

Gedling Borough Council

Full Business Case

Project Title: Arnold Market Place

Project Manager: Lee Sycamore

Project Sponsor: Joelle Davies

**Lead Department: Economic Growth and
Regeneration**

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Estimated Project Duration: 18 months

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BC Author	Economic Growth and Regeneration
Project Sponsor (contact details)	Joelle Davies
Project Manager (contact details)	Lee Sycamore
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1. PURPOSE OF DOCUMENT

This document sets out the phased strategic approach and objectives of the project. It provides the detailed, legal and financial considerations in preparing a full business case against which the project will be assessed.

2. EXECUTIVE SUMMARY

Project Aim

The Arnold Market Place (AMP) site is a landmark site located within the heart of the town's primary retail core (shown in Appendix A). The overarching aim of the project is to enhance the vitality and vibrancy of Arnold town centre to safeguard the future use of the market place. Detailed proposals seek to redevelop this site as a mixed use development providing bespoke units for independent / SME business start-ups and flexible commercial space. It also includes associated works to create a new contemporary public space. The redevelopment of this brownfield site will help increase the future economic performance and attractiveness of this part of the town by creating a new gateway and destination for businesses, shoppers and visitors by boosting footfall. It will act as a catalyst for future urban social /economic activities and provide employment opportunities which in turn will sustain and strengthen the role of this key site within the town.

The AMP redevelopment scheme has the following objectives:

- to deliver improvements to the physical environment including landscaping, lighting, seating and paving;
- to boost the economic performance of the town by generating more footfall through provision of a wider choice of market goods and services, creation of a new market place and improved public realm;
- to boost the economic performance of the town and its role in strengthening individual and community well-being by offering an attractive and varied programme of community events and activities; and
- to provide confidence amongst the town's high street businesses given post Covid-19 restrictions.

Project Approach

The approach for project delivery has been split into three distinct phases:

- Phase 1: the initial purchase of the site and attraction of external investment
- Phase 2: operation of a temporary market, the renewal of market stalls and the demolition of existing market buildings
- Phase 3: the regeneration of the site including a commercial building, associated public realm works and a revitalised market.

Development Proposals:

The project proposals have been developed in a phased RIBA work stage approach, leading up to the preparation of this full business case for approval, to allow it to progress onto the third and final phase of delivery. The final scheme includes the construction of a new landmark building, which is sited between the existing Methodist Church and King George V Park. A two-storey building is proposed to frame the new market place as well as create a new eastern gateway into the town. A new public space is included within the proposal to create a central focal point for the new Market place. The new building will provide an array of smaller outlets for local independent businesses with flexible commercial space/office accommodation above (final scheme is shown in Appendix B).

The estimated capital cost of the whole project is **£3.922m** (including £1.25m for the purchase of the site and £2.672m for the construction of the new market place and building). The below table gives a summary overview of the project capital budget, this has been broken down into financial years and sources of funding. There is also revenue implications that have been considered separately. (The actual total spend to date on the project has been £1,371,000).

Project Phase	Phase 1	Phase 2	Phase 3		Overall Total
Financial Year	2018/19	2019/20	2020/21	2021/22	Project
	£	£	£	£	£
Budget Bfwd		1,088,600	983,600	983,600	
N2TC LGF	1,250,000				1,250,000
GBC	1,104,600	0			1,105,300
Additional GBC				1,566,700	1,566,700
Budget Requested					
Actual Expenditure	-1,266,000	-105,000			
Budget (Cfwd)	-1,088,600	-983,600	-983,600		
Revised Proposed Budget				2,550,300	3,922,000

Table 1: Summary overview of capital budget / external funding

3. STRATEGIC FIT

In recent years it has been widely acknowledged that town centres across the UK have been in decline from the convenience, popularity and growth of ecommerce. Since March 2020, this has been further compounded by the Covid-19 pandemic and the restrictions placed on the high street retailers to re-open and seek to restart our local economic communities.

Re-thinking the vision for our town centres is vital for their future survival, investment and sustainability. Helping to identify their role, developing a unique sense of place and offering opportunities for local businesses to evolve and shape the experience of town centres is seen as central to support the strategic function of this project.

The council's corporate plan identifies the below objectives as key threads in delivering its priorities:

- Drive business growth, workforce development and job opportunities
- Create thriving and vibrant town/local centres
- Provide an attractive and sustainable local environment that local people can enjoy

Whilst each high street is having to deal with its own complex challenges, there are opportunities to re-evaluate what our towns and their high streets have to offer. The Council is seeking new ways to embrace these challenges to ensure the high streets in the borough are resilient, adaptive and retain their relevance as social and economic hubs.

Arnold Town Centre is no exception, although it appears to be re-emerging from Covid19 lockdown swiftly. Arnold benefits from an enormous sense of local pride and community spirit for the town, both from its retailers and residents – this was shown from previous consultations about the importance of the market (see Appendix C). It has seen little investment in recent years with minimal or no focused retail support. Creating interesting places where people can; work, live, shop and relax are seen as the fundamentals for urban renewal and re-visioning. The council is committed to supporting a vibrant and thriving town centre for Arnold and furthermore recognises the role in which communities can play in shaping its future. It has therefore taken the first steps to intervene in Arnold by securing a prominent development site in the town.

The redevelopment of Arnold Market Place presents an opportunity to review its purpose and reinvent its identity to attract visitors and maintain Arnold's position as the primary shopping centre in the borough. Since securing the site back in July 2018, the council has been committed to invest in the market place to ensure the town is best placed to adapt to the economic uncertainty, changes in retail trends and to capitalise from future investment opportunities. This will deliver a key priority within the Gedling Plan to improve Arnold Town Centre, including the market place. The scheme will not only deliver more commercial floorspace in the heart of the town centre, it will also provide a purpose built public square for events and the market.

An emerging priority is to enhance our town and local centres, by increasing the number of reasons people will want to visit and spend their time/money. By providing a new market place, there is increased opportunities to hold activities and events within the heart of the town centre. This project will also support the improvement of the market and the number of stalls occupied.

Since Covid19, the Council has its own Re-set Strategy (which fits in with the wider Nottinghamshire Local Resilience Forum recovery strategy). As part of the Reset Strategy, there are five work streams which will be grouped into three overarching aspects as follows;

- Businesses
- Residents and Communities
- The Council – split into
 - i) Frontline services
 - ii) Support Services

iii) Finance

As part of the businesses section, an economic Bounce-Back Plan has been prepared, in which delivering the Arnold Market Place scheme was one of the key actions to support the regeneration of the Borough. This is along with a “keep it local” marketing campaign and work to restore public confidence in the high street.

3.1 Background of Business Need

Arnold Market opened in 1968 and is located on the Market Place, just off the main pedestrian street running through Arnold Town Centre. Once a vibrant and attractive asset for the town, the market has, over a number of years, deteriorated both in its physical environment and in the volume and range of goods and services that it offers.

In December 2016, Officers received approval to enter into talks to acquire the market from the private owner. Whilst over 90 stalls were permanently in situ at the time, only a small number of regular market traders operated on three days a week (Tuesday, Friday and Saturday) with a flea market on a Wednesday evening. As such the market was largely empty the majority of time. This along with the extremely poor physical quality of the stalls presented an extremely negative impression, not only of the market itself but the area of the town centre in which the market is located. At this point, there were three key objectives identified:

- to bring about improvements to the physical environment through the removal of the fixed stalls, refurbishment or demolition of the buildings, an upgrade of the storage/bin store and linked public realm improvements including landscaping, lighting, seating and paving;
- to boost the economic performance of the town by generating more footfall through provision of a wider choice of market goods and services; and
- depending upon the operational activities of the market to include, a programme of community events and activities thus re-connecting this important asset with the town and the community.

Officers proceeded to secure D2N2 LEP funding of £1.25m to facilitate the purchase and redevelopment of this site (which was subject to a clawback clause if 32 FTE jobs were not delivered as part of the redevelopment scheme). The LEP provided the funding to secure the land, as part of a pre-compliance agreement. This tied the council to submitting a detailed business case/funding application to the LEP for their approval and to ensure that their funding had been used to deliver 32 FTEs. This has yet to be completed, as a planning application needs to have been submitted before the LEP will assess the detailed business case.

In April 2018, Cabinet approved the operation of an interim market on the Arnold Market Site once acquired. This was following overwhelming support from the community to intervene (a petition of over 900 signatures was received asking the Council to improve the market) and to increase the number of traders and goods on offer. The Council acquired the site in July 2018 and since then have been operating a market from the site, whilst longer-term redevelopment plans were being

considered.

Following portfolio approval, the old buildings (former lock up, kiosks and flat) and permanent stalls were demolished and removed. This allowed the Council to install new market stalls to provide the existing market traders with improved facilities. Alongside, Officers were working to understand the ongoing operation matters and to retain and increase the number of traders/goods being sold on the market.

Since the original objectives were identified for the acquisition of the market, it has become apparent that the Council needs to intervene to support Arnold Town Centre. As this site is within the primary shopping core, there is a strong opportunity for the Council to deliver commercial floorspace to create more local jobs in a centrally located site, close to public transport, services and facilities. By developing a commercial building, this will further increase the footfall to this part of the town. In turn, this will create knock on economic benefits to nearby shops and businesses, increase the desirability of the market and support the wider role and function of Arnold town centre (inline with the Gedling Plan).

3.2 Strategic Objectives and Outcomes

In seeking to redevelop Arnold Market Place site, the Council will:

- improve the physical environment and linked public realm including landscaping, lighting, seating and paving;
- generate more footfall to this part of the retail core;
- provide a wider choice of market goods and services and use of all or part of the site;
- deliver a revitalised market place to provide a quality environment for the market and events/activities;
- support existing and create new job opportunities;
- meet the funding criteria and deliver 32FTEs;
- raise the profile and offer of town centre; and
- support local businesses (especially independent retailers).

The project will also align with the following ambitions of funder and the D2N2 Town Centre Programme by:

- reclaiming brownfield and under-used land and the facilitating land assembly packages;
- redevelopment of underutilised sites;
- provision of additional retail space, reflecting changing shopping habits; and
- delivering enhancements to existing outdoor market areas.

The outputs from this redevelopment include:

- 850.57 sqm of commercial floorspace over 2 floors (including Ground Floor NIA = 321.11sqm across 7 small retail outlets and First Floor NIA = 330.56 sqm commercial office accommodation;
- creation of 721 sqm of flexible public realm to hold events and the market;
- market office and toilet facilities for the traders at the rear of the building; and

- outdoor storage and 10 parking spaces (including 2 disabled bays).

The outcomes from this development are far more wide ranging and include:

- Improve the footfall within this part of primary shopping core of Arnold;
- Support the wider regeneration of the town centre;
- Install more confidence in investment within the locality; and
- Increase the desirability of the market to a variety of new traders.

3.3 Scope

Phased scheme

This scheme has three phases:

- **Phase 1:** The scope of phase 1 was to purchase the site and attract external funding – this has been achieved.
- **Phase 2:** The scope of phase 2 was to operate an interim market, invest in new market stalls, and demolish the tired and unused buildings – this has been achieved.
- **Phase 3:** The scope of phase 3 is to develop the site including a commercial building and public realm works. The project will deliver improvements to the area within the site bounded by red on the plan (Appendix A).

Phase 1: the initial purchase of the site and attraction of external investment:

The market place and former market has a strong sense of public pride, history and local passion amongst its local residents and businesses. The council received strong local support, including a petition of over 900 signatures asking the council to intervene and safeguard the market site for the benefit of the town. In response to this, the council developed a strategy for the acquisition of the site which included securing D2N2 funding to purchase the original market, on the basis that 32 FTE jobs would be delivered as part of the site's redevelopment (initial schemes are included in Appendix D). The council successfully acquired the site in July 2018.

Phase 2: operation of a temporary market, the renewal of market stalls and the demolition of existing market buildings

Following on from the council acquiring the site in mid-2018, and until longer term redevelopment plans could be explored, approval was given for the operation of a temporary market. This included the provision of 24 new market stalls and the demolition of the existing market canopies, structures and associated buildings. The site was cleared and made safe and partially enclosed by hoarding allowing a strip of land along the highway frontage to remain and host a weekly market. Since March 2019, the temporary market has been successfully operating three days a week (Tuesday/ Friday & Saturday) with approximately nine regular market traders occupying over 16 stalls. In addition a popular Flea Market was operated on Wednesday evening's during 2018/19 between April – October, as well and the site being used for the annual Christmas market and light switch on festivities. Officers have also been working to explore the opportunity of working with third partners (external operators) to occupy the

currently underused stalls on a short term basis and how this might work in practice. There are current discussions with a third party (external operator) to take up the remaining stalls, and extend the scope and nature of the current stalls.

This was a new venture for the council and the property team were been tasked with the day-to-day operation of the market and since its operation have been working closely with PASC, regeneration and finance officers to understand the ongoing operation demands / financial constraints and regeneration opportunities for shaping its future development through the AMP project.

Phase 3: the regeneration of the site including a commercial building and associated public realm works

Plans to redevelop the market place site begun in November 2019 and were led by the Economic Growth & Regeneration team. A number of high level feasibility appraisals were developed through a design led process based on the original concept block plans agreed as part of the D2N2 funding agreement. This initial work included preparing spatial development options, exploring market demand, assessing legal constraints and financial scope. The options were discussed with a cross party working group. A preferred option emerged from this process and portfolio approval was given in February 2020.

Consultation took place for four weeks between February – March 2020. An overwhelming support for the market place redevelopment was received from market traders, residents, businesses and visitors (see Appendix I). Since this, the Town Centre Project Manager has been leading on developing detailed proposals to support a full business case in anticipation of a planning application in August 2020. Despite the interruption caused by the Covid-19 pandemic, the work has continued with minimal delays (an infographic of the overall journey is shown in Appendix E).

Final scheme

Introduction

This landmark site is located within the heart of the town's primary retail core (site location plan included in Appendix A). Detailed proposals seek to redevelop this site as a mixed use development providing seven bespoke units for independent / SME business start-ups and flexible commercial space, at first floor level. It also includes associated works to create a new contemporary public space which may be used for a variety of events, performance and continues to host the weekly market.

Site Context

The primary shopping area of Arnold stretches to the north and south west of the site along Front Street. This area contains a range of large and small retail units, food outlets, banks and services. Buildings in this area are two to three-storey; generally faced in red brick, some brown and buff brick; with some brick and stone detailing. The retail frontages have glazed shopfronts and a wide range of signage. The notable exception in both form and colour is the Methodist Church on the northern boundary of the site. This is circular in plan, with a low-domed roof, dark grey brick and full height (three-storey) clear-glazed windows. This building appears to have been conceived as

a statement building facing onto an urban space created at the intersection of Gedling Road, Worrall Avenue and Front Street.

