

## **EWELL COURT HOUSE TEA ROOMS ELECTRICITY SUPPLY**

<b>Head of Service:</b>	Mark Shephard, Head of Property and Regeneration
<b>Wards affected:</b>	Ewell Court Ward;
<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	
<b>Appendices (attached):</b>	No

### **Summary**

This report updates Committee on the Ewell Court House Tea Rooms letting and the subsequent requirement to upgrade the building's electricity supply.

### **Recommendation (s)**

#### **The Committee is asked to:**

- (1) Agree a new electrical supply is taken from the public highway as described in this report at a cost of £60,000, to be funded from the Capital Receipts Reserve.**
- (2) Authorise the Head of Property & Regeneration, in consultation with the Head of Finance and Legal Officer, to include the works in the Agreement for Lease and progress the electrical supply upgrade at the appropriate time.**

### **1 Reason for Recommendation**

- 1.1 To grant a new lease of the Tea Rooms to maximise the financial and community benefits of Ewell Court House.

### **2 Background**

- 2.1 The Tea Rooms comprise the former greenhouse, potting shed and nursery garden to Ewell Court House and as a consequence, its electricity supply is delivered direct from Ewell Court House.

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- 2.2 The Tea Rooms require extensive refurbishment and upgrading to meet the Government's proposed energy efficiency standards. With an ambitious commitment to reduce the UK's carbon footprint, the Government has proposed (through the 2020 Energy White Paper) that before a commercial property can be let, it will have a minimum Energy Performance Certificate (EPC) rating of B by 2030. It is likely that an interim target of a C rating by 2027 may be adopted but in any event, it would be impossible for the Tea Rooms to comply with either rating in its current condition.
- 2.3 Following a successful marketing campaign undertaken last year by the Council's external commercial property agent, considerable interest in the property was generated and it has since gone under offer to a new tenant.
- 2.4 The new tenant will extensively refurbish the property and this will serve the dual purpose of not only improving the Tea Rooms' offer, but also upgrading its energy efficiency. Measures will include the addition of air source heat pumps to provide air conditioning and heating. Additionally, new kitchen appliances will be installed including electrical ovens (as opposed to gas).
- 2.5 Recent investigation (as part of the new tenant's due diligence process) has revealed that the former Tea Rooms business had a very modest electricity requirement. Its supply from Ewell Court House was sufficient to power a basic café and seating area only.
- 2.6 Unfortunately, the existing electrical supply is insufficient to power a refurbished Tea Rooms. The issue is not restricted to the proposed new tenant as any new occupant will have to upgrade the property. Incidentally, the former tenant was approaching retirement and could not justify the investment required.
- 2.7 At the time of marketing the property, it was reasonably assumed that the existing power supply from Ewell Court House was sufficient or alternatively, could easily be upgraded if required from Ewell Court House.

### **3 Power supply investigations**

- 3.1 As soon as it was established that the existing electrical supply to the Tea Rooms was already approaching capacity, three options were explored:

#### **3.1.1 New electrical supply direct from Ewell Court House**

It was further established that the existing electricity supply to Ewell Court House (including the Tea Rooms) had insufficient remaining capacity to meet the additional demands of a refurbished Tea Rooms. To run a new upgraded supply to the Tea Rooms would necessitate upgrading the existing main supply to Ewell Court House.

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To upgrade the entire Ewell Court House supply would not only be cost prohibitive but it would also create additional complexities. These included the requirement for an electrical cabinet at the front of Ewell Court House to accommodate the new connection and meters to the Tea Rooms. This would require Listed Building consent and would likely be highly contentious due to its prominent location.

Furthermore, the work would require the existing internal switchgear to be relocated to satisfy access provisions under the Building Regulations. These only apply when an existing supply is increased in capacity or substantially altered.

The relocation of the incoming supply and internal distribution alterations to Ewell Court House would be very disruptive to the various occupants and commercial tenants at Ewell Court House.

