

**Surrey Heath Borough Council**  
**Executive**  
**16<sup>th</sup> April 2024**

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**The Square shopping centre – Infrastructure works to  
Central Square**

<b>Portfolio Holder:</b>	Cllr Kel Finan-Cooke – Economic & Income Development Portfolio Holder
<b>Strategic Director/Head of Service</b>	Martin Breeden – Head of Property & Economic Development
<b>Report Author:</b>	Alice Theobald – Retail Asset Manager
<b>Key Decision:</b>	No
<b>Date Portfolio Holder signed off the report</b>	25 <sup>th</sup> March 2024
<b>Wards Affected:</b>	Town Wards

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### **Summary & Purpose**

The central square located in The Square shopping centre currently provides a customer seating area and events space. Patisserie Valerie previously occupied a café area in part of the space up until the collapse of the business in 2019.

The 2024-25 Business Plan identifies the space as opportunity to enliven, create sense of place, extend dwell time and generate mall income.

Terms have now been agreed with a new café (10 year lease) and two kiosk operators (10 and 5 year terms) on a subject to contract basis which together would produce an annual income of £80,000 per annum.

Interest from these operators (deals in legals) has prompted an immediate business case to procure infrastructure works and award a contract to ensure the works go ahead in Summer 2024. This will facilitate the lettings in time for Christmas trading.

The tender exercise for procurement of these works is live with award due mid April 2024.

### **Recommendation**

The Executive is advised to RESOLVE that authority be delegated to the Head of Property and Economic Development in consultation with the Portfolio Holder for Economic Development & Transformation and the Strategic Director Finance and Customer Services (Chief Finance Officer) to enter into a contract for the necessary work to implement kiosk infrastructure works at £115,000 which includes a 20% contingency

**1 Reasons for Recommendation:**

- 1.1 In order to facilitate letting of the space, capital expenditure is required for infrastructure work to central square including new flooring, cabling and conversion of redundant 1<sup>st</sup> floor space to create /storage areas for the proposed tenants.
- 1.2 These lettings would add to the attractiveness and vibrancy of the shopping centre and still leave space in the central square for marketing, community events and seating.
- 1.3 Infrastructure works will future proof the central square and serve any potential replacement tenants should one of the proposed active lettings not prove successful.
- 1.3 A Capital Expenditure budget has already been identified using the £100k base budget earmarked in 2023/24 for construction, conversion and renovation of void space/units.
- 1.4 The remaining balance to be funded from the sum of £50,000 earmarked in the 2024/2025 base budget allowing for improvements within the Square to void space/units.
- 1.5 A contingency of 20% is to be included within the budget given that the proposed works include intrusive ground works and therefore could potentially alter the total of the works.
- 1.6 The projected income from lettings is anticipated to pay back the cost of the works and associated letting costs within 17.25 months. See Table 1 overleaf.

Table 1

Cap Ex	£115,000	Pay back =	17.25 months
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Café & Kiosk lettings - Central Square					
Name	Floor area (sq ft)	Lease Term (years)	Passing Rent pa (£)	Passing rent £ pcm)	Rental income over lease term (£)
Café	1450	10	£35,000.00	£2,916.66	£350,000.00
Kiosk 1	200	5	£23,000.00	£1,916.66	£115,000.00
Kiosk 2	200	10	£22,000.00	£1,833.33	£220,000.00
<b>Totals</b>			<b>£80,000.00</b>	<b>£6,666.66</b>	<b>£685,000.00</b>

## 2 Proposal & Alternative Options

- 2.1 The Executive can either support the infrastructure works going ahead or;
- 2.2 The Executive can refuse to authorise the infrastructure works and/or defer this decision to a later date.
- 2.3 The proposed works comprise an upgrade of the electricity supply to provide required capacity, new drainage, associated pipework, mall flooring and water adaptations including pump and pipework. Then conversion of first floor space will be divided into 3 storage areas as lettable space for the café and kiosk operators.
- 2.4 The layout plan showing the area in question is in Annex A. The works are currently being tendered. The cost plan is commercially sensitive and therefore exempt.
- 2.5 It should be noted that the proposed works facilitate the café letting and kiosks. Consideration was made to only undertaking works to the café area (see layout plan – Annex A) however this would mean the current interest with kiosk operators would be abortive, and importantly should works be undertaken in the future; further costs would be incurred to survey the area, lift flooring and install services which could in turn cause disruption to any café operator in situ. Also doing works at a later date would be more expensive than undertaking the full package of works simultaneously.
- 2.6 It is anticipated that the works could take approximately two months. Delaying award of contract would jeopardise securing the café operator.