Away from the retail core of Arnold town centre, the properties are primarily residential Victorian red brick terraces, generally 2 storey, flat fronted with slate pitched roofs. On the opposite side of Gedling Road to the south, is King George V playing fields and park. This offers visual amenity from the site, with the entrance to the park almost directly opposite the portion of Gedling Road that forms the western boundary to the site. The existing hard landscape around the town centre has evolved over a number of years. The predominant material to the pedestrianised areas is a mix of brick and clay paving, formed in a linear radial pattern to identify the main route through the shopping area. Mixed in with this are mismatched brick paving, in front of the Methodist Church, and tarmac to the current market site. It appears that site ownership boundaries have prevented the implementation of a fully co-ordinated and cohesive public realm scheme.

The Market Place

A new contemporary public realm is proposed provide over 700sqm of new public realm, sufficient for hosting the town's 24 market stalls. The new space has been designed as the main focal point in the proposals with the new building creating a background and framing the new space. External proposals include landscaping, lighting, seating and paving.

Counter Terrorism measures have been reviewed with the council's Health & Safety Officer. Typical street elements such as bollards, seats and planters have been creatively arranged to form a physical barrier between the new market place and the highway to protect the public using the new space as well as the space and feature lighting will be integrated into the landscape design.

Proposed Building (Commercial Mixed Use)

The final scheme includes a new mixed use building providing over gross internal floorspace (GIA) of 850sqm of commercial floor space over 2 floors. This concept has been developed from the D2N2 LEP pre-commencement development scheme which established the need for a building and economic deliverables (Appendix D).

The building sits between the Methodist Church and residential properties on Gedling Road. The block to the building's southern end is expressed as a taller element, creating a prominent corner which addresses key views on approach to the site. This volume forms an architectural "full stop" to the Gedling Road terrace, a requirement identified through site appraisal and analysis, and an identifiable entrance point to the first floor commercial space. As a counterpoint and to create balance, the architectural language of the building's southern end has also been applied to the north, at the high street end. Ground floor starter units are expressed as shop fronts, with integrated canopies and signage. Expressed fins to the first floor curtain wall help to address solar gain and deep reveals to all fenestration add interest and depth to the facade. To the rear elevation, angled privacy screens to first floor windows prevent building users overlooking the rear of the Gedling Road properties. In order to not dominate the street, the building does not exceed the ridge height of the residential properties on Gedling Road.

Ground Floor Layout

The ground floor provides a Net Internal Area (NIA) of 321sqm. This is split into seven starter business units, all with frontages addressing the proposed public space. They each benefit from an accessible toilet, tea point and rear access and have been designed as blank canvases to allow occupiers to customise them in accordance with their own requirements. Flexibility has been designed in; some separating walls between units are capable of removal, allowing units to be combined (to reflect changing market demands). Starter Unit 001 has been designed with the potential to be an A3 Class: food or beverage outlet, with a store or preparation area and large sliding glazed screens addressing the external space. The first floor entrance area is located at the southern end of the building, with a secondary escape stair to the north.

Rear Service Yard

A service yard is proposed to the rear of the new building. This will be a private space with controlled access off Gedling Road. It contains 10 car parking bays (including two disabled bays) primarily intended for use by the first floor tenants. The council controls the use of various public car park in the town centre. Layout proposals have considered the access, turning and offloading of large delivery and emergency vehicles. A refuse strategy has been developed with the Council's Waste & Property Team, concurrently with discussions with NCC highways. The result is no refuse vehicles will be allowed to enter the service yard, instead communal bin stores have been designed within the envelope of the building which may be easily accessed from the highway. A market office and toilet facilities for market traders is located to the rear of unit 2, this is accessed from the service yard and will provide opportunities for the council to have a base within the development and wider town centre. The proposals also include a secure fenced area.

First Floor Layout

The first floor provides NIA 330.56sqm of open-plan flexible commercial space. Standard WCs, an accessible WC, a cleaner's store and a tea point have been provided. This floor also houses a meeting room (which can double as an independent retailer's working space for the use of ground floor tenants). The preferred delivery route for the first floor is to provide the space to the "first fit" to allow the space to be let out to a single office occupier.

Other options have been considered (see section 4 for more detail) in light of the external market feedback. This includes splitting the space into 2 or 3 offices (option B) or providing service office accommodation (option C). These option would involve additional capital investment of up to £525,000 depending on the specification), but could also result in higher rents being charged, At this point, based on the feedback from Cushman & Wakefield, a basic building shell (option A) will be more attractive to commercial occupiers than fitted/serviced offices. Their advice is to market the building, for a period of 18 months before considering sub dividing the space (option B) or serviced offices (option C).

Materials

The development uses traditional facade materials, to harmonise itself with the local area, applied in a contemporary manner. A simple palette has been chosen, with brick

the primary material. The intention is to use robust, standard, low maintenance materials, where the material is the finish as much as possible. Standard and anodic powder coating has been selected for frames and panels instead of anodising due to its warranties and because it is easier to repair than anodising in the event that it ever becomes damaged.

Environmental Sustainability Measures

A number of sustainable design features have been incorporated into the proposals and the construction of the building, helping to mitigate the environmental impact of the scheme's construction and use. The proposed building is to be designed on a fabric first approach maximising the performance of the components and materials which make up the building fabric ensuring the building does the work in the first instance before mechanical and electrical services and renewables/low zero carbon technologies are considered, including:

- re-use of a brown-field site in need of regeneration;
- the site lies within easy access of a wide range of local amenities and shops;
- the site is located within close proximity of local public transport services;
- high levels of insulation will be used in the building fabric to achieve a reduction in carbon emissions over and above the Building Regulations Approved Document L2A Conservation of Fuel and Power 2013;
- the building envelope will be detailed to exceed the air permeability rating stated in Building Regulations Approved Document L2A;
- extensive facade glazing will allow high levels of daylight into the building's interior, reducing artificial lighting loads;
- openable windows, trickle vents and fixed louvres will provide natural ventilation.
- space heating and cooling shall be provided to each unit via dedicated air source heat pump systems, a proven low to zero carbon technology;
- an adaptable interior layout future-proofs the building. Walls separating some starter units have been designed to allow removal, enabling units to be combined;
- photovoltaic panels (solar panels) will be installed on the roof of the building, providing renewable energy for the scheme (although this is to be funded through the carbon reduction initiatives capital budget);
- low energy LED lighting will be installed throughout the scheme;
- low water use fittings with restricted flow will be installed throughout the scheme;
- responsible choices will be made when specifying materials. Qualities such as low embodied energy, recycled content and recyclability will be sought;
- building materials will be locally-sourced where possible; and
- the landscape scheme promotes biodiversity and includes a sustainable urban drainage system (tree pits will be linked together to form a structure that will accommodate an enlarged soil volume and capture storm water run-off from the paved areas and roof drains).

Exclusions – out of scope

The consultation event held in February/March 2020 identified a strong desire for the proposals to provide additional public toilet facilities in Arnold town centre.

The provision of public toilets has been reviewed and considered as part of the plans

for this site, but it has been concluded that they can be better provided on an alternative site close to Arnold town centre. The feedback from the commercial agents suggest that situated a toilet within the building would make the scheme less desirable to tenants and also reduce the commercial floorspace available to let out (thereby significantly impacting on the viability of the scheme). A separate project is therefore currently being advanced to consider suitable options. Public toilet facilities are therefore excluded from the scope of this project.

The building design also offers the opportunity to provide a digital display board which has the potential to earn advertising income for the council. This would be self-financing and will be considered as part of a separate business case. It is therefore excluded from the scope of this project.

The public realm would also benefit from CCTV coverage. Consideration will be given in the construction phase as to preparing the correct electrical and grounding works, in advance of securing additional capital funding for the cameras.

3.4 Constraints

Constraints include:

- budget approval is needed'
- the scheme should seek to maximise income generation and reduce the cost to the public sector;
- the scheme is limited to what is acceptable from a planning policy perspective within a context of town centre development and height restrictions also apply (due to relationships with local residential properties);
- the scheme must adhere to state aid rules (when running the building and allowing the event space to be used) and fall with appropriate powers available to a Local Authority for acquisition, development and operation of a market; and
- the timing of delivering the requirements of the funders (32 FTE jobs) is outside the control of the Council

3.5 Key Assumptions and Dependencies

Commercial Demand

The development potential of the site and market demand for new floorspace in this part of the town centre has been established through a series of external consultant's reports. This has shaped the strategic direction and project brief for the final scheme. There have been three key pieces of appraisal work undertaken through the projects development work stages to establish the local demand in Arnold:

1. NG Chartered Surveyors (January 2020) at the feasibility stage (Appendix F)
2. Musson Liggins (11th May 2020) to review the detailed proposals
3. New West Chartered Surveyors (21st May 2020) to review the detailed proposals and associated cash flow assumptions

A fourth and overarching review of the above has been undertaken by Cushman & Wakefield along with preparation of an indicative five year cashflow forecast for the revenue and operational costs of the scheme (see Appendix J). The report's findings are summarised below:

1. NG Chartered Surveyors (feasibility stage)

This report was commissioned to sit alongside the initial design work at the feasibility stage of the project to help inform the strategic direction of the project. The report assessed the four different options that were being considered at this stage:

- Option 01A Commercial Upper Floor
- Option 01B Larger Upper Floors
- Option 02 Residential Mix on the Upper Floor
- Option 03 Combination of Residential and Commercial Upper Floors

The report concluded that Option 01B would be the most attractive and the more viable proposition. However, due to the potential conflict of the building extending at first floor level in close proximity to adjoining residential properties, this option was ruled out (following planning advice). As the scheme needed to deliver 32 FTE jobs, the residential options were also ruled out. This left Option 01A as the preferred option to be progressed.

With respect to option 01B, the report reviewed the ground floor proposed accommodation and suggested that there would be a range of rental incomes (depending on the use and size of the units) and would generate around £65,000pa (which equates to £20/sqft). These rental values would tie in with the target audience of popup shops and new business ventures and provide a different type of unit within the town centre.

The report identified a broad range of potential uses and options for the first floor and suggested the following rental incomes:

- Gym @ £7.50 per sqft = £25,672 per annum, say £26,000pa
- Office-single let @ £10 per sqft = £34,230pa
- Offices operated as serviced space. Allow 20% reduction in floor area to create the true lettable space @£30 per sqft = £82,152pa

Other advice given:

- Units should be designed to keep business rates below £12,000 rateable value to ensure tenants are eligible to receive Small Business Rates Relief.
- On-site parking should be offered.

2. Musson Liggins (detailed proposals)

This report reviews the local retail market and compares this to the national picture. It sets out that there has been an upward rise in sales of retail property in 2019 and details that the wider Nottingham economy is made up of private sector services, including retail and healthcare. It also flags up concerns around the impact of Covid-19 and Brexit on the future economy.

The review of the ground floor suggested that the units were of the correct size to appeal to the market (especially for A1 retail and A3 café use), and could allow for a tenant to take two neighbouring units. The units could command a rent in the region of £15-20/sqft for retail and £20-25/sqft for the café use. This could mean (assumed) a total annual income of £33,570 – £55,950 (on the basis of 2238sqft being rented out).

The first floor review strongly suggests that this should be for a business centre use (B1 office use) and could command a rent of between £20-25/sqft. Other options considered include a gym (D1 leisure use), but would only command a rent of £12/sqft. This could mean (assumed) a total annual income of £68,000 - £85,000 for standard office accommodation (on the basis of 3,400 sqft being rented out).

The report also considered a range of other factors, including:

- 5yr lease with a break clause after 3 years would be preferable;
- Typical rent-free period as an incentive for new tenants should be 3 months;
- Leases should have service charges to reduce the ongoing revenue costs for the council;
- Consider options for long stay car parking within the locality as this may impact on people ability to work in the new accommodation; and
- Consideration of a public toilet and/or baby changing/parental facilities.

3. New West Chartered Surveyors (detailed proposals)

This report reviews the proposed redevelopment of the Market Place and provides a general market commentary of Arnold town centre. It details that the town centre was experiencing a downward trend generally in high street retailing and there are several “traditional sized retail units” vacant/about to become vacant:

- Former Argos shop – 812sqm – asking rent of £80,500pa;
- Former Fulton Foods – 147sqm – asking rent of £50,000pa;
- Former Sports shop – 57sqm + 38sqm – asking rent of £25,000pa;
- Former Greenwoods shop – 118sqm + 54sqm – asking rent of £24,500pa;
- Former Co-op Travel shop – 60sqm + 23sqm – asking rent of £20,000pa;
- Former Money shop – 69sqm + 24sqm – asking rent of £20,000pa;
- Former Ex Mac Repairs shop – 56sqm + 22sqm – asking rent of £16,000pa; and
- Former Frank Inness Estate Agents – 52sqm + 19sqm – asking rent of £16,000pa.

The report then reviews the proposed first floor accommodation and details other first floor accommodation available within the town centre :

- 106-116A Front Street – 317sqm poor quality with no lift or air conditioning – rented out at £12,000pa (£3.51/sqft) on a 5 year lease;
- 155-157 Nottingham Road – 167sqm on a phased rental, averaging £10,000pa (£5.57/sqft) with 3 year reviews (no lift);
- 159 Front Street – 217sqm with no lift or parking – offered at £8,000pa (£3.45/sqft).

There are a number of factors reviewed and advice given:

- Lease terms – 3 year internal repairing and insuring lease with yearly break clauses in favour of the tenant – a traditional full repairing and insuring lease would not work and could cause significant delays in the letting prospects;
- Other incentives could include a 3 month rent free period, or phased rents over the first 3 year period, with the first floor perhaps requiring a 6 month rent free period;
- Parking provision at the rear makes the first floor scheme more desirable;
- First floor needs to be flexible to split into 2 or more suites;
- First floor could be a range of traditional B1a office accommodation or shared business hub/serviced offices;
- Opportunity for this to become a feeder scheme to help support the wider town centre; and
- Needs to have access to high speed internet connectivity.

A summary of the rental levels expected are as follows:

- Ground floor – a range of £9,600pa to £16,800 pa for the different sized units – giving a total of £86,400pa (assumed £28/sqft)
- First floor – £45,000pa (assumed £13/sqft)
- Total building - £131,400pa

4. Cushman & Wakefield (detailed proposals)

This report was commissioned to prepare an indicative operational cashflow to support its proposed direct investment in a new building at Arnold Market Place, to include operational costs and income once the building has been built, and is not intended to model the funding and financing of the scheme.

