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Date: 31 August 2023

Dear Councillor

CABINET - THURSDAY 7 SEPTEMBER 2023

I am now able to enclose the following reports for the agenda of the Cabinet due to take place on Thursday 7 September 2023

| Agenda No | Item |
|------------------|-------------|
|------------------|-------------|

- | | |
|----|--|
| 5. | <u>Hill Crest Park Business Unit Expansion</u> (Pages 3 - 31) |
|----|--|

Yours sincerely

Democratic Services
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Report to Cabinet

Subject: Hill Crest Park, Calverton – extension to business units

Date: 7 September 2023

Author: Economic Growth & Regeneration Manager

Wards Affected

Calverton

Purpose

To seek approval to develop Hill Crest Park in Calverton (the Site), a small close of eight, Council owned, brick-built business units in a range of sizes aimed at Small Medium Enterprises (SME's) and to recommend to Council that budget approval is given for this development. The objective of this project is to provide 4 additional small business units for SME's in the local area, which will provide further employment opportunities. These are to be constructed on the existing site, joined to the two rows of units.

Key decision

This is a key decision as it is likely to incur expenditure in excess of £500,000.

Recommendation:

THAT Cabinet:

1. Approves the Hill Crest Park Extension project business case subject to funding and budget approval.
2. Approves Officers to continue with the funding approval process with D2N2 LEP.
3. Delegates authority to the Chief Executive in consultation with the Legal Services Manager to sign off the business case submission and enter into a legal agreement with the D2N2 LEP to deliver the scheme should the business case be successful.
4. Recommends that Council approves the addition of this project to the capital programme for 2023/24, and establishes a budget of £1,387,769 to be funded from a combination of borrowing, external funding and earmarked reserves.

1 Background

1.1 The Site at Calverton is under-developed and has been highlighted as being capable of supporting the four proposed additional business units. The current 8 units on site are all occupied at present and historically void periods on these units has been low.

1.2 The Council has carried out a desk-top exercise by reviewing the Council’s property portfolio and searching the commercial market using the CoStar system. This has evidenced the lack of existing comparable space as well a limited pipeline of supply but confirms evidence of demand. At the point of carrying out the search in CoStar (17/08/2023) low current availability along with the lack of any planned developments under 20,000sqft demonstrates a lack of supply.

1.3 The Council is committed to supporting businesses through a variety of activities. The Gedling Plan has the overarching vision of “Serving People, Improving lives” and all services provided by the Council work towards this. There are four identified priorities including, the Economy, with the objective of “A local economy that attracts new business investment enabling growth and the creation jobs”. Clearly, the delivery of these units would create jobs and opportunities as well as work towards making Calverton a more thriving place for residents, raising their aspirations.

The Council has previously submitted bids to secure ERDF/LEP funding for the development of additional business units to extend the Hill Crest Park, which were unsuccessful. Designs were drawn up to support these earlier bids – see Appendix 2.

The Council had the opportunity to submit a fresh bid for funding to D2N2 on 30/06/2023, to build an additional four new units to the existing buildings (two at each end), with net zero carbon measures included (Photo Voltaire panels (PV), electric charging point); in addition, PV panels would also be added to the existing units.

1.4 As part of the funding application, supporting evidence was provided by Gleeds Cost Consultants, as well as information from Kada Research demonstrating the Gross Value Added (GVA) impact of the development. The independent Value for Money Green Book assessment considered economic benefits in terms of jobs, land, and carbon savings. In summary, the assessment shows that based on the floorspace provided and the evidence from the existing units, 18 gross jobs are expected to be created, generating over £800,000 gross GVA per annum. Table 1 shows the local economic benefits.

Table 1: Local Economic Benefits

| | Gross | Net |
|-----------------------|---------|---------|
| Jobs | 18 | 14 |
| GVA (per annum) | £0.872m | £0.574m |
| NPV GVA over 10 years | n/a | £2.986m |

- 1.5 On 30/07/2023, the Council were informed that the bid had been shortlisted for approval. The next step is for D2N2 to take the shortlisted bids to their Investment Board on 07/09/2023.
- 1.6 The original planning permission for the site expired on the 18th June 2023. A new planning application has been submitted, with a decision expected in September 2023.
- 1.7 The indicative timeline for the Project is as follows:

| | |
|------------------|---|
| June 2023 | Submit proposal to LEP |
| July 2023 | Re-submit planning application |
| July/August 2023 | Funding Available (assumption) |
| September 2023 | Planning Committee Meeting |
| September 2023 | Secure Approval for Funding Cabinet |
| September 2023 | Approval from D2N2 LEP Investment Board to move to full business case |
| September 2023 | Develop full Treasury Green Book compliant business case with D2N2 |
| September 2023 | Secure Approval for Funding from Full Council |
| October 2023 | Confirmation of funding from D2N2 Investment Board |
| October 2023 | Enter Framework Agreement with Contractor |
| January 2024 | Start on site |
| March 2024 | Market Premises |
| August 2024 | Undertake snagging |
| August 2024 | Take possession of site |
| August 2024 | Completion of Project |
| September 2024 | Occupation |

D2N2 Funding

- 1.8 The D2N2 confirmed the Council's proposed allocation of £641,491k, subject to approval of a full Treasury Green Book compliant business case by their Investment Board in October 2023. Up to this point, the funding is not guaranteed, and an element of work will be at risk. The Business case at Appendix 2 to this report will be the basis for an enhanced business case to be submitted to D2N2.
- 1.9 A condition of the funding is that the project must start in the current financial year – this can include “prelims” (e.g., installing welfare facilities). The timescale for the funding means that the build element should be complete by June/July 2024, with tenants occupying the units by August/September 2024. In view of the tight timescales, the Council is intending to procure through a compliant Framework to mitigate against potential clawback.
- 1.10 A condition of the funding is that monies are claimed back in arrears via a quarterly claim; as part of the audit processes, the Council will be asked to provide a 10-15% sample of the invoices paid as evidence.

