recently it acquired the Swanley Working Men's Club. The intention is to develop the 16 - 18 High Street site for residential use with some business use in the form of incubator, innovation or business start up space and some retail. The prominent site needs to have a genuine quality gateway feel to the town centre.

VAT Implications

- 2 Policy and Performance Advisory Committee requested further details on the VAT implications of developing the site. These are highlighted below:
- 3 In the absence of final plans, and without an option to tax in place, the assumption is that the VAT incurred on associated costs is attributable to exempt supplies as the default liability of land supplies is exempt. The VAT on the cost of demolition should be included in the Council's partial exemption calculation (this calculation enables certain bodies to recover VAT on costs relating to non-business activity). In 2014/15 the Council incurred exempt input tax of £26,300 which represents 1.74% of the total VAT incurred (the limit is 5%).
- 4 Taking 2014/15 as a base year and incorporating anticipated capital figures for 2015/16 and 2016/17 it is likely that the Council may exceed the partial exemption calculation, thus potentially having to pay back circa £100,000.

5 The effects of an option to tax are:

- Supplies of land and buildings, such as freehold sales, leasing or renting, are normally exempt from VAT. This means that no VAT is payable, but the person making the supply cannot normally recover any of the VAT incurred on their own expenses.
- However, you can opt to tax land. For the purposes of VAT, the term 'land' includes any buildings or structures permanently affixed to it. Once you have opted to tax all the supplies you make of your interest in the land or buildings will normally be standard rated, and you will normally be able to recover any VAT you incur in making those supplies.

6 If there is potential to breach the partial exemption calculation, the following options could be considered:

- Contact HM Revenues & Custom (HMRC) and request "exceptional circumstances" as why the Council has breached the 5% limit, as part of this the Council would need to demonstrate that if it took an average of 7 years it would be under the 5% (four previous years, the year we exceed and two future years). However, the HMRC do not have to allow this.
- Split the demolition - Demolish the Working Men's Club before 31 March 2016, the Council may then be able to absorb this in the 2015/16 partial exemption calculation.

7 If clear plans are formed and decided before demolition takes place, and these will result in the Council making taxable supplies (either standard-rated or zero-rated) then the VAT on the demolition costs would be fully recoverable without any impact on the Council's partial exemption calculation.

Community Infrastructure Levy (CIL) Obligations

8 There will also be CIL obligations from developing out the sites and these are summarised as:

At 16 - 18 High Street the CIL payments, assuming 40% affordable housing, is around £125,862. In addition at 27 - 37 High Street the CIL payment is estimated at £44,758 (so £170,620 in total for CIL). In total then on both sites with VAT and CIL - the worst case scenario is around £270,620 which effectively would come off the capital receipt to the Council. A higher density scheme would add to the CIL liability.

The Council has no real option but to accept these sums if it is to comply with planning policy and HMRC regulations. The Allocations and Development Management Plan (ADMP) suggest around 46 units of accommodation could be provided at the old Working Men's Club site.

Over the road at 27 - 37 High Street would be 3 retail units at ground floor and 14 flats. This site (27 - 37) already has outline planning consent. In total then the sites could accommodate 60 new units of accommodation as well as business and retail opportunities at ground floor level.

Asset of Community Value

An application was made to the Council to register 27 - 37 High Street as an Asset of Community Value because it was being used by Age Concern at the time. The Council agreed to register the building as an Asset. The building has outline planning consent and the intention is to apply for full planning consent which, if granted, would allow the new development to proceed and the Asset of Community Value would no longer be registered as the building will have been removed. The property was offered to Age Concern but no offer to purchase came forward. Age Concern no longer use the building which is empty.

Benefits

- 9 It is important that the Council seeks to reduce any business rates liabilities, reduce the opportunity for vandalism (which has already occurred) or occupation by potential squatters and improve the visual appearance of the site. If appropriate, attractive hoardings will be erected around the site promoting what Swanley and the District has to offer.

Key Implications

Financial

The financial issues around CIL and VAT are reported above. A tender price has been received from 4 tenderers and the recommended award is in the exempt appendix. This expenditure will be funded from the Property Investment Strategy Reserve.

Legal Implications and Risk Assessment Statement.

There are no legal implications arising from the recommendations. The land is not required for operational uses.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

Demolition of the buildings at 16 - 18 High Street and the removal of a temporary building on site will remove any rates liability, reduce the risks of vandalism or squatting and improve the appearance of the site.

It is not proposed to demolish 27 - 37 High Street at this stage until full planning permission has been obtained and redevelopment is about to start as the effects of demolition will be to expose large party walls which may be difficult to effectively make wind and water tight and will also look unattractive. Demolition costs, excluding 27 - 37 High Street are in the exempt appendix on this agenda paper and the preferred contractor remains as before and is the cheapest and represents the best value for money from 4 firms who tendered.

Appendices

Appendix A Site Plan

Appendix B - Tender EXEMPTED

Background Papers:

None

Lesley Bowles

Chief Officer for Communities and Business

Appendix A: Site Plan