The report summarises the work of Musson Liggins and New West and used an average of £20/sqft for the ground floor and £12/sqft for the first floor, generating an (assumed) income of £107,936pa. There were other assumptions made:

- ground floor units are let on a 3 year lease with a 1 year and 2 year break clause in favour of the tenant (although we have assumed that all leases run for 3 years in the model with no breaks assumed);
- first floor is let on a 3 year lease with no break clause;
- following each 3 year lease expiry there is a 12 month void on each unit until it is re-occupied;
- 3 month rent free period is assumed on the ground floor units and first floor unit; and
- operating costs have been split into those which are recoverable through a service charge which would be payable by the tenants when the units are occupied, those which are recoverable but not service charge items and those which are not recoverable from tenants even when the units are occupied.

The report then provides a five year cash flow position for net operating costs, excluding capital financing costs, which indicates a positive net cash flow position of £133,000 over the first five year period and a peak revenue deficit position of c£70,000 in year 1. It also summarises the three market appraisal reports for ease of reference.

The report stresses the impact that Covid-19 might have on the scheme in terms of

occupier demand and level of voids within the building. It therefore suggests that the design should be as flexible as possible to meet future occupier demands.

Summary of Assumptions

Based on the financial modelling work undertaken to date, here is a summary of the assumptions used:

- Total project costs – based on the cost plan provided by MPP consultants;
- Rental income – based on the recommendations provided in the Cushman & Wakefield report and on the detailed appraisals by Musson Liggins and New West;
- Annual Operating Costs - based on the recommendations provided in the Cushman & Wakefield report ;
- Lifetime costs – based on assumptions used for other Council schemes;
- Borrowing period – modelled at 40 years, which would be the lifetime of the current building;
- Capital/reserves – amount of available reserves for this project to help reduce the required borrowing costs;
- Tenant Incentives – this is based on the market appraisals reports received on what the “market” is providing in terms of incentives;
- No abnormal costs or additional ground condition work required (based on the initial desktop study completed);
- No additional revenue implications for council services (such as Property and Legal);
- VAT - There is an “option to tax” on the site which safeguards the councils ability to recover the VAT incurred in the construction of the building, however this does mean that all leases arising from this site will be subject to VAT. It is therefore assumed that VAT will be paid by the tenant on top of the rental. For the purposes of some of the units on the ground floor depending on the type of business taking out the lease the tenant may incur irrecoverable VAT. , This may make the rent undesirable and the council may need to reduce the net rent in order to make the VAT inclusive amount equivalent to the market rent. .as some may already pay VAT. This has been factored into the financial appraisal; and
- Other assumptions – summarised as shown below:

Lease Period	Ground Floor: 3 years, Break clause Year 1 and 2. First Floor: 3 years, No break clause
Void Period	12 Months at Lease Expiry
Tenant Incentive	3 month rent free for both floors
Initial Occupancy	1 tenant will be found per quarter until all occupied, estimate 21 months for all units to be tenanted
Rental Increase	Rent is costed as fixed no adjustment for inflation

There are other assumptions that we have made as part of this business case. These include:

- relocation of the market in the interim period – the market will need to be relocated to an alternative part of town (early discussions have been had with

- the necessary parties to consider the options available); and
- market place will be unavailable during the consultation period for events, such as the Christmas market (although the timetable means that we are hoping to reduce the impact of this, but starting on site in January 2021).

Market Stalls

One of the primary aims of purchasing the site was to revitalise the market area with new market stalls and reignite both seller and consumer interest in utilising this area as a vibrant market place. To this end, the development of the new building and improvements to the public realm will increase interest in the market stalls. It is envisaged that this will generate enough interest to fully occupy the 24 market stalls provided within the development site. Work has already been ongoing to explore the option of a third party (external operator) to occupy the currently underused stalls with a limited input from Officers on a short term basis. The longer term basis for the market operation is to be determined.

Covid19

The Council's Reset Strategy and associated economic bounce-back plan identify the redevelopment of the market place as a key priority to help support the regeneration of the Borough and specifically Arnold town centre. There is an expectation that town centres will need to evolve and adapt and so having a building with flexible space is crucial to its success going forward.

On the feedback from our newly appointed retail advisor and from anecdotal evidence, Arnold appears to be busy and footfall appears to be increasing well (especially compared to other nearby retail centres). Supporting local businesses (especially independent retailers) is a key part of supporting the economic bounce-back of Arnold's town centre.

We have sought external advice on the potential impact of Covid19 from Cushman Wakefield. Whilst it is (understandably) difficult to predict the future, there are specific areas that will need to be considered, including the increased market risk, particularly for the ground floor units, as a result of the changing dynamics of retail and the role of town centres that is likely to be accelerated post Covid19. With this in mind, our marketing strategy and tenants that we accept into the ground floor may need to adapt to reflect this changing picture.

3.6 Key Risks

The risks identified as part of this project include:

Risk	Effect	Impact	Mitigation	Status
Clawback of external funding for non-delivery	£1.25m will have to be paid back	High	Ongoing engagement with the funders to help reduce this risk and swift delivery of the redevelopment of the market is required. However, any	

of the outputs			further delays to the timetable may result in their deadline not being met.	
Planning permission not secured.	Scheme cannot continue.	<i>High</i>	The application has yet to be submitted but there will be ongoing discussions with the planning team to ensure clarity of the proposals	
Additional council funding need identified as part of the procurement process	Scheme may not be viable	<i>High</i>	The detailed business case will have to be revisited and a decision made as to the future viability of the project. External support has been procured to provide specialist advice when developing the capital budgets for this business case.	
Delays in procuring the contractors.	Delay in the completion of the scheme	<i>High</i>	Procurement and construction proposal is to use Scape Framework which will accelerate the timeframe for a start on site and reduce any delays on site.	
Capital build costs are higher than expected.	More match funding from GBC is required	<i>Medium</i>	Monitoring of the budget and costs regularly should reduce the likelihood of this happening. Desktop ground condition survey has been prepared and shows the likelihood of anything is unlikely.	
Contractor goes out of business.	Scheme is delayed and costs may go up.	<i>Medium</i>	The use of a framework will help reduce the likelihood and impact of this happening.	
Revenue operating are higher than expected	Budget deficits are supported by other council budgets which may require cuts in other service areas	<i>Medium</i>	Financial modelling as part of business case has explored this and has adopted a cautious approach.	
Affordability of units	Tenants cannot afford to pay the lease costs and business rates	<i>medium</i>	Ground floor units designed to be below the £12,000 rateable value enabling tenants to qualify for small business rate relief.	
Lack of on-site parking	Units may not be as attractive to tenants	<i>medium</i>	Scheme has been redesigned to accommodate 10 spaces within the building footprint (designed for the first floor tenants). The Council owns other car parks in the town centre and the use of permits could be considered if required to improve the attractiveness of the ground and first floor units).	

Impacts of Covid-19 and Brexit on the economy and demand for business units	Units may not be let and remain vacant Assumed income levels not achieved Reputational issue	<i>high</i>	Times are uncertain but early indications are that footfall is returning to Arnold town centre. The scheme has been designed to provide small units in the town centre, within the council ownership and with the support of the council's economic growth team (and business advisors), will provide a nurturing environment to encourage small, medium sized independent businesses. The first floor has been designed to be a flexible commercial space to allow a range of uses, if there is a change in market demand.	
A second "wave" of Covid19	Potential delays to the scheme's delivery	<i>medium</i>	Whilst this could delay the construction of the site, early engagement with the funders and contractors will reduce the risk of this impacted on the delivery of the scheme and potential clawback of funding.	
High void levels	Units may not be let and remain vacant Assumed income levels not achieved Reputational issue	<i>high</i>	This is something which has been reviewed by independent experts and cautious levels have been included within the financial modelling to ensure that this has been considered. If there are higher than expected void levels, there are options for the Council to consider (especially with the first floor) as it has been designed to be a flexible commercial space.	
Market stalls remain vacant	Assumed income levels not achieved	<i>medium</i>	Town centre marketing and promotion is being delivered as part of the council's bounce-back strategy. The council could seek alternative management arrangements from an established market operator for a short term basis if plans are not being met (already having ongoing discussions with external partners on this option).	
Feedback from public consultation is ignored	Market traders and shoppers become disenfranchised	<i>low</i>	The vast majority of feedback about the scheme was positive (see Appendix I). Most issues raised have been addressed in the scheme design e.g. separate trader toilets or will be delivered as part of the wider Arnold town centre action plan (see linked risk below).	
Lack of public toilet	Affects footfall into the town	<i>medium</i>	Not considered within the scope of this project as separate plans are	

provision	centre		underway to deliver this elsewhere within Arnold town centre as part of the Arnold town centre action plan.	
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3.7 Benefits

The scheme will provide the following benefits:

- Enhanced perception of the town centre
- Ensure compliance with the D2N2 funding criteria
- Physical improvements to the area
- Economic improvements from increased attractiveness to businesses and shoppers
- Increased dwell time and spend
- Meets the local demand for commercial accommodation
- New employment opportunities
- D2N2 investment into Arnold Town Centre
- Continual decline of local area halted
- Conditions for further investment created
- Flexible external space which enables opportunities for community events
- Diversification of Arnold Town Centre retail offer
- Reduce antisocial behaviour associated with fixed market equipment
- Enhance the reputation of Gedling Borough Council

4. ECONOMIC CASE (Value for Money)

Option appraisal

This project has been delivered in a phased manner (as detailed previously). As part of this, there have been various stages of identifying the preferred option and design for the scheme. This is a summary of this work:

Stage 1: Securing LEP funding

Originally, there were a variety of options considered for this site (which would meet the original objectives agreed by Cabinet (November 2017) as part of the purchase of the site):

1. **Do nothing** - the Council has no statutory responsibility for the market and could choose to take no action. However, improving the town centre, including the market area, is an objective of the Gedling Plan. A do nothing option would be nil cost but is also likely to lead to further deterioration of the market. There was also significant public support for the Council intervening and “saving” the market. This would not meet the original objectives.
2. **Improve the market place** – to improve the market place and the market stalls to improve the environment with the intention to increase the number, type and quality of market stalls. There may be scope for public events and activities on the market place to increase the footfall to this part of the retail core. This would

meet the original objectives.

3. **Develop a building and improve the market place** - to deliver the above, whilst developing a commercial building to enhance the offer of this part of the retail core and further increase the footfall and vitality to this part of town. This would meet the original objectives and secure the opportunity for further jobs and support the wider regeneration of Arnold town centre (which is an emerging Council priority).

At this time, it was felt that to secure the funding and to demonstrate that we could deliver additional jobs (a prerequisite to the funding), there was a need to deliver actual commercial floorspace. This creates increased certainty and confidence in meeting the funding criteria, than relying on part time, potentially seasonable and ad hoc market trader jobs (which would not be classed as “new” jobs). Therefore, as part of the original submission to the LEP to secure the pre-compliance funding, two schemes were submitted to demonstrate the Council’s intention on the redevelopment of the site (shown in Appendix D).

Stage 2: Outline concept for the site

The next stage was to review and explore the options for delivering a building and a public square on the site. A series of concepts were drawn (shown in Appendix G) and reviewed internally against the objectives of delivering the requirements of the funders (i.e. the jobs) and to meet the Council’s aspirations of improving the market place, creating a flexible public realm and increase footfall to this part of the town centre.

Stage 3: Feasibility stage and preferred concept

As part of this work, and through consultation with the project team, senior officers and the cross party working group, a further options appraisals was completed. This included a variety of uses and size/height of buildings and were considered as part of the initial feasibility stage (see Appendix H for the schemes):

- **Option 01A Commercial Upper Floor** – this scheme was designed to deliver at least 32FTEs jobs, whilst making the most of the developable space (and not impacting on the neighbouring residential properties)
- **Option 01B Larger Upper Floors** – this scheme was designed to deliver at least 32FTEs jobs, but pushing the developable space to maximise the floorspace that could be created (thereby being more appealing to the commercial market)
- **Option 02 Residential Mix on the Upper Floors** – this 3 storey scheme looked at whether including residential in the scheme which did not improve the viability of the scheme, but did not deliver the 32FTEs.
- **Option 03 Combination of Residential and Commercial Upper Floors** – this 3 storey scheme looked at whether including a mixture of commercial and residential on the upper floors of the scheme which improved the viability of the scheme, but did not deliver the 32FTEs and was too large a building for the site.

The options were reviewed by NG surveyors. Their report concluded that Option 01B would be the most attractive and the more viable proposition. However, due to the potential conflict of the building extending at first floor level in close proximity to adjoining residential properties along Gedling Road, this option was ruled out (following planning advice). This left Option 01A as the next most viable option to be considered.

It would fulfil the criteria of delivering 32FTEs, initial feedback from planning was supportive, delivered the uses that were the most commercially viable and would meet the Council's aim of supporting the wider regeneration aims for Arnold town centre.

Preferred option (for consultation purposes):

The financial case for this scheme was prepared (based on the review of the NG surveyors work) and agreed by SLT to take forward for a round of public consultation. A four week public consultation took place on this outline scheme (summary included within Appendix K).

The design of this scheme includes a flexible commercial first floor, which could be fitted out in three different ways:

- A) First fit, single user (to sub-let to a single user for them to fit out);
- B) Standard office fit out, split 2-3 units; and
- C) Enhanced fit out, serviced accommodation

These options were considered as part of the identification of the final scheme. Following feedback from Cushman Wakefield, the preferred option is to progress with the first fit, single user option (option A) and to test the market demand for a single occupier for an 18month period, before considering option B.

Final scheme for approval

The final scheme (shown in Appendix B), which approval is being sought, delivers:

- 850.57sqm of commercial floorspace over 2 floors
- Ground Floor NIA = 321.11sqm across 7 small retail outlets
- First Floor NIA = 330.56sqm commercial office accommodation (which can be sub-divided if required or let in part/whole), but initially will be a "white box, basic fit out to let to one occupier (option A), with scope to consider a further option of providing a higher specification of finish for serviced offices (option B) if required.
- Creation of 721sqm of flexible public realm to hold events and the market
- Market office and toilet facilities for the traders at the rear of the building; and
- Outdoor storage and 10 parking spaces (including 2 disabled bays).

5. COMMERCIAL VIABILITY (planning and management of procurement)

Options considered

Procurement advice will be sought to ensure compliance with procurement legislation and contract standing orders. There are two main procurement routes which were considered including the Scape framework and an Open Tender process.