This option would not allow for the refurbished Tea Rooms to be a self-contained operational building without reliance on Ewell Court House i.e. if the main Ewell Court House fuse box is tripped, the power would be cut to the Tea Rooms. This would necessitate the Tea Rooms always having access to Ewell Court House. To resolve this, further electrical works would be required to replace the main fuse box in Ewell Court House with separate circuit fuse boxes.

To pursue this option would also require the management and coordination of several contractors under the Construction, Design and Management (CDM) regulations.

The cost of this option (including CDM supervision) is approximately £90,000 of which £30,000 is attributable to relocating the incoming Ewell Court House supply and provision of new separate fuse boxes. Whilst the option would resolve the historic inconvenience of the existing single fuse box being located in the library, this issue is secondary to the primary objective of facilitating the Tea Room new letting. The cost is not only 50% greater than the preferred option described in 3.1.3 below, but also carries significant disruption to Ewell Court House and potential delays in securing Listed Building consent.

### **3.1.2 New electrical supply to the Tea Rooms by intercepting the existing Ewell Court House supply before it reaches Ewell Court House**

This solution was originally the preferred option but ultimately could not be progressed as the electrical supply company (UK Power Networks) will only serve a new independent building if the supply is taken direct from their common main in the public highway.

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For information and for this reason, the NHS building adjacent to Ewell Court House is served by its own separate supply direct from the common main.

### **3.1.3 New electrical supply from the public highway.**

3.1.4 This option is the preferred option and would take a new supply direct from the public highway supply main to the Tea Rooms. The supply and meters to the tearoom would be completely self-contained. The main benefits of this option are:

- The majority of the work would be undertaken by one contractor, UK Power Networks, the electrical supply company.
- From an operational point of view, the Tea Rooms and Ewell Court House would both be served by independent electricity supplies.
- The cost is approximately £60,000 as follows:

Incoming supply from road to building by UK Power Networks including cost of excavations and making good car park - £45,482

Internal costs of new Tea Rooms switch gear and meter - £4,000

20% Contingency - £9,896 (considered prudent in view of current labour cost volatility)

3.1.5 UK Power Networks require a minimum 2 month lead and Listed Building consent would not be required unless the switchgear and meter were to be placed in an external cabinet which is not proposed.

3.2 Both options would require a temporary closure of the car park area located directly outside the Tea Rooms for approximately 2 to 3 weeks.

3.3 During investigations, the possibility of the new Tea Rooms supply being increased in capacity further to potentially provide vehicle charging points in the car park was explored. This included laying an additional cable for future EV use but the policy of UK Power Networks is not to leave unused cables in the ground. The possibility of laying both cables in ducting was then considered but EV suppliers indicated that they would want to be responsible for installing and locating their own separate supplies.

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- 3.4 It is therefore not recommended to combine power supplies as the responsibility for the EV electrical supply and consequent charging process to vehicle owners is complex and best administered by specialist companies. This is the policy being pursued elsewhere in the Borough's car parks to ensure the vehicle charging companies have their own separate electrical supplies.

### 4 The Proposal

- 4.1 The rental offers previously received from the marketing campaign ranged from £14,500 pa to £40,500 pa reflecting the level of investment the competing applicants were prepared to make in the premises.
- 4.2 The Council could decide it is not prepared to upgrade the electricity supply and simply re-market the premises as a restricted basic café opportunity only.
- 4.3 However, whilst this may reasonably be expected to provide an income of £10,000 - £15,000 pa, a basic café opportunity would not generate the income required to support the required refurbishment.
- 4.4 Devoid of investment, the Council would essentially be "*running the property into the ground*" for a few extra years until it was no longer fit for purpose. At this point, the cost of a full refurbishment would fall on the Council as otherwise, it would be unable to comply with energy efficiency standards to relet the premises.
- 4.5 In contrast, if the Council decided to upgrade the electricity supply it would facilitate the tenant investing in the property and thereby safeguarding its long-term future. Furthermore, the Council would receive an enhanced rental income and residents would enjoy a new, improved Tea Rooms.
- 4.6 The provision of utilities to a commercial unit is fundamental to the tenant's ability to generate income and is rightly considered a cost to be borne by the landlord.
- 4.7 To protect the Council, an agreement will oblige the new tenant to undertake their refurbishment works i.e. the agreed lease will only be granted if the works have been completed. This ensures the Council does not commit to upgrade the electricity supply without a legal obligation on the new tenant to take the lease.
- 4.8 It is recommended that a new electrical supply is taken from the public highway as described in 3.1.3 above at a cost of approximately £60,000.