2. Proposal

- 2.1 Gedling Borough Council owns and manages the existing development of 8 small business units in Calverton. These units are currently all let with very few voids. They are also very popular with regular enquires to take on a unit.
- 2.2 The proposal is to build four new units, covering 462sqm, with PV panels on the roof of the existing, as well as the new units, and an additional EV charging point.
- 2.3 Having analysed the existing tenants and the number of employees across the existing site, it is anticipated that 4 new units would create an additional 18 jobs.
- 2.4 The Business case at Appendix 2 provides detailed analysis of the project which meets the Council's Gedling Plan priorities by improving job opportunities for local people as well as encouraging business growth in the area. It is proposed that cabinet agrees the progression of the business case subject to funding and budgetary approvals.
- 2.5 It is proposed that Members agree to officers progressing the funding process with D2N2 to enable funding for the project.
- 2.6 As the next phase of funding will require submission of a business case, and if approved the completion of a funding agreement, approval is sought to delegate these matters to the Chief executive in consultation with the Legal Services Manager to ensure swift progression of the project within timescales should funding be obtained.
- 2.7 The project does not currently form part of the capital programme for 2023/24 and as the budget is to be established from borrowing as well as funding and reserves, Council approval will be needed in accordance with Financial regulations.

3 Alternative Options

- 3.1 There are several options open to Gedling Borough Council:

Option 1: Decide not to go ahead with the funding or the build:

The structure of the D2N2 funding means that there is an element of risk until the formal confirmation of the funding. The Council may decide that this is too great and to withdraw from the approval process. This would mean that there continues to be under-provision of smaller units to support Gedling businesses with the danger that then locate outside of the area.

Option 2: Build the project without funding:

The Council would need to acquire the full capital funding to develop the site either through Council resources or through borrowing. Viability for this option would need to be assessed via a business case. However, as noted under the financial section, this project is not viable without the available grant funding.

Option 3: Shelve the project and develop at a later date:

With planning permission approval anticipated in September 2023, the project is at a stage where it could secure other funding; no other sources, other than those outlined in this report, are currently known about. However, it would be ready to go with the documents to start on-site quickly. This would deliver the project but would mean that a timescale is not known. Another funding source may not become available for some time, and future constraints/conditions are unknown.

Option 4: Continue with the D2N2 LEP funding approval process:

The Council continues to move through the D2N2 funding approval process, working with their team to develop the full case for presentation to the Investment Board.

3.2 Preferred option: continue with the funding approval process:

The preferred option recommended to SLT is to continue with the D2N2 LEP funding approval process and implement the proposals in the business case subject to budgetary approvals.

4 Financial Implications

4.1 A full financial appraisal have been conducted assuming a successful bid for D2N2 funding in which the Council must match fund.

4.2

The project is anticipated to cost £1,387,800, based on Gleeds Cost Consultants plan. The funding bid is for £641,500 which equates to 46% of the estimated project costs. Council intends to fund the entire project as follows:

| | |
|------------------------------------|------------|
| D2N2 Grant Funding (Bid submitted) | £641,500 |
| Earmarked Reserves (NNDR Pool) | £160,000 |
| Prudential Borrowing | £586,300 |
| Estimated project cost | £1,387,800 |

4.3 The financial appraisal indicates the Net Present Value (NPV) of the project is £140,200 over the 40 estimated life of the asset. A positive NPV indicates a project is a viable investment. However, this is only on the basis of a successful funding bid.

4.4

A 5 year cash flow has been produced and this indicates there will be a small annual subsidy averaging £2,400 however by year 6 this will become a net surplus and will have a payback on investment by year 30. The cashflow analysis is based on current interest rates which are at a current high, should rates fall the units will pay back quicker.

For further financial details please see Business Case.

5. Legal Implications

5.1 As the project is funded from a variety of sources, external, reserves and borrowing and is not included in the current capital programme for 2023/24 approval from Council will be required to establish the project as part of the capital programme. Consideration

will also need to be given to any potential funding conditions which could result in clawback, legal advice will be provided on any such conditions should funding be awarded.

- 5.2 The project must be delivered at pace, the Council will need to ensure appropriate procurement routes are followed in terms of the appointment of a contractor, a potential framework has been identified but ongoing procurement and legal advice will be provided.
- 5.3 The Council currently owns and manages the existing units on site, as commercial landlords appropriate rental agreements and market terms in respect of rent will need to be applied to ensure best value. The site was originally developed in partnership with the County Council and The development Commission. There are ongoing discussions in relation to the extension of the site with the County Council as this is a variation to the original scheme. Whilst the agreement in relation to the Development Commission has expired, the consent of the County will be required for the extension. This is referenced within the business case and it is considered unlikely that approval will not be obtained.