SCAPE framework:

Initial discussions have taken place to use the SCAPE framework, which the Borough Council has signed up to. This has the benefits of being able to appoint directly off the framework to a specific contractor. This would offer a prompt and direct way of appointing a main contractor over running an open procurement exercise. However

there are concerns over the control of quality of specification and further design development led by a contractor. It may be possible to novate the scheme's architects to help achieve some level of control over the finished specifications.

Tendering process (traditional contact):

A traditional open tender process could also be considered. This would however require additional work to prepare the tender material and would delay appointing a contractor. There is an argument which suggests a more competitive price may be obtained through an open tender route if contractors are keen for work.

Preferred Procurement Route

Due to tight deadlines to meet the funders' requirement, the preferred route is to use the SCAPE framework. This will ensure swift delivery of the scheme, whilst also working under a set framework of costs.

6. AFFORDABILITY (Financial Case)

Background to Arnold Market Budget

In 2017/18 a budget was approved for the Arnold Market project of £1,372,500, with a further £982,800 approved in 2018/19. This was funded by grant of £1,250,000 and GBC contributions of £1,105,300 (as set out in the table in section 2).

A further proposed budget is requested of £1,566,700 to take the total overall project cost to £3,922,000 with an overall GBC contribution of £2,672,000.

To date a total of £1,371,700 has been spent (which includes £105,000 spent in 2019/20) on the project having an approved capital budget of £983,600.

Current and Proposed Capital Programme

The total current approved capital budget for the Arnold Market Development in the 2020/21 capital programme is £983,600.

The final proposed scheme (as detailed in paragraph 2.1) is projected to cost £2,550,300, an additional capital budget requirement of £1,566,700 which is therefore now proposed for approval. The increased budget is proposed to be financed by:

- contributions of £255,000 from available Earmarked Revenue Reserves which are set aside for investment in Economic Regeneration projects. This budget addition by virement is proposed to Cabinet for approval as an addition to the 2021/22 capital programme;
- prudential borrowing of £1,311,700 which has been assessed as affordable in terms of the revenue implications of the scheme. As an addition to the current approved capital programme which requires borrowing this is proposed for referral to Council for approval in accordance with the budget policy

framework.

Further capital expenditure is expected of £20,000 for the provision of solar panels. These will be separately funded from the Carbon Reduction budget which is already approved as part of the current capital programme.

The total proposed financing for the scheme is set out in the table below:

Arnold Market Re-development Capital Budget Requirement and Financing			
	Current 2020/21 Capital Programme £	Proposed Capital Programme £	Additional Capital Budget Requirement £
NNDR Pool Reserve	705,600	960,600	255,000
Economic Development Reserve	33,600	33,600	0.00
Prudential Borrowing	244,400	1,556,100	1,311,700
Total Capital Budget/Financing	983,600	2,550,300	1,566,700

Assumptions Used in the Financial Analysis

The proposed scheme is based on a 2 story building consisting of 7 shop units on the ground floor, which are aimed at small retailers/ business start-ups and first floor office space which has a number of potential options for rental, which are set out in section 4 of the Business Case.

Consultants Cushman and Wakefield (C&W) have been engaged to assess the market demand and expected level of rents and void period that could be achieved from this development. Financial modelling has been carried out in accordance with the findings of this report. Based on rental of 7 units on the ground floor and a single rental of the first floor office space (based on an un-fitted out floor space on the assumption that the prospective occupier will undertake the fit-out).

The C&W report suggests that leases for the ground floor each for 3 years with break clauses in years 1 and 2. Staggered uptake of units with an expectation of the units to be fully leased within 21 months. Three months' rent free periods will be awarded as a market incentive and average void rates of 35% are expected. The first floor is also based on a three year lease with a three month rent free period and no break clause.. Rent is fixed and there is currently no adjustment for rent increases.

The outdoor market is currently operating on a limited capacity with room for growth. Growing the capacity of the stalls to around 22-24 would generate an additional net income of c£15,000 each year. This income growth is included in the financial

modelling.

The financial model assumes that due to void periods being built in throughout the 40 years the building will be fully occupied and generating maximum rental income every third year (after year 1).

Financial Analysis

The scheme has a negative cash flow over 40 years of £413,000, this is the level of subsidy that would be required from existing Council revenue budgets and represents an average subsidy of c£10,000 each year.

The table below sets out the level of subsidy required over the first five years of delivery.

Year	1	2	3	4	5	Total
	£	£	£	£	£	£
Expenditure	154,500	109,000	64,500	80,000	128,000	536,500
Rental Income	(20,500)	(78,000)	(95,000)	(74,500)	(37,500)	(306,000)
Market Rents	(7,500)	(15,000)	(15,000)	(15,000)	(15,000)	(6,500)
Total Income	(28,000)	(93,000)	(110,000)	(89,500)	(52,500)	(373,000)
(Surplus)/ Deficit	126,500	16,000	(45,500)	(9,500)	75,500	163,500

The table above shows that in the first year of delivery there is a deficit of £126,500, this is due to the level of rental being low in the first few years of the scheme.

Proposals to Reduce the Deficit

Economic Development budgets currently include a vacant post which has been earmarked to contribute towards the efficiency programme, however, after accounting for the efficiency there still remains surplus budget. It is proposed that £10,000 of this current Economic Development budget is used to fund the ongoing deficit of the scheme each year.

Utilising the £10,000 suggested above puts the overall net cash flows of the project into breakeven position, however due to phased occupancy levels in the first few years the scheme is expected to have a first year deficit of £126,500.

The Economic Development Reserve currently has an unallocated amount of £126,000 in 2020/21. It is further proposed that this is used to balance the position in the first year.

As stated above this is based on the C&W report which suggests an average of 35% voids in the market, this is assumed to be a reasonable worst-case scenario and any

improvement on the level of voids would improve the financial situation further.

Financial Risks

The current proposal is to lease out the entire first floor on an “un-fitted” bases, and rental income in the financial model reflects the level of rents that this would attract. However the Consultants have noted that there is a risk that this option may not be attractive to potential tenants. However, as a mitigation to this risk the Council could carry out further works to fit out the space making it more attractive to potential tenants.

Indicative costs have been obtained for a full fit out which range between £375,000 - £525,000 (dependent upon the type of space required). A fully fitted out space would demand a higher rental income, therefore, if this option was developed it would be reasonable to assume that fit out costs and any associated operational running costs could be to be recovered through higher rental income but further work would be required to confirm this to ensure the affordability.

As stated above voids have been included at a rate of 35%, this is deemed to be a prudent approach as it is expected to reflect a worse-case scenario, however due to the current economic climate it is not known if this position could deteriorate further than the average of 35%. Any diverse movement in voids would result in more subsidy being required.

An additional net income of £15,000 per year has been included for growth in market stalls, however, there is no detailed information available to ascertain if this is a prudent approach. There is a risk that additional costs of growing the current market may be higher than expected, for example an increase in the market charter and an increase in business rates. Close monitoring of budgets will help to identify additional costs.

VAT – There is an “option to tax” on the site which safeguards the councils ability to recover the VAT incurred in the construction of the building, however this does mean that all leases arising from this site will be subject to VAT. Whilst this will not be an issue for a business who is VAT registered it could have a negative impact on small businesses and start-ups on the ground floor who may not be registered for VAT. This would mean the VAT will be an additional irrecoverable cost to them. There is a risk that this could make the lease unappealing to the kind of businesses that the ground floor is intended for. Whilst VAT will still need to be charged and paid to HM Revenue & Customs the Council could make the decision to reduce net payments to below market rent to ensure that the VAT inclusive amount is equivalent to market rent. This would fall as an additional cost to the Council of around £9,500 each year. This amount has been deducted from the rental income in the financial model to present a worse-case scenario.

This report has been prepared on information available “Pre Covid-19”, therefore, it is likely that there could be material uncertainty in the market conditions going forward which may impact on occupancy levels and affordable rents. This could further have a negative impact on the affordability of the scheme for a period of time until the market recovers.

As part of the financial modelling some sensitivity analysis has been carried out in order to assess the impact of any potential rent reductions. As the scheme is expected to operate at a deficit any fall in income will adversely impact the affordability of the scheme and add to the subsidy required. Every decrease in rental of income of 5% will require an additional subsidy of £2,000 each year.

7. ACHIEVABILITY (Project Management Case)

The high level timetable for this project includes:

Date	Stage/key tasks
2020/21	
May/June	Finalise designs & prepare detailed business case
August	Seek Cabinet approval Submit Planning application GBC submit Full Business Case to N2TC (to comply with the pre-compliance agreement of justifying the previous award of funding)
September	Seek budget approval from Full Council GBC to receive planning decision GBC to received confirmation of N2TC funding
September onwards	Procurement: Seek contractor to deliver GBC works (whether through Framework or Open Tender)
October	Main contractor & project team appointed ¹
November onwards	Contractor mobilisations & construction team set up
2021/22	
January 2021	GBC Contractors start on-site <i>(construction programme currently unknown – TBA)</i>

¹ Framework option only. Allow for up to 6months for an open tender process

A more detailed programme of works will be prepared once a decision has been made on the preferred procurement route.

This project, up to this point, has been supported by a wider project team which are shown in Appendix L. Moving forward, a revised project team will be assembled to ensure the delivery of this project. This will include as a minimum:

- Joelle Davies (Service Manager for Economic Growth and Regeneration) - Project Sponsor
- Lee Sycamore (Town Centre Project Manager) – Project Manager
- Katie Walters (Service Manager for Property) – land owner and market operation
- Mike Avery (Assistant Director for Planning and Regeneration) – planning and building control matters
- Scott Anderson (Finance Business Partner – financial and budget matters)
- Francesca Whyley (Service Manager for Legal Services) – legal and procurement matters

8. TERMS OF REFERENCE (Project Tolerances)

Project tolerances

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

- To deliver phase 3 of the project within the agreed total costs of £2.6m (plus £1.25m from phase 1 of land acquisition costs with an acceptable tolerance limit of 5% overspend, unless otherwise agreed as part of the design process and ensuring appropriate budgets approvals are secured and any reporting requirements of financial regulations are complied with.
- To deliver the project within the agreed timescales, with a deadline of December 2021. Any anticipated slippage of the project timescales beyond one month of the deadline shall be reported to the Project Board as soon as possible.
- The project shall deliver the following, as a minimum:
 - 850.57sqm of GIA floorspace over 2 floors
 - Ground Floor NIA = 321.11 sqm
 - First Floor NIA = 330.56 sqm
 - 721 sqm of public realm
 - Market office and toilet facilities
 - Provision for 24 market stalls
 - Outdoor storage and 10 parking spaces (including 2 disabled bays)

Project Reporting

The project will be managed in such a way that reporting is as follows:

- Project highlight reports shall be provided to the Project Board bi-monthly, detailing the project progress and highlighting any risks.
- An Exception Report will be provided to the Project Board whenever any of the terms of reference defined above are forecast to be exceeded or quality issues compromised

- An Exception Report will 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.

9. SUPPORT SERVICES COMMENTS

Customer Services and Communications

IT: There does not appear to be any IT requirements, therefore there will be no impact on IT. Please advise if this is not the case.

Customer Services: There does not appear to be any expectation for CS to handle any queries, therefore there will be no impact on CS. Please advise if this is not the case.

Comms: Please ensure any relevant information relating to this and desired comms is handed to comms well in advance to enable planning of effective communications/press releases etc and update of any agreed communications plan. Please let comms know in advance of any forthcoming SLT/Cabinet reports in respect of this prior to them entering the public domain.

Rosie Caddy

Service Manager

27 July 2020

Democratic Services

Support from Democratic Services will be obtained at the relevant stages of the project.

Financial Services

Financial comments have been given in full in Section 6 of this Business Case.

Tina Adams

Principal Finance Business
Partner

30/07/2020

Health and Safety

The Council's Health & Safety Officer has been consulted during the development of the final design. In particular the layout and design of features for the new market place and the positioning of street elements to act as counter terrorism measures. Further interface with the H&S officer will continue as the project progresses especially when construction works begin on site.

Legal Services		
<p>Legal advice and support has been sought in relation to the business case and will be continually sought throughout the project.</p>		
Francesca Whyley	Service Manager – Legal Services	31/07/2020

Organisational Development		
<p>No comments.</p>		
David Archer	Service Manager- Organisational Development	25/07/2020

Procurement Services		
<p>Initial discussions have been had with the project team on this. Further work will be required once Cabinet approval has been sought.</p>		

Property Services		
<p>Since lockdown, local market data including from the Council's own shops portfolio shows that smaller shop units such as those which are proposed are currently in demand. In addition, there is likely to be demand for the proposed office space from companies who have introduced new ways of working. The lease void assumptions made are therefore reasonable. We have input into the scheme design from a management point of view and are satisfied that both the building and events/public realm area can be run in an operationally efficient way.</p>		
Katie Walters	Service Manager for Property	24/07/2020

10. SENIOR LEADERSHIP TEAM APPROVAL

Please select one of three options:

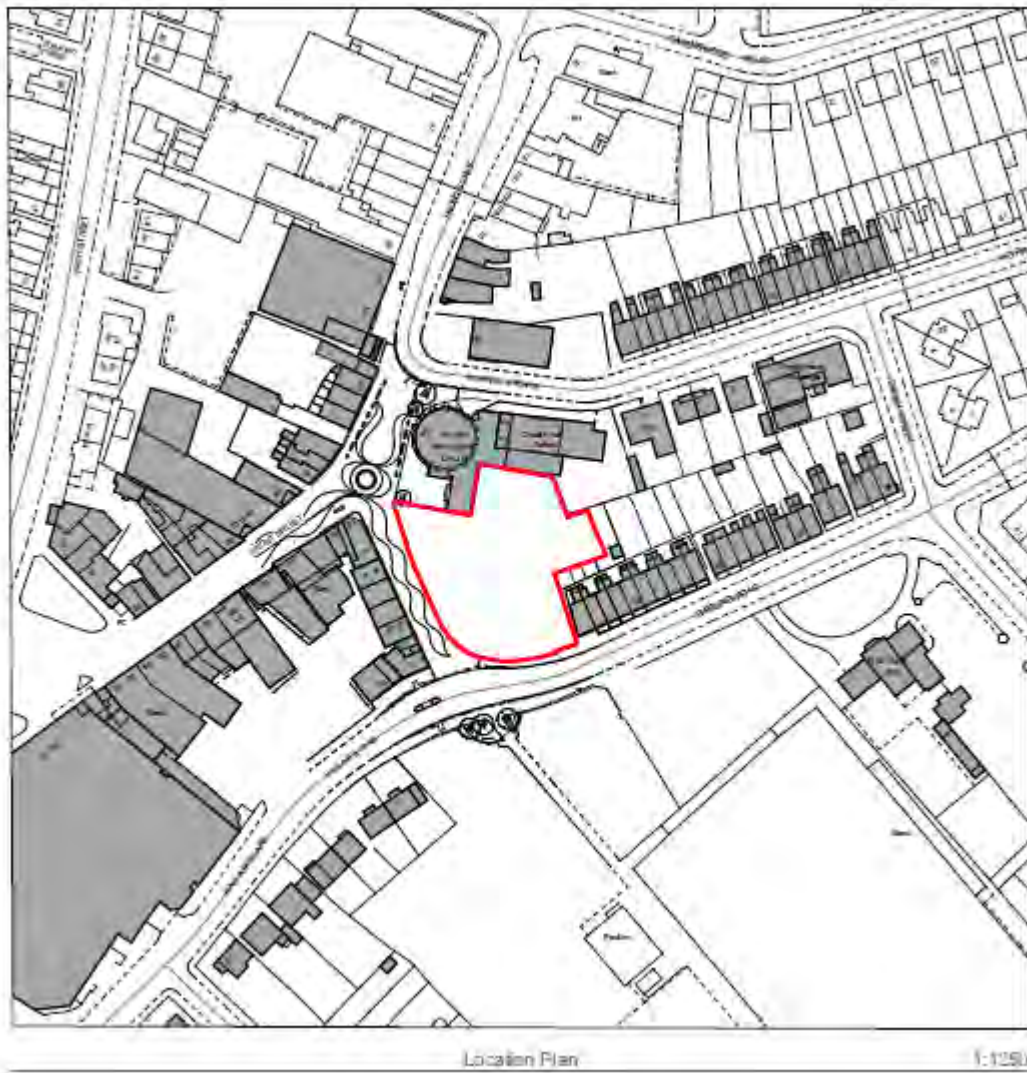
SENIOR LEADERSHIP TEAM APPROVAL

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:

Please state what you are asking approval for

Appendix A: Site Plan



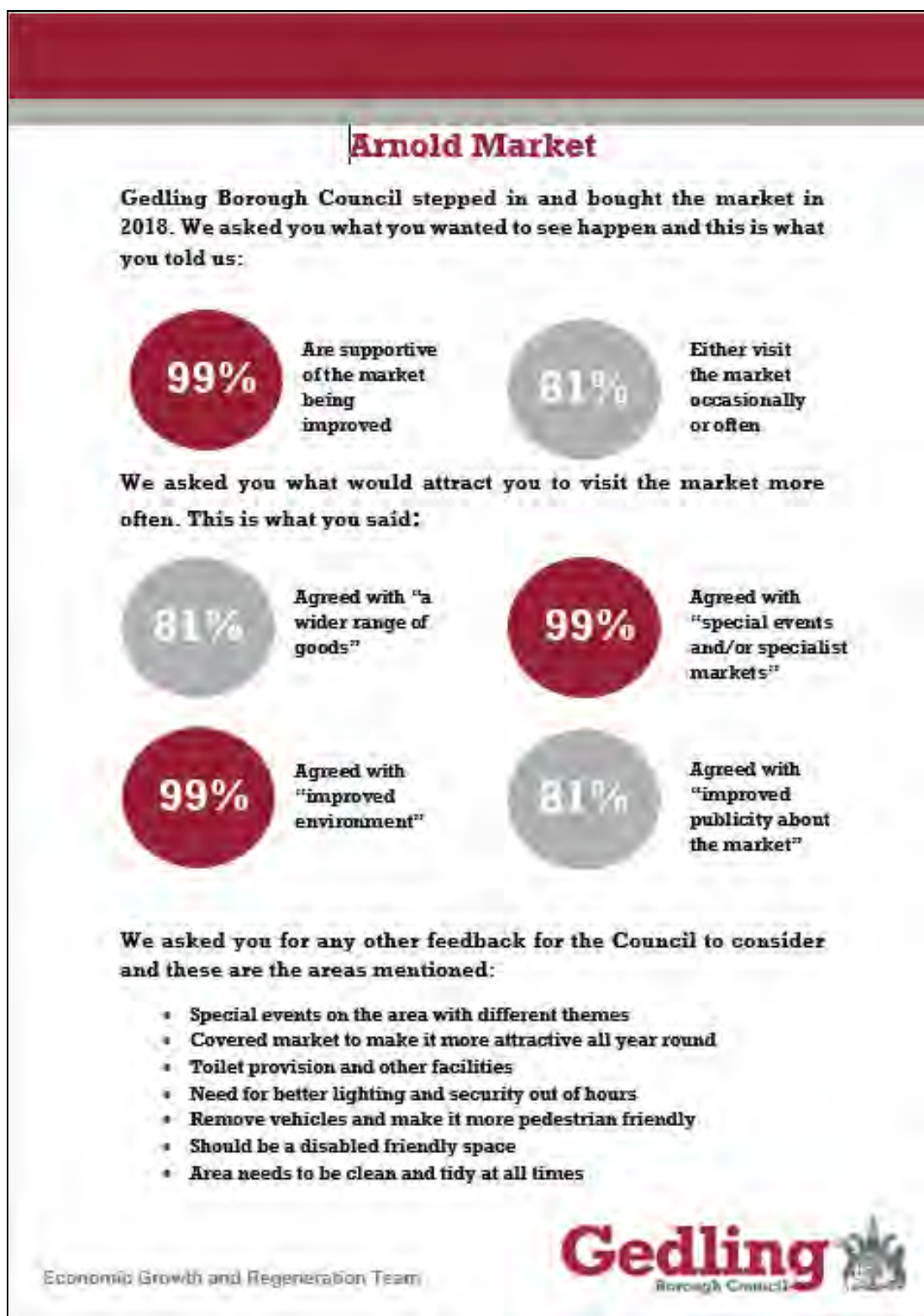
0 10 20 30

Application boundary
Site area: 1,940m²

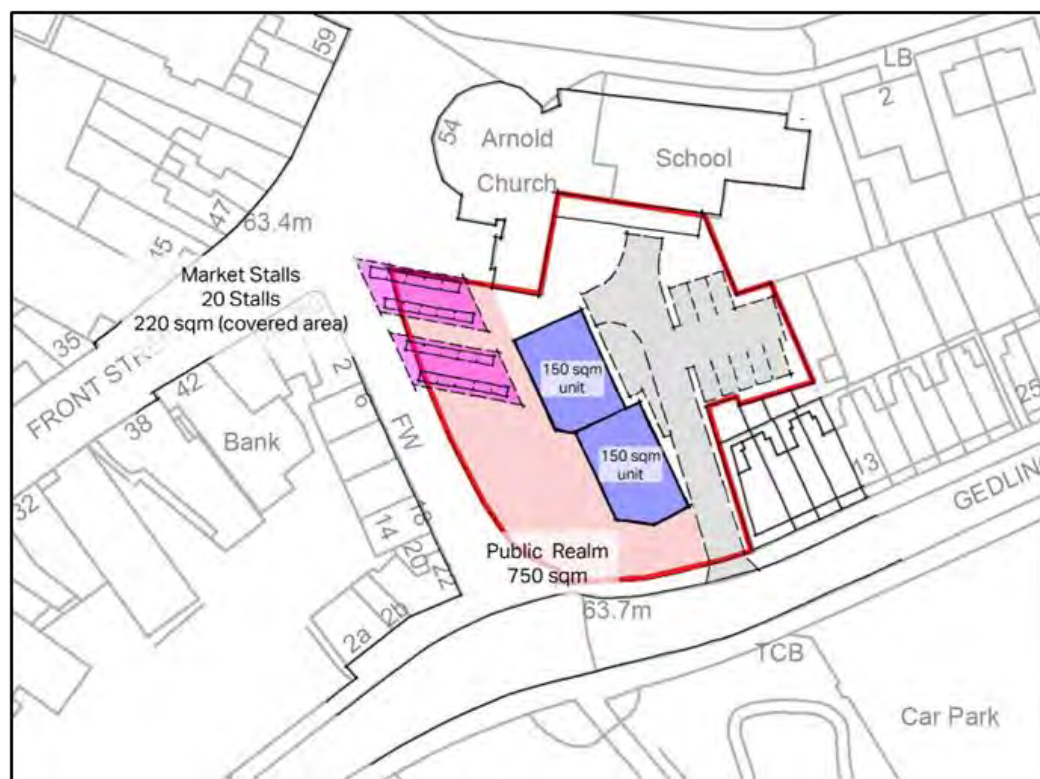
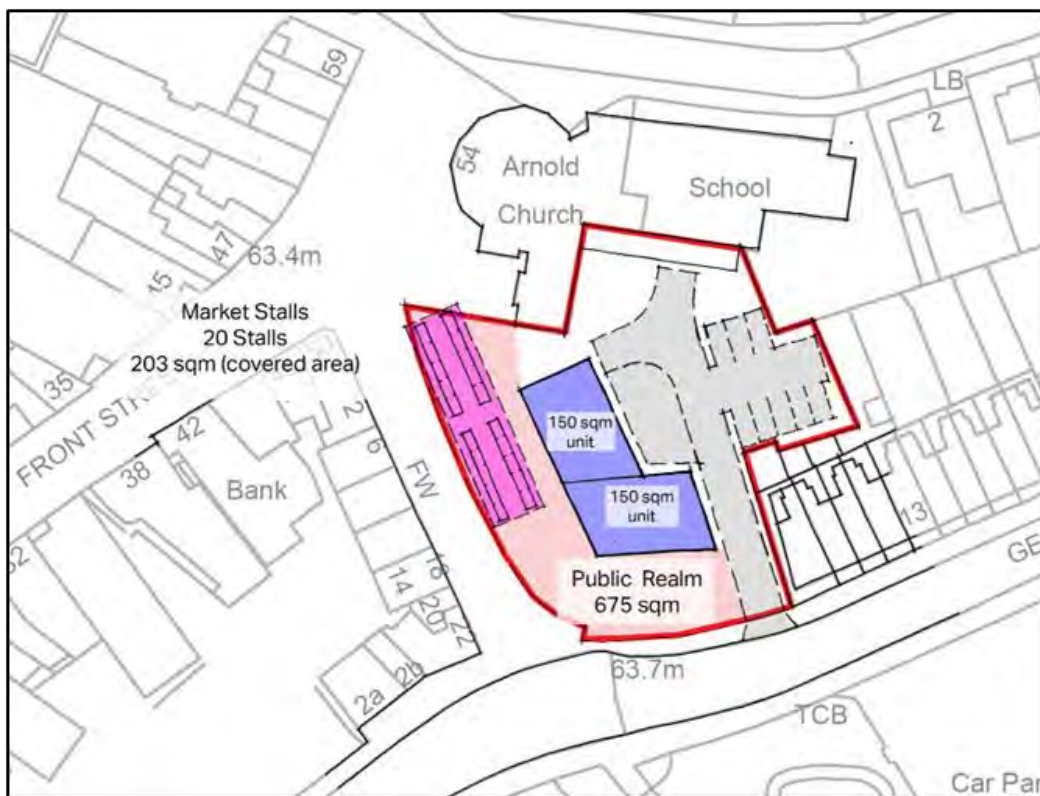
Appendix B: Final Redevelopment Scheme



Appendix C: Initial Consultation Summary



Appendix D: Initial LEP Scheme



Appendix E: Arnold Market Place Journey Infographic



Appendix F: NG Chartered Surveyors (January 2020) report

See overleaf

ARNOLD MARKET PLACE REDEVELOPMENT

NG Chartered Surveyors have been invited by Gedling Borough Council to provide commercial appraisal advice for a feasibility study in respect of the redevelopment of Arnold Market Place.

The viability is based around 4 indicative designs prepared by Maber Associates Ltd providing the following options:-

- Option 01A Commercial Upper Floor
- Option 01B Larger Upper Floors
- Option 02 Residential Mix on the Upper Floor
- Option 03 Combination of Residential and Commercial Upper Floors

The market town of Arnold is a suburb in the city of Nottingham situated north-east of the city boundary. Arnold's town centre is the largest in the Borough of Gedling and the most important in the north-eastern part of the Greater Nottingham conurbation. Since 1968 Arnold has had a market and the town used to have numerous factories associated with the hosiery industry. At the 2011 Census Arnold had a population of 37,768.

Arnold town centre has a diverse range of restaurants and bars and a choice of shops including supermarkets such as Asda, Sainsbury's and Iceland as well as small independent businesses.

1968 saw the opening of Arnold Market in the town centre. Market days are on Tuesday, Fridays and Saturdays with a flea market held on Wednesdays. A farmers market is held on the first Tuesday of each month. The market was private until July 2018 when Gedling Borough Council purchased it from Thurland Estates Ltd.

The project brief is to create a number of pop up retail/starter units in the ground floor of the proposed redevelopment thereby enhancing the offering already provided by the existing market and those in the town centre and to create a vibrant focal point within the town. These retail units are to be specifically catered for new pop up businesses and have been designed accordingly.

The upper floor accommodation options are designed to encompass a range of potential uses to include leisure, commercial and residential occupancy.

OPTION 01A COMMERCIAL UPPER FLOOR

Ground Floor Retail

Unit 1 -348 sq ft @ £20psf =	£ 6,960 per annum
Unit 2- 348 sq ft @ £20psf =	£ 6,960 per annum
Unit 3- 348 sq ft @ £20psf =	£ 6,960 per annum
Unit 4 -489 sq ft @ £20psf =	£ 9,780 per annum
Unit 5- 560 sq ft @ £20psf =	£11,200 per annum
Unit 6 -574 sq ft @ £20psf =	£11,480 per annum
Unit 7- 580 sq ft @ £20psf =	£11,600 per annum

Total: **£64,940 per annum**

But say: **£65,000 per annum**

First Floor Commercial space 3423 sq ft

Possible uses:

- 1) Gym @ £7.50 per sq ft = £25,672 per annum, **say £26,000 per annum**
- 2) Office-single let @ £10 per sq ft = **£34,230 per annum**
- 3) Offices operated as serviced space. Allow 20% reduction in floor area to create the true lettable space @£30 per sq ft = **£82,152 per annum**

In providing our appraisal of the ground floor retail accommodation we have applied a rate of £20 per sq ft to all of the 7 unit sizes. This provides a range of rents between £6,960 per annum and £11,600 per annum. As the retail space has a target market of pop up shops and new business ventures in our view it is imperative that the retail rents are set at a level proportionate and appropriate to this type of user. Setting the rents at a higher rate would have a detrimental impact upon the tenants ability to meet rental expectations.