### 5 Risk Assessment

Legal or other duties

- 5.1 Equality Impact Assessment

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5.1.1 Not applicable

5.2 Crime & Disorder

5.2.1 Not applicable

5.3 Safeguarding

5.3.1 Not applicable

5.4 Dependencies

5.4.1 To maximise the asset's income and ensure investment in the property, a new electricity supply is required.

5.5 Other

5.5.1 None.

## 6 Financial Implications

6.1 The cost to install the new electrical supply is approximately £60,000, Without this new supply, a basic café facility could be expected to generate up to £15,000 per annum until such time that the Council would be required to fully refurbish the property.

6.2 The new electrical supply would generate an enhanced income of up to £40,000 per annum, i.e. an additional £25,000 annually, which equates to a pay-back period of less than 3 years.

6.3 The proposed investment meets the Council's 'spend to save' criteria for capital investment, which requires a payback period of five years or under for standard schemes. As such, the £60,000 investment could be funded from the Capital Receipts Reserve, which currently holds an uncommitted balance of £3.335m.

6.4 **Section 151 Officer's comments:** The proposed £60,000 investment offers an attractive payback period of under 3 years. Additional income from the new lease would contribute towards closing the Council's projected future budget gap, as reported separately to this Committee in agenda item '2023/24 Strategic Financial Planning'.

## 7 Legal Implications

7.1 As part of the legal documentation, an agreement for lease will oblige the new tenant to undertake the refurbishment works. This ensures the Council does not commit to upgrade the electricity supply without a legal obligation on the tenant to take the new lease.

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- 7.2 **Legal Officer's comments:** Under section 123 of the Local Government Act 1972 the Council may dispose of land held by them in any manner it wishes as it obtains best consideration reasonably obtainable. Best consideration reasonably obtainable is market value. The terms of the lease have already been agreed and the Council will be obtaining market value from the letting.
- 7.3 The purpose of the agreement for lease is to ensure that the proposed tenant will be granted a lease once the refurbishment works have been carried out. The agreement for lease will also ensure that the refurbishment works carried out by the tenant will be in accordance with plans and specifications approved by the Council.
- 7.4 Part 3 of the Energy Efficiency (Private Rented Sector) (England and Wales) Regulations 2012 makes it unlawful for the landlord to grant a new lease or extend or renew a lease unless the property has an EPC rating of E or below unless an exemption applies, or all the relevant energy efficiency improvements have been made. The energy white paper that is currently in consultation proposes a minimum EPC rating of B by 2030 and a minimum EPC rating of C. Therefore, it is highly likely that it will become a statutory requirement for the Council to upgrade the energy efficiency rating of the Tea Rooms. The work being carried out by the proposed tenant will save the Council from doing itself and enable the Council to obtain future rental income.
- 7.5 The option proposed in 3.1.4 of this report would help the Council achieve best consideration for the letting of the Tea Rooms.

## 8 Policies, Plans & Partnerships

- 8.1 **Council's Key Priorities:** The following Key Priorities are engaged: Opportunity and Prosperity, Effective Council.
- 8.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 8.3 **Climate & Environmental Impact of recommendations:** The proposed tenant recognises the impact of the business on the environment and will look to reduce its carbon footprint by growing produce on-site for use in the café. The tenant's refurbishment will enhance the property's energy efficiency rating in compliance with Building Regulations.
- 8.4 **Sustainability Policy & Community Safety Implications:** The proposed tenant states it:-
- 8.5 **Partnerships:** Not applicable

## 9 Background papers

- 9.1 The documents referred to in compiling this report are as follows:

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### **Previous reports:**

- Ewell Court House Commercial Lease Strategy and Resources Committee 27 July 2021

<https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=132&MId=971>

### **Other papers:**

- None