6. Equality Implications

There are no specific equality impact implications. However, as Gedling Borough's business community is predominantly SME's, and, more importantly, micro businesses (those employing between 0-9 employees), and there is low availability of smaller, more affordable units, which impacts on the growth potential of those organisations. The development of these smaller, affordable units will support new businesses and existing businesses looking to grow.

7 Carbon Reduction/Environmental Sustainability Implications

The new units will be installed with Photo Voltaire (PV) panels on the roof; in addition, the existing units will also have PV panels installed (subject to survey). An electric car charging point will also be installed.

8. Appendices

- 8.1 Proposed Plans
- 8.2 Business Case

9 Background Papers

- 9.1 None identified

10 Reasons for Recommendations

- 10.1 The site at Calverton is currently under-developed and there is a dearth of units aimed at SME's in the Borough. Developers are unlikely to build such of the size proposed due to the low return and it is a market that Councils have historically filled.
- 10.2 There is a lack of funding to develop capital projects such as the one proposed at Hill Crest Park and, therefore the funding, and level of funding, offered by the D2N2 LEP means that this project is viable for the Council. However, it comes with tight timescales for spend and deliverability.
- 10.3 The project also contributes to the Council's priorities, as detailed in the Gedling Plan.

Statutory Officer approval

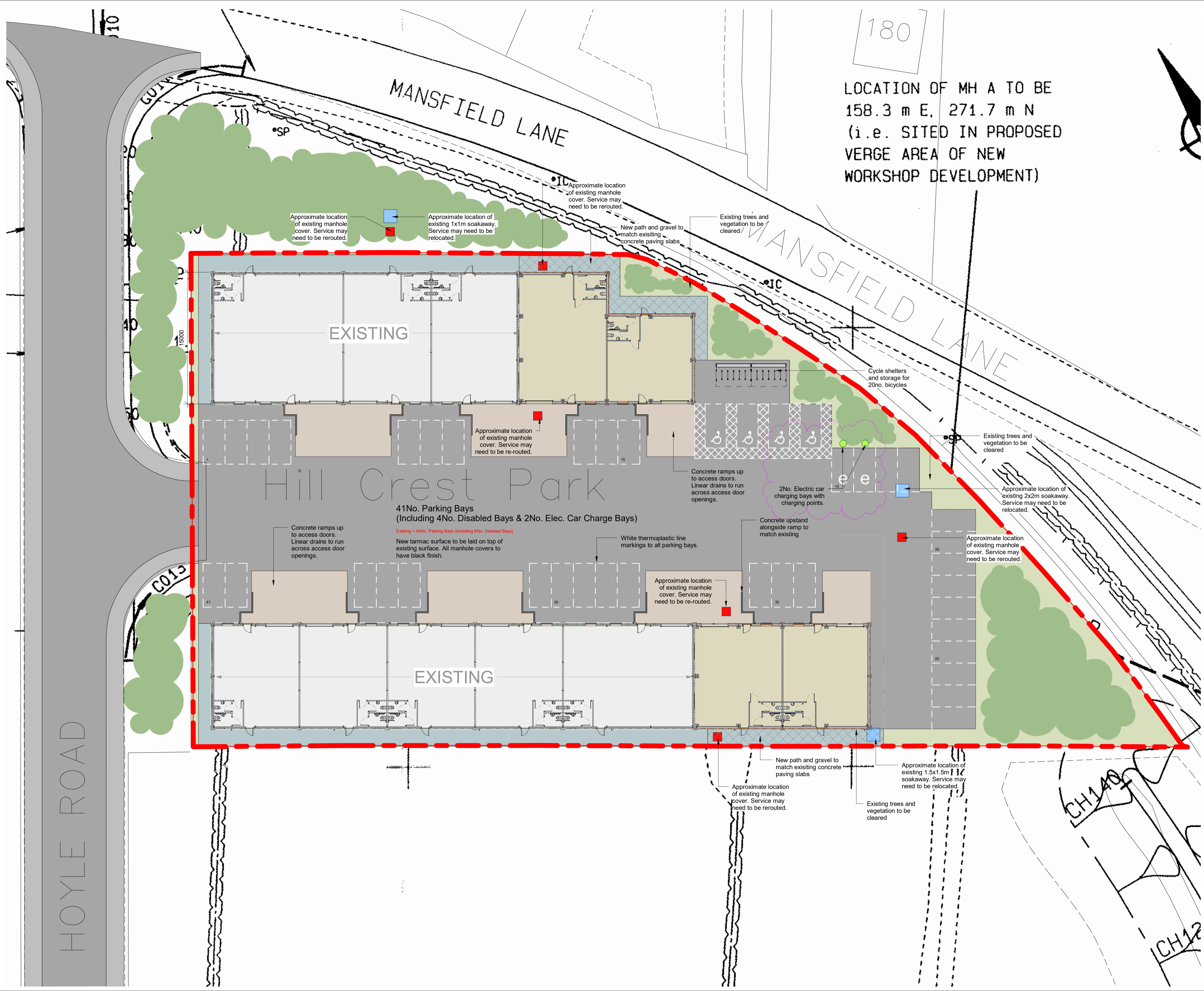
Approved by the Chief Financial Officer

Date:

Approved by the Monitoring Officer

Date: 31.08.2023

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180

LOCATION OF MH A TO BE
158.3 m E, 271.7 m N
(i.e. SITED IN PROPOSED
VERGE AREA OF NEW
WORKSHOP DEVELOPMENT)

NOTE:

- Nottinghamshire County Council archive drawing D/01286/331 - Setting Out and Foul Sewer Details. Access Road and Screening Bank - Underlaid on drawing.
- Gedling Borough Council - Hill Crest Part, Calverton - Site Plan - Overlaid onto drawing.