It is also important that all rateable values to the individual units remain below £12,000 per annum thereby offering potential tenants the ability to enjoy 100% Small Business Rates Relief.

Having regard to the first floor accommodation of this particular option, a leisure/gym operator would require the space to be delivered to shell specification only as they will undertake a bespoke fit-out. Whilst there is proven demand for sites such as this in smaller market towns as designed it is highly likely that the floor area proposed would fall below the minimum threshold required to make it a viable proposition. Therefore the next level of potential occupier would be more of a local operator with potential offering of a less attractive covenant.

An alternative would be to utilise the first floor accommodation as office accommodation however, recent statistical analysis of the Gedling Office Submarket can confirm that at present there is limited demand for office accommodation in this location. In the past 12 months there has been no space delivered to the market and a net absorption of only 736 sq ft. A single let is targeted and rental expectations are limited and we have applied a rate of only £10 per sq ft to the floor area. The lack of on-site parking would also have a detrimental impact upon levels of demand and potential rental income.

An alternative approach would be to consider the space as serviced office provision. The rental return would be significantly higher than a conventional letting however, the floor area quoted would be reduced considerably as within the space this would be subdivided to create smaller more manageable individual letting units. However, the upside is a target rent for serviced space in this location would increase to at least £30 per sq ft on the lettable space.

Gedling Borough Council may want to give consideration to operating this function direct based on a private sector model thereby generating the highest growth rental income and largest potential job creation and the maximum positive market coverage.

OPTION 01B LARGER UPPER FLOORS

Ground Floor Retail

Unit 1 - 348 sq ft @ £20 per sq ft =	£ 6,960 per annum
Unit 2 - 348 sq ft @ £20 per sq ft =	£ 6,960 per annum
Unit 3 - 348 sq ft @ £20 per sq ft =	£ 6,960 per annum
Unit 4 - 489 sq ft @ £20 per sq ft =	£ 9,780 per annum
Unit 5 - 560 sq ft @ £20 per sq ft =	£11,200 per annum
Unit 6 - 574 sq ft @ £20 per sq ft =	£11,480 per annum
Unit 7 - 580 sq ft @ £20 per sq ft =	£11,600 per annum

Total **£64,940 per annum**

But say **£65,000 per annum**

First Floor Commercial space 5865 sq ft

Possible uses:

- 1) Gym @ £7.50 per sq ft = £25,672 per annum, say £43,987 per annum, say **£44,000 per annum**
- 2) Office - single let @ £10 per sq ft = **£58,650 per annum**
- 3) Offices operated as serviced space. Allow 20% reduction in floor area to create the true lettable space @ £30 per sq ft = £140,760 per annum, say **£140,000 per annum**

The appraisal of the ground floor retail space does not vary from Option 01A and the same comments apply.

By increasing the floor area at first floor level to 5,865 sq ft it does ensure that the space falls within the target range for the larger franchised leisure operators. In turn this would allow the potential to generate income in the region of £44,000 per annum.

Our comments remain as per Option 01A regarding utilising the upper floor for office accommodation whether as a single let or as serviced accommodation.

The only point of note being by increasing the floor area on this option it will reduce potential for a single let due to limited demand for space of this size in this location.

OPTION 02 RESIDENTIAL MIX ON THE UPPER FLOOR

Ground Floor Retail

Unit 1 - 546 sq ft @ £20 per sq ft =	£10,900 per annum
Unit 2 - 853 sq ft @ £20 per sq ft =	£17,060 per annum
Unit 3 - 351 sq ft @ £20 per sq ft =	£ 7,022 per annum
Unit 4 - 351 sq ft @ £20 per sq ft =	£ 7,022 per annum
Unit 5 - 351 sq ft @ £20 per sq ft =	£ 7,022 per annum
Unit 6 - 351 sq ft @ £20 per sq ft =	£ 7,022 per annum
Unit 7 - 353 sq ft @ £20 per sq ft =	£ 7,061 per annum
Unit 8 - 193 sq ft @ £20 per sq ft =	£ 3,850 per annum

Total: £66,959 per annum

But say: £67,000 per annum

Upper Floor Residential

101 - 2 bed flat £750 pcm =	£ 9,000 per annum
102 - 2 bed flat £750 pcm =	£ 9,000 per annum
103 - 2 bed duplex £650 pcm =	£ 7,800 per annum
104 - 2 bed duplex £650 pcm =	£ 7,800 per annum
105 - 2 bed duplex £650 pcm =	£ 7,800 per annum
106 - 3 bed duplex £700 pcm =	£ 8,400 per annum
107 - 4 bed duplex £850 pcm =	£10,200 per annum

Total £67,800 per annum

Ground Floor Retail

The revised ground floor layout now provides for 8 self-contained retail units ranging in size from 193 to 853 sq ft. This increases the range of rents from £3,850 to £17,060 per annum and the potential growth rental income from the retail units to £67,000 per annum.

The provision of upper floor residential accommodation as proposed would generate a potential income in the region of £67,800 per annum however points of note are that this proposed use would generate no full or part time employment from the upper floor accommodation.

The lack of on-site parking may have a negative impact on the target rents.

The function of the market itself especially at weekends may also have a negative impact on target rents.

Option 03 Mix of Residential and Commercial Use to the Upper Floors

Ground floor retail

Unit 1 - 639 sq ft @ £20 per sq ft =	£12,780 per annum
Unit 2 - 767 sq ft @ £20 per sq ft =	£15,340 per annum
Unit 3 - 351 sq ft @ £20 per sq ft =	£ 7,022 per annum
Unit 4 - 351 sq ft @ £20 per sq ft =	£ 7,022 per annum
Unit 5 - 351 sq ft @ £20 per sq ft =	£ 7,022 per annum
Unit 6 - 351 sq ft @ £20 per sq ft =	£ 7,022 per annum
Unit 7 - 353 sq ft @ £20 per sq ft =	£ 7,061 per annum
Unit 8 - 193 sq ft @ £20 per sq ft =	£ 3,850 per annum

Total: **£67,117 per annum**

But say: **£67,000 per annum**

Upper Floor Residential

103 - 2 bed duplex £650 pcm =	£ 7,800 per annum
104 - 2 bed duplex £650 pcm =	£ 7,800 per annum
105 - 2 bed duplex £650 pcm =	£ 7,800 per annum
106 - 3 bed duplex £700 pcm =	£ 8,400 per annum
107 - 4 bed duplex £850 pcm =	£10,200 per annum

Total: **£39,600 per annum**

Upper Floor Office

1,425 sq ft @ £10 per sq ft =	£14,253 per annum
1,456 sq ft @ £10 per sq ft =	£14,560 per annum

Total: **£28,813 per annum**

But say: **£29,000 per annum**

The reconfiguration of the ground floor retail accommodation in this instance provides a range of unit sizes of between 193 and 767 sq ft in 8 individual units making a range of rents from £3,850 to £15,340 per annum and a total potential income in the region of £67,000 per annum.

In our opinion this option is the least preferable for the following reasons:-

No jobs would be created from the upper floor residential element.

The lack of on-site parking would have a negative impact on target rents for both the residential and office elements.

The office space as proposed would not be large enough to consider serviced space as an option. Therefore it reverts back to lettings on a floor by floor basis or as a whole.

Conclusion

In concluding it would be our opinion that Option 01B providing the larger commercial upper floor is the most attractive and viable proposition for the proposed development. It allows Gedling Borough Council to work towards their optimum job creation figures whether this is in the form of a letting in the leisure sector or in the office sector concentrating on a serviced office provision.

Appendix G: Outline Concept Drawings



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 Nottinghamshire, NG5 8LU
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Scale: 1:500 @ A3
ARNOLD MARKET PLACE
 Outline Design Option A / 9th November 2019 (drawn by LS)



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Scale: 1:500 @ A3
ARNOLD MARKET PLACE
 Outline Design Option B / 9th November 2019 (drawn by LS)



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Scale: 1:500 @ A3
ARNOLD MARKET PLACE
 Outline Design Option C / 9th November 2019 (drawn by LS)



Gedling Borough Council
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 Nottinghamshire, NG5 8LU

Scale: 1:500 @ A3
ARNOLD MARKET PLACE
 Outline Design Option C / 9th November 2019 (drawn by LS)



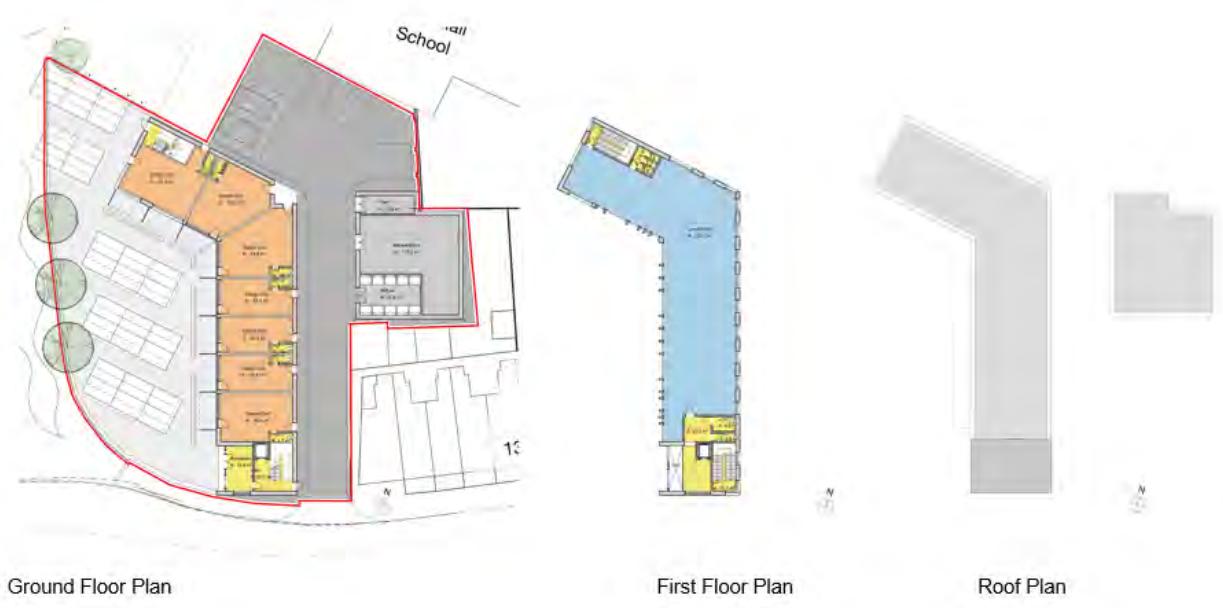
Gedling Borough Council
Civic Centre, Annot Hill Park, Arnold,
Nottinghamshire, NG5 6LJ

Scale: 1:500 @ A3

ARNOLD MARKET PLACE
Outline Design Option E / 19th November 2019 (drawn by LS)

Appendix H: Feasibility Drawings

Option 01A Commercial Upper Floor



Ground Floor Plan

First Floor Plan

Roof Plan

- Retail / Starter Units
- Commercial Area
- Circulation

- Accommodation Summary:
- 7 startup / retail units totalling approx. 300m²
 - First floor commercial space totalling approx. 318m²

Option 01B Larger Upper Floors



Ground Floor Plan

First Floor Plan

Roof Plan

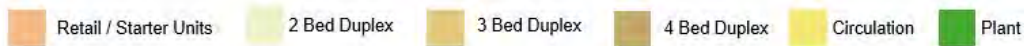
- Retail / Starter Units
- Commercial Area
- Circulation

- Accommodation Summary:
- 7 startup / retail units totalling approx. 300m²
 - First floor commercial space totalling approx. 431m²

Option 02 Residential Mix on the Upper Floor



- Accommodation Summary:
- 7 startup / retail units totalling approx. 311m²
 - First & Second floor residential units:
 - 4 x two bed apartments
 - 3 x three bed duplexes
 - 1 x three bed duplex
 - 1 x four bed duplex



Option 03 Combination of Residential and Commercial Upper



- Accommodation Summary:
- 7 startup / retail units totalling approx. 311m²
 - First & Second floor commercial space totalling approx. 267m²
 - First & Second floor residential units:
 - 3 x three bed duplexes
 - 1 x three bed duplex
 - 1 x four bed duplex



Appendix I Public consultation summary report

See overleaf

Arnold Market Place

Consultation Summary Report

April 2020

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1.0 Background to the consultation

- 1.1 This report presents the findings from the Arnold Market Place consultation programme, mechanisms used and summarises the responses received. This report concerns the programme of events which took place over a 4 week period between 24 February and 23 March 2020. The main purpose of this consultation was to gather feedback from residents, visitors and businesses about the initial plans for the Arnold Market Place. It was noted that this was not the final design proposal and that a further opportunity to comment formally on the final scheme would be available through the planning application process.

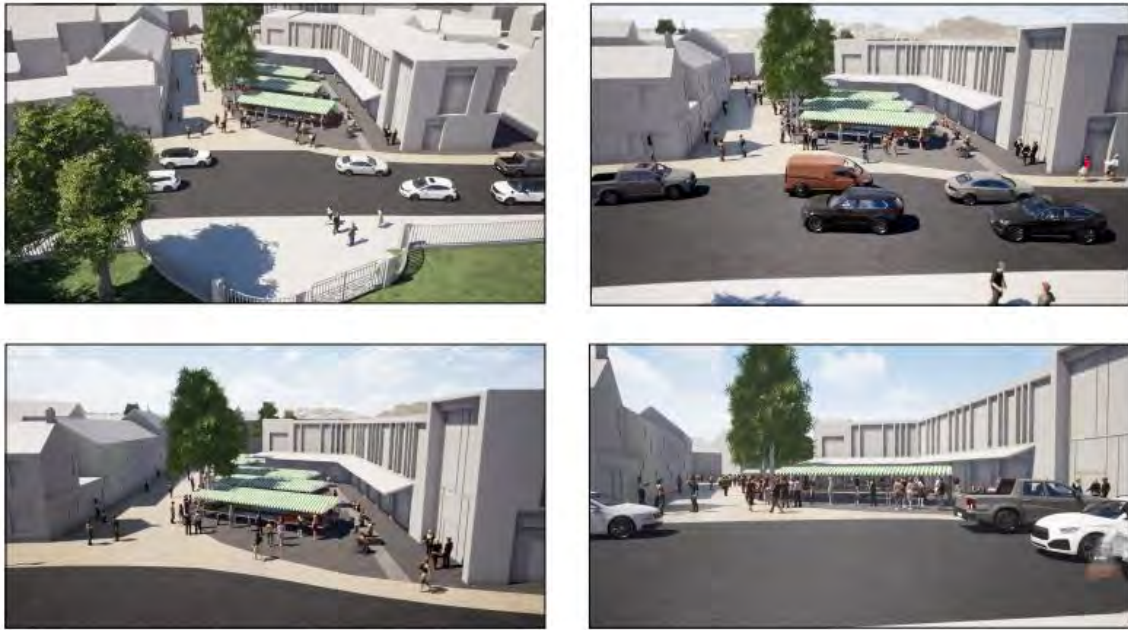
- 1.2 The consultation material provided included a plan and a series of images showing the outline proposal (an example of which is provided below). Officers sought views on whether people liked the broad concept or not, which parts of the scheme was most important to them, whether there were aspects that should be considered but haven't been, and finally any other comments they had. It was made clear that these were only indicative images and not necessarily the final scheme.