## 3 Contribution to the Council's Five year strategy & Annual Plan

### **3.1 Support A Strong Economy**

The proposed works future proof the central square to attract local SMEs as well as national retailers bringing new Investment.

Enabling a café area and kiosks within the scheme keeps the offer relevant and adds to the appeal and vibrancy of The Square's tenant mix, driving footfall and increasing dwell time and spend within Camberley Town Centre.

### **3.2 Deliver Effective Services with Sustainable Finances**

Rentalising the central square space will ensure cashflow from lettings and helps to sustain the council's finances by creating a rental income stream.

## **4. Resource Implications**

4.1 The works will be managed and overseen by Praxis as Property & Asset Managers for The Square Shopping Centre.

4.2 The project will require a full procurement exercise which will be awarded via a Minor Works JCT contract. As such the Procurement process is being overseen by an external procurement consultant and is published on the Council's Procurement hub. Tender evaluation for the infrastructure works is due mid-April 2024 with contract award due shortly after.

## **5. Section 151 Officer Comments**

5.1 It is recognised that a provision to reprofile underspent capital sums amounting to £100,000 from the 2023/24 capital programme and this amount is to be included in the 2024/25 budget. The balance, if required is to be from the £50,000 budget included in 2024/25 capital programme.

5.2 It is noted that a 20% contingency sum is to be allowed for within this Project, however any drawdown of contingency should be agreed by the Head of Property and Economic Development in consultation with the Strategic Director Finance and Customer Services and the Executive should be notified of any use of contingency in the next capital monitoring report.

## **6. Legal & Governance Issues**

6.1 The value of the aforementioned contract is over £100k and therefore the decision is a key decision to be taken by the Executive. The Executive has authority to delegate key decisions as it deems appropriate.

## **7. Monitoring Officer Comments:**

- 7.1 In accordance with Contract Standing Orders this decision is being referred to the Executive as it is a Key Decision.

## **8. Other considerations & Impacts**

### **Risk Management**

- 8.1 Financial - Should any or all of the letting transactions for the Central Square not reach completion then there could be a void period until such time that the spaces can be let and therefore a longer payback period to cover the capital expenditure.
- 8.2 Whilst the residual mall space rateable value was reduced to £7,700 pa should the space remain vacant there could potentially be further rates payable for any kiosk space or similar which would form separate assessments in their own right.
- 8.3 Whilst the costings allow for a 20% contingency margin; there is a risk once intrusive works commence there are additional unexpected costs and cost increase in materials.
- 8.4 Health and Safety – only contractors with the appropriate expertise and demonstrable track record of good health and safety management will be considered.
- 8.5 Whilst there will be no direct impact to any retailers; there is likely to be a period of noisy works for some of the 8-10 week duration along with communal areas within central square closed to the public for periods of time. Communication will be managed as appropriate locally.

### **Equalities and Human Rights**

- 8.6 Within the refurbishment specification consideration has been made to ensure any scheme is designed in compliance with the Equalities Act with the main focus on accessibility and inclusivity. This includes taking into account distances and sightlines between the new infrastructure.

### **Community Development and Communications**

- 8.7 Engagement has already taken place within the local business community to identify the likely demands for such a facility. The Council will ensure that potential occupiers for this facility are kept updated on progress. The Council will also ensure that the new facility and future occupier is communicated through the usual channels.

## **Annexes**

Annex A – Layout Plan

Annex B - Costed Specification of works (Exempt)

Annex A – Layout Plan - Central Square