NOTE: External M&E requirements as Gleeds Building Services proposals.

P3: 2No. electric car charging bays added following client comments. 28.11.18. ML
 P2: Drawing updated to show increased parking provision. 2No. electric car charging bays added following client comments. 26.11.18. ML
 P1: First issue for review and comment. 14.11.18. ML

| Rev. | Date/Checked |
|---|---|
| The Old Rectory NORTHAMPTON t: +44 (0)1604 858916 www.peter-haddon.com | Rectory Lane Milton Malsor NN7 3AQ f: +44 (0)1604 859123 |

pHp Architects
Calverton Industrial
Hoyle Road, Calverton

Proposed Site Plan

| | |
|--------|-------------------|
| Status | Preliminary Issue |
| Drawn | ML Checked OB |
| Date | November 2018 |

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 SCALE 1:200
 Copyright reserved. Dimensions to be checked on site. Discrepancies to be reported before proceeding.

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Gedling Borough Council

Full Business Case

Project Title: Calverton Enterprise Units

Lead Department: Economic Development

Estimated Value: £1,387,769

Estimated Project Duration: 12 Months



DOCUMENT CONTROL

| | |
|--|---|
| BC Author | Hev Bingley |
| Project Sponsor (contact details) | Tanya Najuk Tanya.najuk@gedling.gov.uk |
| Project Manager (contact details) | Hev Bingley Hev.bingley@gedling.gov.uk |
| Date | 08/08/2023 |
| Document / Project ID | |

| Version | Status | Revision Date | Summary of Changes | Sign-Off |
|----------------|---------------|----------------------|------------------------------|-----------------|
| Version 5 | Final | 30/08/2023 | Final Business Case Sign Off | Tanya Najuk |
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1. PURPOSE OF DOCUMENT

Hill Crest Park is a small close of Council owned, brick-built business units in a range of sizes aimed at SME's. The objective of this project is to provide 4 additional small business units for SME's in the local area, which will provide further employment opportunities. These are to be constructed on the existing site, joined to the two rows of units.

2. EXECUTIVE SUMMARY

The proposal outlined here is for a Capital project to build four new small business units for SME's (see Appendix A). The current units are owned and managed by Gedling Borough Council and let on commercial rates, are well used, and are fully occupied with low void rates.

A desk-top exercise to review the Council's existing property portfolio as well as review of the wider commercial market highlights that there is a lack of supply of smaller units aimed at SMEs, not only in the Borough, but across the wider Nottingham area.

Private developers are not bridging this gap in the market due to the lack of economies of scale in this size bracket. Developers cannot gain the investment value to make construction viable.

Project Objectives:

With the current and planned development growth in Calverton, the objectives are to:

- Provide additional small business units to SME's in the local area.
- Provide further employment opportunities, lessening the need to commute to other areas.

Project Scope:

1. To develop existing land by building four new business units aimed at SME's, creating 462sqm of floorspace.
2. Create 18 new job opportunities.
3. Respond to the business community by addressing market failure through the provision of the units.

| | |
|---------------------------|-------------------|
| Project Value | £1,387,769 |
| Total Project Cost | £746,278 |
| External funding required | £641,491 |

3.1 Background of Business Need

Background

Hill Crest Park is a small close of Council owned, brick-built business units in a range of sizes but all aimed at SME's. They are set in two parallel lines on either side of the access, with parking and turning areas in between the two. The eight current units are all leased out individually to a range of companies, who employ approximately 34 staff in total.

The site is located within Calverton, one of the largest villages in the borough, in a wider area of other employment uses. The village has already undergone significant development and is identified for further growth within the adopted Local Plan, taking on an increasing importance within the Borough.

“A local economy that attracts new business investment enabling growth and the creation of jobs” is identified as a key priority in the Gedling Plan, which provides the basis to provide further employment opportunities within the area and to help support local businesses as well as lessen commuting to other centres.

Proposal

The proposal outlined here is for a Capital project to build four new small business units for SME's. The current units, owned and managed by Gedling Borough Council, and let on commercial rates, are well used and are fully occupied with low void rates.

Their small size, relatively high cost of management and smaller returns, make this type of unit not commercially viable for the private sector. Councils have traditionally been best placed to fill this part of the market. The proposed scheme will deliver 462sqm of floorspace and create 18 new job opportunities.

A funding bid has been submitted to D2N2, with a confirmation that the project has been shortlisted for investment, with approval expected to move to the full business case at the beginning of September 2023.

Market demand evidence

The Council has carried out a desk-top exercise by reviewing the Council's property portfolio and searching the commercial market using the CoStar system. This has evidenced the lack of existing comparable space as well a limited pipeline of supply but confirms evidence of demand. At the point of carrying out the search in CoStar (17/08/2023) low current availability along with the lack of any planned developments under 20,000sqft demonstrates a lack of supply.

The Council is committed to supporting businesses through a variety of activities. The Gedling Plan has the overarching vision of “Serving People, Improving lives” and all services provided by the Council work towards this. There are four identified priorities including, the Economy, with the objective of “A local economy that attracts new business investment enabling growth and the creation jobs”. Clearly, the delivery of these units would create jobs and opportunities as well as work towards making Calverton a more thriving place for residents, raising their aspirations.