Arnold Market Square



Image 1: Consultation image used



Arnold Market Square



Image 2: Consultation image used



Arnold Market Square



Image 3: Consultation image used

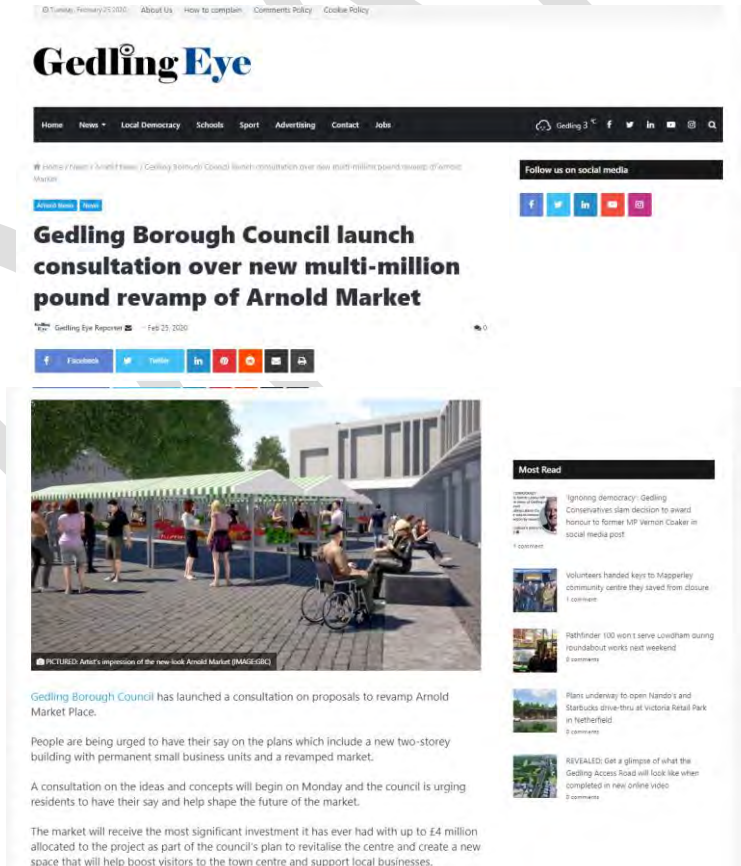
2.0 Advertising and promotion

Press releases and social media

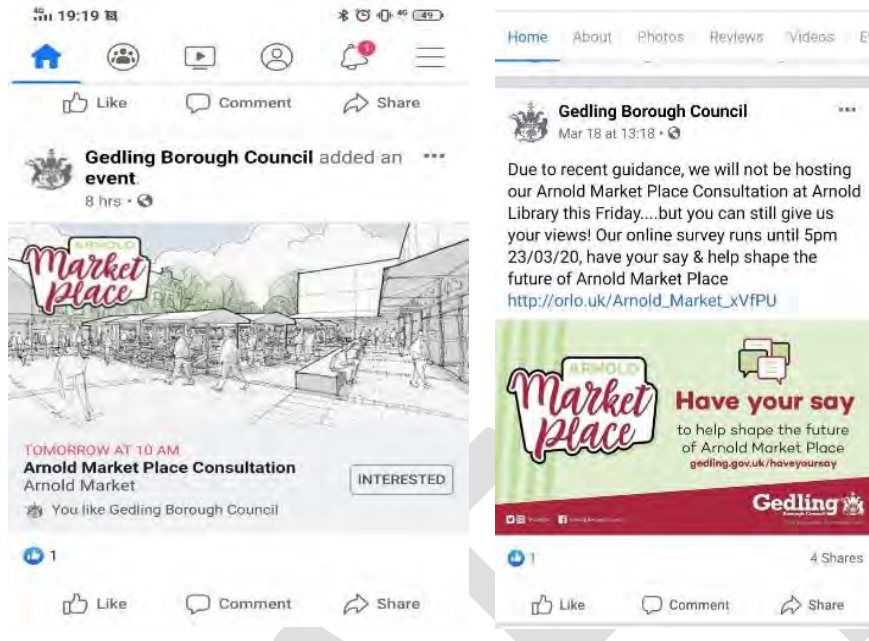
2.1 There were various pieces of publicity in the local press, two articles featured in the Nottingham Post can be seen below:



2.2 The Gedling Eye also covered the consultation on 25 February.



2.3 The Council's webpages and social media outlets were all updated to make people aware of the consultation and releases made using social media to advertise the various events and how to get involved:



2.4 Through the Council Facebook page some 8,562 people were reached with 1,676 engagements (likes, comments, shares, clicks through to webpage) including 26 comments and 17 shares. This was achieved through two posts during the consultation and a further one at the end.

2.5 Twitter, using the same information as Facebook, achieved 8 retweets and 6 likes. Given the 'scrolling' nature of Twitter this was expected.

2.6 145 unique views of the information on the Councils' 'Have your Say' took place with visitors staying for with an average of five minutes being spent on the page. This means that the information would have been read. It was also a page that people arrived directly at, meaning that they will have found the link on other media and clicked through, showing that the Twitter and Facebook information did convert through to people visiting the site.

On site promotion

2.7 The Council ran a targeted public consultation in order to maximise the opportunity for local residents, retailers, businesses and other stakeholders to comment on the initial proposals.

2.8 Officers were on-site at the following locations to consult with the general public:

DATE	TIME	LOCATION
Tuesday 25 February	10:00-12noon	Arnold Methodist Church (Coffee Morning)
Friday 28 February	10:00-14:00	Arnold Market Place
Tuesday 3 March	10:00-14:00	Arnold Market Place
Friday 6 March	10:00-14:00	Arnold Library
Tuesday 10 March	16:00-19:00	Bonington Theatre
Saturday 14 March	09:00-12:30	Arnold Market Place
Tuesday 17 March	19:00-21:00	Arnold Local History Group*
Thursday 19 March	14:00-16:00	Netherfield Steering Group*
Friday 20 March	10:00-14:00	Arnold Library*

*Cancelled due to Covid-19

2.9 There was also specific events planned for the local businesses and Market Traders:

DATE	TIME	LOCATION
Tuesday 25 February	13:00-16:00	Arnold Methodist Church (Invitation only)
Tuesday 3 March	17:00-20:00	Bonington Theatre (Invitation only)
Thursday 12 March	07.30-09.30	Gedling Business Partnership

2.10 Alongside these, there was an online survey which ran for the full period and, additionally, unmanned Consultation 'Stations' were put in the Civic Centre reception area, Arnold Methodist Church and Arnold Library. These displays consisted of the proposed images, paper copies of the consultation survey and post cards for people to express their generic views. Post boxes were provided, so all methods could be submitted confidentially. Arnold households were the first to receive this, to help with the final push for people to complete the online survey.



Image 4: Consultation Station at Arnold Library

2.11 Officers attended Arnold Market Place on three different occasions and were located on a stall close to the main thoroughfare, clearly highlighted with the Council banner, boards and branding. Officers also attended Arnold Methodist Church during a weekly coffee morning and Arnold Library during a busy Friday morning to further promote the opportunity to review the plans (see images below).



Images 5, 6, 7 and 8: Consultation: On-site at Arnold Market

- 2.12 Each of the businesses along the high street were approached and spoken to directly, or given a letter detailing the consultation. They were encouraged to take part by completing the on-line survey, coming along to the retailer session which was by invite only (Bonington Theatre twilight session to fit around business needs) or by arranging to speak to the Town Centre Manager individually at an agreed time/location. This led to positive interactions with the retailers who are keen to see plans progressed.

3.0 Consultation events – feedback

- 3.1 Over the course of the consultation, 50 businesses and over 1,500 members of the public were directly spoken with. Furthermore, 463 people completed the on-line survey.

Business and retailer events

- 3.2 As part of this targeted engagement, Officers held a ‘closed’ retailer session to speak with the shops along the high street. Generally, feedback was positive with all parties showing support for the works.

- 3.3 The main comments from the retailer session were as follows:

- Retailers feel isolated and need some direction
- Rents are very high in the main area of the town centre
- Work needs to be done to increase footfall to the area
- Confusion between business rates (and how to apply for relief) and landlord rates
- Positive response to the concept of the new building
- Businesses would like to see more events and activities in the square
- A focus on the redevelopment of the market place is needed, to help improve the viability of shops
- Can something be done to address the number of empty retail units along the high street
- There are no loading bays/short term parking spaces at the far end of Front Street
- The far end of Front Street needs to be considered and not forgotten, especially when planning for the next Christmas event

Gedling Business Partnership event

- 3.4 Officers presented at the monthly Gedling Business Partnership meeting to consult with local businesses (see image below). This was a great opportunity to find out about local business needs and also gather feedback on the proposals.



Image 7: Presentation to Gedling Business Partnership

3.5 A summary of the key comments made at Gedling Business Partnership is as follows:

- Members very much in favour of the initial plans
- Suggestion of having a three storey building. First floor for co-working and individual spaces on the third floor
- Many businesses 'hop around' and work in different locations –could we provide hot desking, as this enables start-ups to raise their business profile in different locations
- Arnold lacks 'meeting space' for businesses
- Use of The Regis Model would provide a professional setting in Arnold
- Could we use the Brick Lane concept (London) and have a multi-use building

Arnold Methodist Church events

3.6 Officers presented at the weekly coffee morning, which takes place on both Tuesdays and Saturdays at Arnold Methodist Church. Many local residents attend the meetings and they are a good opportunity for local community groups to come together. It should be noted that the Church also accommodated a Consultation 'Station', as it was viewed that the Community aspect would encourage engagement and worshipers were asked to submit their comments after each service that took place during the Consultation period.

3.7 There were a number of comments received, including:

- The council should we be concentrating on filling empty shops
- Arnold Town Centre is in need of some serious investment
- The independent offer is good and it would complement the existing shops
- Like the idea of the market place being an events space
- Could be a catalyst for further regeneration opportunities in the wider town
- Upstairs would be good as a community space
- Liked the idea of independent /local business start-up (grow on model)
- MUST keep market

- More traditional stalls / farmers market / events to increase footfall
- The plans look very industrial, grey, can we make it more vibrant



Image 8: Display and presentation at Arnold Methodist Church

Market trader event

3.8 A 'closed' event was held at Arnold Methodist Church for market traders to be given preview of the proposals. Officers presented to those who attended and followed up with any who were unable to attend on the day.

3.9 The main comments were:

- Very positive response to the proposed plans
- Keen to work with Gedling Borough Council to create the 'wow' factor
- Market stalls need to be weatherproof
- Empty stalls on the market are creating a negative image
- The market needs to be close to the main thoroughfare
- Concerns about the layout of stalls – need to have as many stalls facing onto the main thoroughfare as possible
- Toilet facilities – separate provision for traders
- Traders would be happy to move onto Eagle Square for the interim period
- Cars need to be removed from the pedestrian area – dangerous
- Good to have a building with multiple uses on the site – will increase footfall
- Consideration needs to be given to how vehicles will move on and off the site
- More work needs to be done to attract people to the market – increase footfall

Consultation stands

3.10 Postcards were placed at the consultation 'Stations' at the Civic Centre reception, Methodist Church and Arnold Library. The purpose of the postcards were to enable people to submit a comment without having to complete the full questionnaire if this was their preferred method. It would also enable those who are not on-line to take part.

3.11 A summary of some of the headline comments are as follows:

- It would be good to have a Farmers Market at least once a month
- Something is needed for seniors, which will help to tackle loneliness
- Community space is needed, somewhere for people to come together
- My nana and grandad would like the market to come back like the old days. They miss going down, having a natter with friends and socialising
- I feel they should keep the market, I feel it is a part of Arnold!
- Public toilets are required
- More CCTV to secure the market from being vandalised
- A covered over market would be better, stall covers don't seem wide enough

4.0 Online survey – feedback received

4.1 Over the course of the consultation, 463 people completed the on-line survey. The detailed breakdown of the data is shown in Appendix A, but can be summarised below:

- 93% of the 463 respondents were residents and the rest of the respondents included businesses and community groups.
- 99% of all respondents visit Arnold Market
- The most popular destination at present are specific shops such as Asda, Wilko, Boyes and Boots
- The vast majority of respondents (76%) support the initial ideas for redeveloping Arnold Market Place, with the majority wanting to see more done in terms of developing and supporting local independent shops and small business start-ups
- Local independent outlets were the most selected option for potential usage in the proposed buildings on the market
- A number of comments received also suggested a mix of independent retail, specialty market sellers and local business start-ups were high on the list of resident's priorities for the site, as was a new public space suitable for community focused events.
- The online survey asked what would encourage people to visit the town centre more often and from the results over 75% of people said specialty markets and events, 75% said a traditional weekly market and almost 40% said public events and performances.

4.2 Respondents specified further suggestions in their comments, as follows:

- Activities for children
- Farmers market
- Craft fairs
- Music event
- Artisan stalls
- Local history events

- Vintage fairs
- Gardener's events/plant markets

Social media feedback

4.3 A number of responses were received through Twitter and Facebook, which were reviewed as part of the consultation. Generally the majority of the comments were negative about the development, though this isn't unusual for platforms such as Facebook and a large majority of the comments made were not related to the development and instead were about other areas and non GBC services such as Highways. A brief summary of the comments is as follows:

Suggestions

- Several asking for there to be public toilets
- Street Food Market with seating would be nice
- Permanent indoor market would be good as well as the outdoor market

Negatives

- Complaints about Calverton, and potentially asking for similar investment there
- Complaints about littering and dog fouling in the area
- Complaints about the roads and pavements
- Comments made about the money going to Arnold and it being long overdue

Despite this, there was a large amount of engagement with the posts with over 200 link clicks on one of the posts which took users to the online survey.