3.3 Scope

Scope:

- To develop existing Council-owned land by building four new business units aimed at SME's, creating 462sqm of floorspace.
- Create 18 new job opportunities.
- Respond to the business community by addressing market failure through the provision of the units.

3.4 Constraints

Gedling Borough Council would match external funding up to a maximum 53/47 basis. GBC would most likely fund its element from reserves and prudential borrowing, which would require formal approval internally which has not been undertaken. Whilst no formal agreement has been made internally, early conversations have taken place with senior officers and the S151 officer establishing the principle of developing this scheme further.

3.5 Key Assumptions and Dependencies

The following assumptions have been made:

- 462 square metre of new business space created.
- £8.70 per square metre rental income.
- 3% annual rental increase. The Council's current Commercial Unit leases are on the basis of RPI Capped at 5%, therefore an annual increase of 3% is deemed prudent over the life of the asset.
- A 5% annual allowance for void units has been built in. This equates to 3 months every 5 years for all units.
- Recoverable service charges: 5% of rental income
- Borrowing term: 25 years
- Sinking Fund: 5% of rental income

The following dependencies have been identified:

- The other 8 units are fully occupied and be disrupted by the works.
- The original planning consent expired on 18th June 2023. The planning application has been re-submitted and a decision due in September 2023.
- D2N2 funding will be confirmed following a business case submission, with a decision expected October 2023.

3.6 Key Risks

| Id. | Description of Risk/Mitigation | Impact | Probability |
|------------|---|---------------|--------------------|
| 1 | Planning permission refusal. Planning application has been submitted, with decision expected September 2023. | HIGH | LOW |
| 2 | Council funding needs to be approved internally. The overall premise of the proposal has been agreed. There is alignment between both Gedling Borough Council, Planning and D2N2 processes and timescales. | HIGH | LOW |
| 3 | Procurement and Construction Delay. Proposal is to use Pagabo Framework which will accelerate the timeframe for a start on site. | HIGH | LOW |
| 4 | External Funding to be confirmed External funding will only be confirmed when a Treasury Green Book Business Case has been submitted and agreed by the D2N2 Investment Board – anticipated October 2023. | HIGH | MED |
| 5 | Council to secure match funding This would most likely be through reserves and prudential borrowing. Full Council approval to be sought in September 2023. | HIGH | LOW |
| 6 | Local objection to the proposals Engagement with existing businesses and the local community will be undertaken through the planning process. There is broad support from local councillors. | MED | LOW |
| 7 | Timescale does not meet the External Funder Requirements A condition of the funding is that the project must start within the current financial year, failure to do so could result in potential clawback. This has been mitigated by the use of the Framework to appoint a contractor | HIGH | MED |
| 8 | Lack of tenants There is high demand for small units such as these for SMEs. It is not believed there will be a lack of demand. Once construction has started marketing of the units through various channels will be pursued. | MED | LOW |
| 9 | Construction cost escalation | HIGH | MED |

| | | | |
|----|--|-----|-----|
| | Cost consultants produced a cost plan, including construction inflation and risk/contingency | | |
| 10 | Hill Crest Phase 1 Partner Agreement Dispute Discussions have taken place with the County Council, who were a partner and beneficiary of the original development. The County Council are supportive of the Phase 2 development, which sits outside of the original agreement | LOW | LOW |

3.7 Benefits

The scheme will provide 462 sqm of floorspace and create 18 new job opportunities as well as income from the rental of the units. The Economic Development team regularly receive requests for property searches for smaller units, such as these, but there is a lack of available units. These will therefore provide a small number of new units for this market.

The installation of photovoltaic panels across both the new and existing units will make them more sustainable and possibly lead to lower energy bills for existing tenants. The installation of electric charging units for cars and vans will also enhance the scheme, in line with the commitment to Net Zero Carbon by 2030 and demonstrate that the Council is leading by example.

As highlighted earlier in this document, Calverton has, and will continue to, experience significant development, along with developments being undertaken in nearby areas, such as Ravenshead. Therefore, the units will provide opportunities for local people to either create new businesses or work for a new business in this location and reduce the need to commute to either other areas of the Borough or outside of the Borough completely.

The Council will receive a long-term income from this new asset, on top of the existing units, as well as a capital asset.

Whilst only a small development these units are required and could form a testbed of how to build sustainably going forward. The D2N2 funding stream will not exist going forward, and the Council would, therefore, not benefit from the level of support it offers.

4. ECONOMIC CASE (Value for Money)

1. Not to build: With the increased costs of raw materials since the global pandemic, it would not be cost-effective for the Council to bear the full costs of construction. This would mean that the site would remain under-developed and there would continue to be a shortage of smaller units with demand unmet by private developers. This would not

increase the business base of the Council, nor would it provide critical space for small businesses. No outcomes would be achieved in terms of businesses supported or jobs created. It may be that at some point in the future the development equation would make construction viable.

2. Build fewer units/in two stages: As the units are in two blocks of two, only building one block was considered. This would not be viable as the costs associated with building half the scheme would mean the cost of the built units would be too high for the resulting outcome. This would make the overall scheme more costly. The outcomes would be achieved, albeit in two parts with new jobs created and new businesses engaged. Timescales would be unclear as there would be two separate processes.

3. Fund complete build from capital reserves/borrowing: This would entail the Council funding the entire scheme itself, through borrowing the entire amount (or through securing some capital funds). The option to borrow the whole amount would make it difficult to create a coherent case for investment as it would mean a debt to be repaid over a significant period making the development unviable. The opportunity to secure capital investment is limited and would be in competition with other capital projects across the Council. This would provide new jobs and businesses at once and would see completion of the scheme most quickly.

4. Match funding 47%: The opportunity of accessing external funding at a contribution of £641,491 would make the scheme more attractive for the Council to invest in and deliver these much-needed units for small business growth. This would provide new jobs and businesses and would see the completion of the scheme quickly.

Option 4 is the preferred option. This is supported by the independent Value for Money Green Book assessment attached, conducted by Kada Research, and which considered economic benefits in terms of jobs, land, and carbon savings. In summary, the assessment shows that Based on the floorspace provided and the evidence from the existing units, 18 gross jobs are expected to be created, generating over £800,000 gross GVA per annum. Table 1 shows the local economic benefits.

Table 1: Local Economic Benefits

| | Gross | Net |
|-----------------------|---------|---------|
| Jobs | 18 | 14 |
| GVA (per annum) | £0.872m | £0.574m |
| NPV GVA over 10 years | n/a | £2.986m |

5. COMMERCIAL VIABILITY (planning and management of procurement)

In order to deliver this scheme quickly and within the timeframe of the external funders, it is proposed to use the Pagabo Framework to complete this project once planning

permission has been granted and funding secured. This will also streamline the overall process, bringing it within the required timescales. A discussion with the Framework provider has already been undertaken in readiness to proceed once planning and funding are secured. D2N2 as the funding body are aware of this approach.

6. AFFORDABILITY (Financial Case)

Capital Implications

The proposed scheme is projected to cost £1,387,800, based on a cost plan produced by Gleeds in June 2023 which includes provision for construction inflation, risk and contingency. The D2N2 bid is for £641,500 (46% Grant funding) with a 54% match funding from Gedling Borough Council. A summary of the funding is below:

| | |
|------------------------------------|----------|
| D2N2 Grant Funding (Bid submitted) | £641,500 |
| Earmarked Reserves (NNDR Pool) | £160,000 |
| Prudential Borrowing | £586,300 |

The estimated life of the asset is 40 years and the financial analysis assumes borrowing over 25 years at a current Public Works Loan Board (PWLB) rate of 5.64%.

Financial Implications

The income and expenditure assumptions used are set in **3.5 Key Assumptions and Dependencies**.

The scheme has a positive Net Present Value (NPV) of £140,200 over the life of the Asset (40 years). A positive NPV indicates the project is a viable investment.

The table below is the forecasted impact on the Medium Term Financial Plan (MTFP). It is anticipated across the first 5 years following construction the cost to the council will average £2,400 per annum. However, following annual rental increases, estimated at 3%, by year 6 the scheme will create a net cash inflow to the Council.

| | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | TOTAL |
|--------------------|--------------|--------------|--------------|--------------|------------|---------------|
| Income | (45,400) | (44,400) | (45,700) | (47,100) | (48,500) | (231,000) |
| Expenditure | 4,400 | 4,300 | 4,500 | 4,600 | 5,200 | 23,000 |
| Financing | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 220,100 |
| Net Cost | 3,000 | 3,900 | 2,800 | 1,500 | 700 | 12,100 |

Over the 40 year life of the asset, it is anticipated the net cash flow income to be approximately £1,830,400. Furthermore, the scheme is estimated to payback on investment in year 30.

Sensitivity Analysis

Some sensitivity analysis has been conducted around void levels and at what point would the NPV turn negative. The model above assumes 5%, which equates to 3 months every 5 years per unit. If the average annual void levels increase to 12%, which equates to void periods of 7 months every 5 years across all units, the NPV would turn negative. Therefore, void levels of 12% would not make the scheme viable. However, following the market review and low level of voids on the current units we anticipate void levels to be in line with those modelled.

7. ACHIEVABILITY (Project Management Case)

The Project Owner for this Project will be the Head of Welfare and Regeneration, with project oversight provided by CMT and SLT and Cabinet being the approval bodies.

The Project Manager – Business Case development will be the Economic Growth and Regeneration Manager.

The Project Manager – Delivery will reside with the Property Manager, supported by the Apprentice Property Surveyor. A dedicated Technical/Employer Agent will also be appointed, as part of the procurement processes.

In addition, an internal project team has been established and will be responsible for the day-to-day delivery of the project in line with PRINCEII principles to ensure clear lines of communication, appropriate client/design team relationship and management and control of timescale, quality, and cost.

A collaborative approach with regular team meetings will draw on a range of property, economic development, and financial expertise to understand market failure issues affecting the SME group identified and to develop appropriate property and business support intervention.

This team will continue to be involved in the delivery of the project and ensure that the product is fit of purpose and that it meets identified objectives and is supported by appropriate property, financial, legal, and economic skills throughout the life of the project. The property handover and business as usual (lettings) will be managed by Property Services. See also the description of project roles below.

Property Services Manager

The Property Services Manager has the following responsibilities: to manage the work of the Property Services section (including the Building Services Team Leader and Apprentice Property Surveyor) ensuring that work is properly allocated, co-ordinated, prioritised, planned, and completed in accordance with the Council's policies and procedures, relevant legislation, and professional codes.

The post holder has over 10 years' experience in the management of commercial properties and overseeing property management teams. This post will develop the lettings policy for the site and oversee day to day property management activities.

Apprentice Property Surveyor

The Apprentice Property Surveyor has the following responsibilities:

- To assist in the management of the Council's land and buildings.
- To maintain, update and develop accurate records of all assets held by the Council.
- To assist in the management of the Council's operational and commercial sites.
- Assist and support the Property Services Manager in the negotiation and agreement of leases, rent reviews, surrender and renewal of leases, schedules of condition and dilapidations with both tenants and solicitors.
- To produce reports, returns, and information on data enquiries either directly or through team managers, for internal and external audiences.

The post holder currently manages the units and leases of the existing tenants. This post holder will assist with day-to-day property management including marketing and lettings.

Buildings Services Team Leader

The Building Services Team Leader is responsible for the control and supervision of schemes through to completion, for new buildings, alterations, improvements, and extensions.

The post holder has in excess of 20 years' experience of project managing building development schemes from design to implementation. Examples include the King George V Changing Places Toilet and Lambley Lane Sports Changing facilities. This post holder will take the lead role for the client throughout the construction of the project.

Economic Growth & Regeneration Manager

The EGR Manager and the wider team are responsible for employer engagement, business support, recruitment and apprenticeship support provide support services to maximise business growth.

This post holder will take the lead on delivering tailored business support activities and employer engagement and assist in recording and reporting outputs associated with business growth following completion of the construction phase.

Financial Services Manager

The principal finance business partner is responsible for overseeing the financial management of the project and ensuring the appropriate financial procedures and controls are in place and adhered to by team members. This post holder will review the financial business case and grant claims during the life of the project. Responsibilities include:

- Leadership and Management of the Finance Business Partnering Team

- Lead the Council's Revenue and Capital planning, forecasting, and budgeting processes and contribution to MTFP.
- Proactively engage with business and lead the value for money agenda.
- Be integral to departmental decision making.
- To work with colleagues to deliver seamless outcomes to the business.
- To work with business to understand key drivers.
- To complete appropriate commercial analysis and support for ongoing investment.
- Contribute to closer integration between financial and performance information.

The post holder is CIMA qualified and has 30 years' experience working in Local Authority Finance.

Principal Finance Business Partner:

The Finance Business Partner will provide day to day financial support for the project including cost plan, payments, and grant claims.

Responsibilities:

- Proactively engage with business and lead the value for money agenda.
- Be integral to departmental decision making.
- To work with colleagues to deliver seamless outcomes to the business.
- To work with business to understand key drivers.
- To complete appropriate commercial analysis and support for ongoing investment
- Contribute to closer integration between financial and performance information.

The post holder is CIPFA qualified and has over 10 years working in Local Authority Finance.

Legal Services Manager, Deputy Monitoring Officer & Data Protection Officer

The Legal Services Manager provides and procures advice to the Council on legal matters associated with land, funding application conditions and contract matters. This post holder will review any grant offers to ensure that the Council is able to comply with any conditions and provide a strategic overview of procurement and construction contracts.

A wider team including finance and legal staff will provide support to the project.

None of the above posts is 100% funded by the project. Senior manager approval has been secured to ensure the above staff are able to allocate dedicated staff time to support the delivery of the project.

8. TERMS OF REFERENCE (Project Tolerances)

The following terms of reference must be met by the Project:

1. To deliver the project within the agreed total costs of £1,387,769 with an acceptable tolerance limit of 5% overspend
2. To deliver the project within the agreed timescales, with a deadline of September 2024. Any anticipated slippage of the project timescales beyond one month of the deadline shall be reported to the Project Board as soon as possible.
3. The project shall deliver the following, as a minimum:
 - o 4 new business units aimed at SMEs
 - o A new electric charging point
 - o Photo Voltaire units fitted to the roof of both the new and existing units
4. All work shall be carried out in accordance with the Pagabo Framework and meet the needs of the D2N2 LEP funding requirements.

Project Reporting

Project highlight reports shall be provided to the Corporate Management Team, who act as the Project Board at the end of each calendar month, detailing the project progress and highlighting any risks. If there is a forecast that is outside of the tolerances above, then this will be escalated to the Senior Leadership Team.

An Exception Report should be provided to the Project Board whenever any of the terms of reference defined above are **forecast** to be exceeded. It is critical that the Project Board receive notification of any forecast deviation as early as possible.

An Exception Report should also be produced when any significant event, or anticipated event, could impact the project adversely, or when any critical decision needs to be addressed by the Project Board.

An Exception Report should be accompanied by a recommendation as to the best way forward and a plan to avoid or deal with the deviation.

9. SUPPORT SERVICES COMMENTS

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| Governance and Customer Services | | |
| No Impact. | | |
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| Democratic Services | | |
| <p>As this is the Council applying for planning permission, the application will need to go through planning committee and can't be delegated (which will add time). The budget/spending will need to be established though cabinet/council due to the scale. This all looks to be covered in the brief. Advise keeping local Calverton ward members informed of what is happening as well as the parish council.</p> | | |
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| Financial Services | | |
| <p>The comments in the financial implications have been provided by finance. This project is viable providing the funding bid is successful.</p> | | |
| Scott Anderson | Principal Finance Business Partner | 25/08/2023 |

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| Health and Safety | | |
| <p>Before works start/pre-construction phase Please ensure that the corporate Client officer and construction guidance is fully complied with. Issue the 'pre-contract questionnaire', along with ensuring a robust pre-construction and construction phase plan have been produced and checked. These should consider all site hazards including the presence of hidden, underground services and overhead hazards too. Reasonable checks should be made to ensure suitable and sufficient arrangements are in place with the contractor and any sub-contractors i.e., that they have risk assessments and method statements (RAMS) in place, specific to the work and other necessary arrangements to manage the build.</p> <p>Confirm the competency of the Contractors – as well as relevant RAMS ask for recent references, evidence of training, membership of trade associations, membership of regulatory professional bodies such as Gas Safe, NICEIC etc, what is their reliance on sub-contractors and how are these vetted, do they have ELI/PLI, do they have an up-to-date H&S policy. Assess the competence against the spec for the works.</p> <p>The close scrutiny of the pre-construction plan will aid with gaining assurance to the robustness of the plan and ensure your specification and quality of build materials are considered. Materials for use should be UKCA or CE marked.</p> | | |

A general note regarding timeframes, projects with relatively tight deadlines can run the risk of ‘rushing’ which may put any project at risk of breaching H&S legislation and potential reputational damage, high fines and punishments from the HSE.

If the project is expected to last longer than 30 working days and have more than 20 workers working at the same time, at any point or the project will exceed 500 person days, then it will be notifiable to the HSE and the F10 notice must be displayed on site. The NEC Supervisor may be able to assist with this notification, but it is a client duty to ensure the notification has been made.

Working at height, confined space, electrical, gas and hot works on Council premises requires strict controls as part of a permit to work system. (See Permit to work guidance).

Periodic meetings with the Principal contractor and site manager would be advisable and include HSEPO to discuss any H&S and welfare observations, any deviations from the H&S construction phase plans, incidents, near misses etc.

See ‘client’ statutory duties covered in the Client officer and constructions guidance.

Has consideration been given to the needs of neighbouring units during the construction phase e.g., for other ‘welfare’ facilities in the units such as running water, heating, potential ventilation, sanitary conveniences?

The construction phase

As the build will be on a live operational site with other commercial neighbours, traffic management including delivery, access and egress points, waste management, noise and potential dust issues will need to be carefully considered.

Any contractor should be made aware of the Council’s H&S rules and conditions for contractors i.e., that open unsecure skips and telescopic ladders are not permitted on our sites.

Close working with Property Services to consider the H&S arrangements such as, fire management in communal areas performance against the RAMS will need to continue throughout the project.

Asbestos considerations

Please review the management survey for site and ensure a Refurbishment and Demolition survey is completed where asbestos is presumed to be in place on the existing structures. Ensure compliance with the Council’s Asbestos management guidance.

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| Rebecca Hutchinson | Health, Safety & Emergency Planning Manager | 22/08/2023 |
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| Legal Services | | |
| <p>Legal will need to input into contract preparation but the timescales set out are feasible subject to budget approvals being obtained. Advice on reports will be provided when necessary.</p> <p>We must ensure best value in terms of future rental and that market rent is achieved. Subsidy advice has already been sought in relation to the bid but legal will want to check any funding agreement, particularly in respect of claw back provisions.</p> <p>Whilst the Council own the site the original Calverton development was undertaken as part of a consortium with the County Council and The Development Commission. The agreement that we entered into with the consortium related to the original scheme of development on the site and each party contributed towards the capital sum for the development in return for a proportion of rent received for the first 15 years of the units' use. After 15 years any income was distributed between the County and Gedling only. There are restrictions in relation to disposal of the site and any variation to the scheme which would require consent of the consortium. Although the arrangement related to the scheme under the original planning permission. If this were seen as a variation to that scheme as it relates to the same land, consent from the consortium may be required to develop and to ensure income is retained by Gedling.</p> <p>Legal will need to ensure that any covenants in respect of the land are complied with or released.</p> <p>Also, there are potential risks if the site cannot be leased which may need to be included in the risks section.</p> <p>Finally legal will need to be advised in relation to any new rental agreements to ensure they are in place before the units are occupied.</p> | | |
| Fran Whyley | Monitoring Officer | 29/08/2023 |

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| Organisational Development | | |
| No specific comments | | |
| David Archer | Head of OD | 29/08/2023 |

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| Procurement Services | | |
| <p>Initial discussions with the procurement officers have been held for advice on suitable frameworks. Once there is approval for the scheme, further work will be required to agree the procurement process and associated timescales to fit into the project timetable.</p> | | |
| Sandy Williams | Procurement Officer | 29/08/2023 |

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| Property Services | | |
| The Property department is aware of this project and is able to provide support within required timeframes from existing resources. From local knowledge and business premise enquiries the team receives, we are confident that there is demand for these types of units. | | |
| Emma Wimble | Property Services Manager | 17/08/2023 |

10. SENIOR LEADERSHIP TEAM APPROVAL

Please select one of three options:

SENIOR LEADERSHIP TEAM APPROVAL

| Approval / Rejection Options | Name | Role | Date |
|--|------|------|------|
| Programme definition approved | | | |
| Programme definition approved, pending minor changes | | | |
| Programme definition not approved, major changes required – must be re-submitted | | | |
| Comments: | | | |
| Submitted to senior leadership team 22/08/2023, with approval to proceed to Cabinet and Council. | | | |

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