Although there were a lot of relatively negative comments, the posts in general did really well in the numbers of likes and shares they received.

5.0 Consultation Summary

5.1 Overall, the consultation was a success and the 4 week programme of events worked well combined (although the end was at the start of the Coronavirus lockdown) with the social media programme and press coverage engaging residents, retailers, and business owners with the proposed plans during a relatively short space of time.

5.2 The feedback received was very positive and most people were really positive about the proposals, being pleased to understand that there was to be investment in the overall area and were keen to see the scheme progress quickly. There were some specific comments raised on the design and uses, which will be reviewed as part of the final scheme design.

5.3 Furthermore, there were comments received which did highlight the need for further investment in the town centre (including public toilet provision) and that this

regeneration scheme could be the catalyst for wider improvements in Arnold. Feedback showed that residents would like to see further improvements to support the wider town and existing retailers, with many stating they would rather shop locally to support the high street than travel elsewhere. One respondent said “work is needed to modernise the town centre and these plans would definitely do this.” This is something that Officers will review accordingly.

Next Steps

The comments made as part of this consultation and contained within this report will be shared with all relevant parties and reviewed. The Council will then focus on finalising the scheme and preparing the planning application material. Amendments to the scheme will be made, following consultation feedback and internal comments, and revised drawings will be produced.

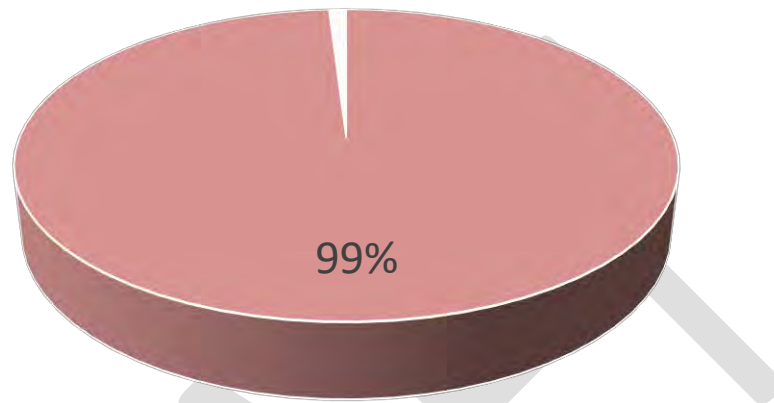
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Appendix A

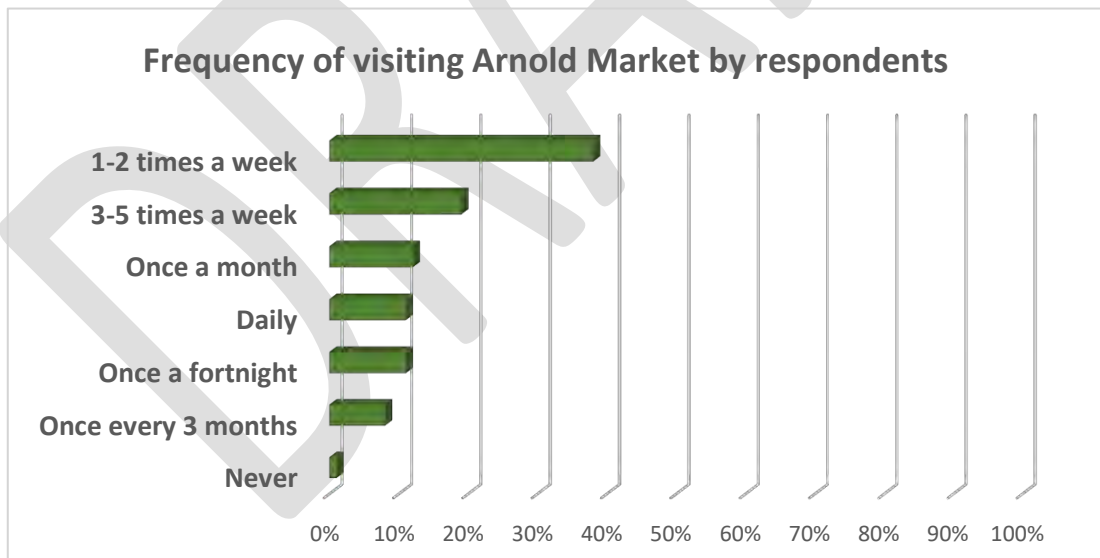
Findings about Arnold Centre

The findings relating to this part of the survey help us understand if and how often the respondents visit Arnold Market and what is the main reason for their visits.

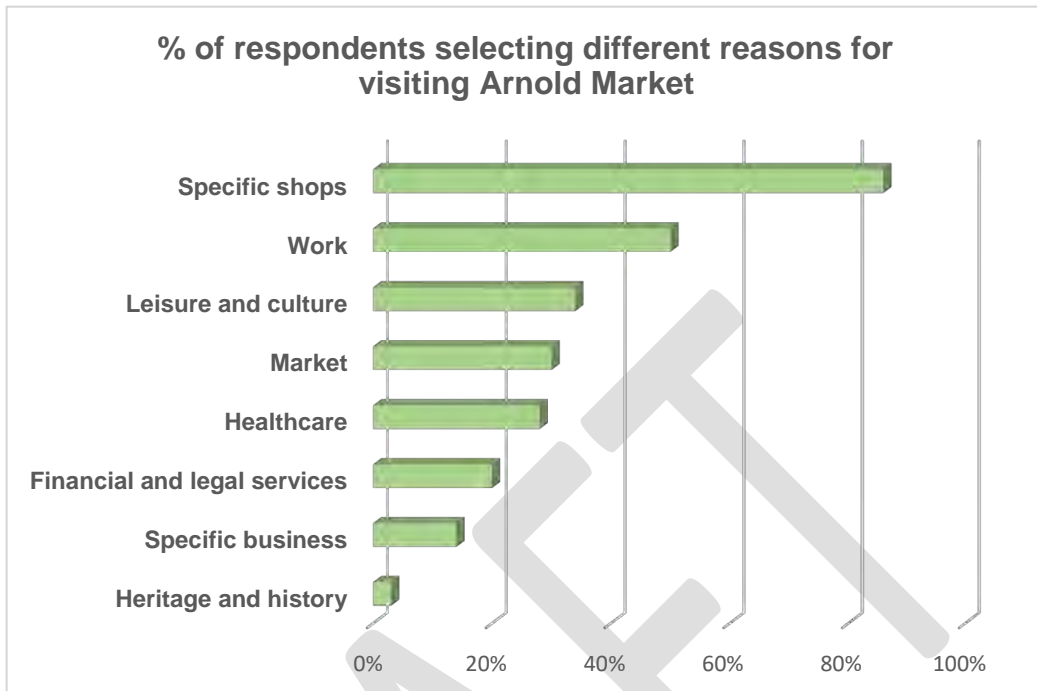
- 99% of the respondents visit Arnold Market



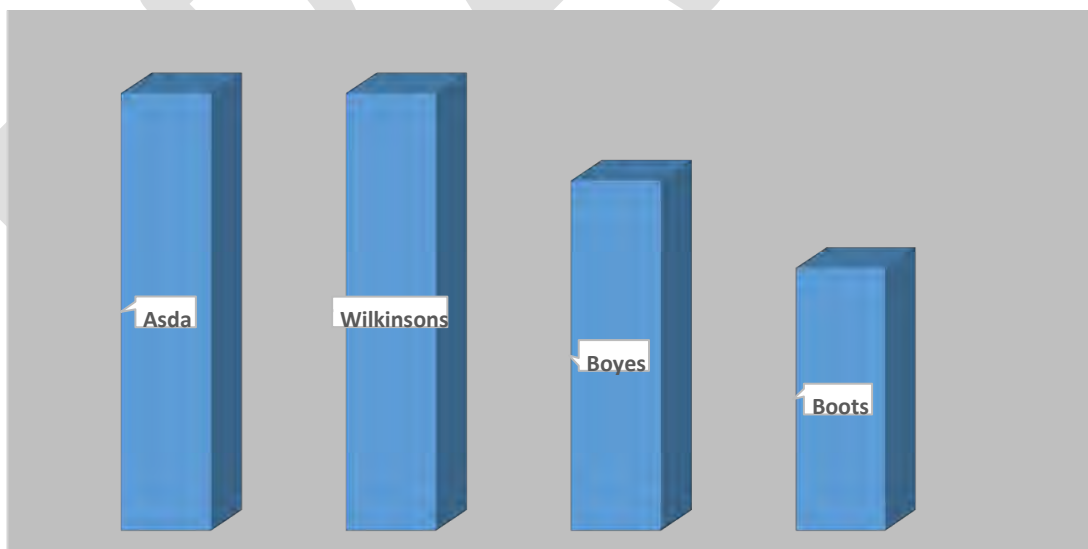
- The majority of respondents (57%) visit Arnold Market once to five times a week.



- The top 3 most selected reasons for respondents' visits to Arnold Market were: Specific shops 86%, work 50% and leisure and culture 34%.

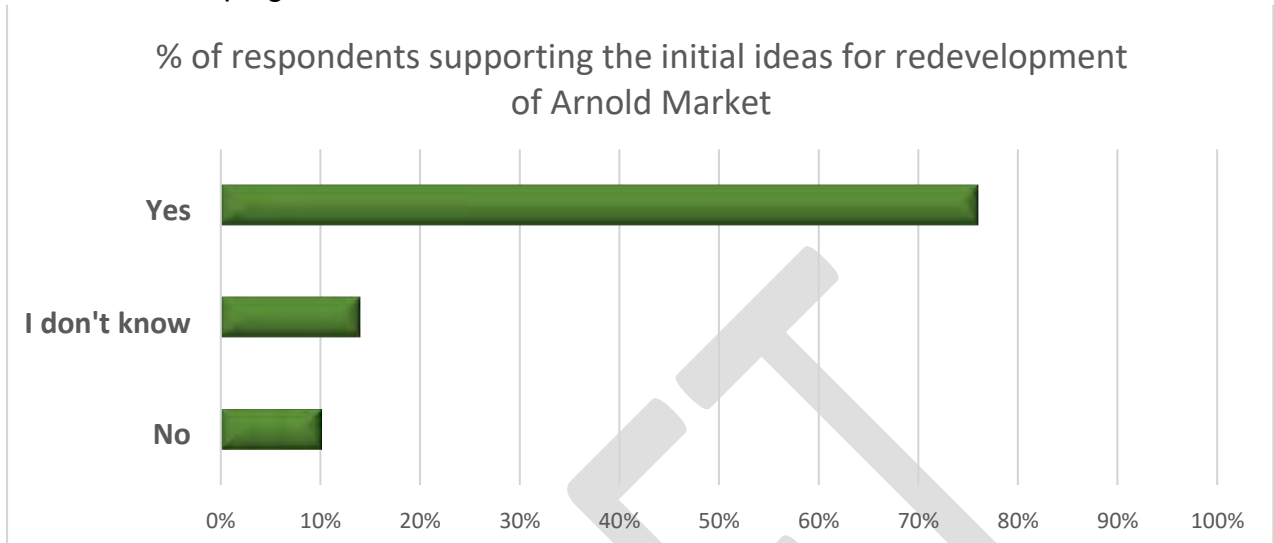


- The most frequently visited shops by the respondents are Asda and Wilko, followed by slightly less frequent visits to Boyes and then Boots.



Finding about the Arnold Market place proposals

- The vast majority of respondents (76%) supports the initial ideas for redeveloping of Arnold market.



In their comments, the majority of respondents (76%) who welcomed the new proposals for the Arnold Market place stating that the redevelopment of the area is needed.

“Work is needed to modernise the town centre and these plans would definitely do this.”

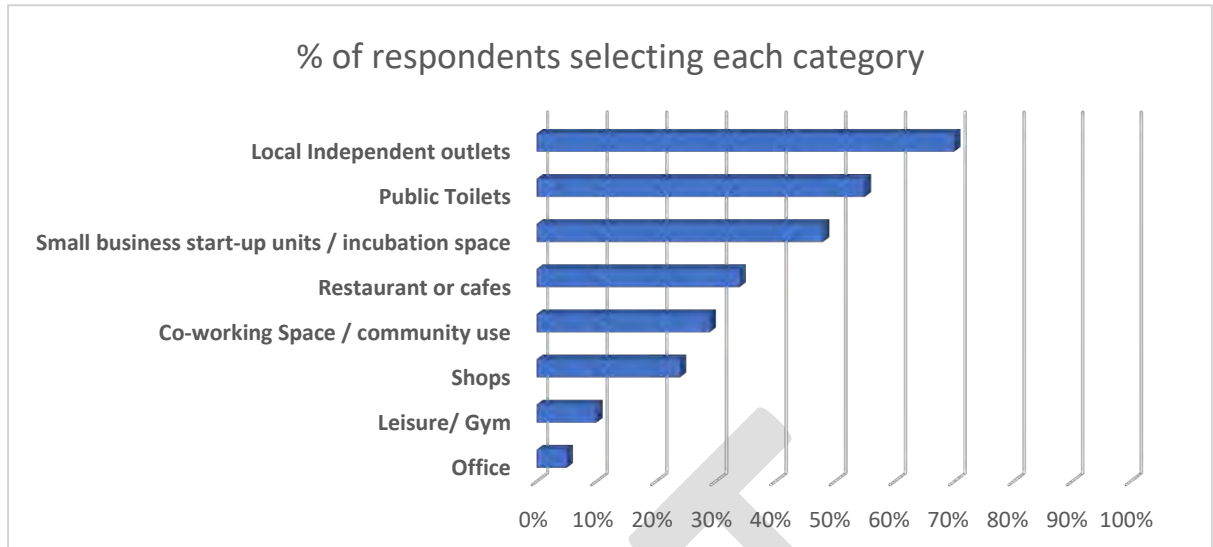
“The market place is not fit for purpose at the moment - and the addition of new, modern commercial premises can only benefit the market and the surrounding businesses, as well as giving a fresh new look to Arnold town centre.”

“Area needs renovation, scheme provides new units and a good open space for events in the centre of town.”

Only a small proportion of the respondents (14%) who selected the ‘I don’t know’ option mainly commented that didn’t have enough knowledge or information to make any judgement.

Even smaller proportion of the respondents that was against the proposals (10%) mainly stated in their comments that they didn’t think it was necessary to spend money on the renovation of this area.

- The top **3 selected usage for the proposed buildings** on the market were: local independent outlets, public toilets and small business start-up units/ incubation space.



In their comments the respondent often mentioned that the proposed buildings should be used for more modern local independent enterprise and small independent businesses:

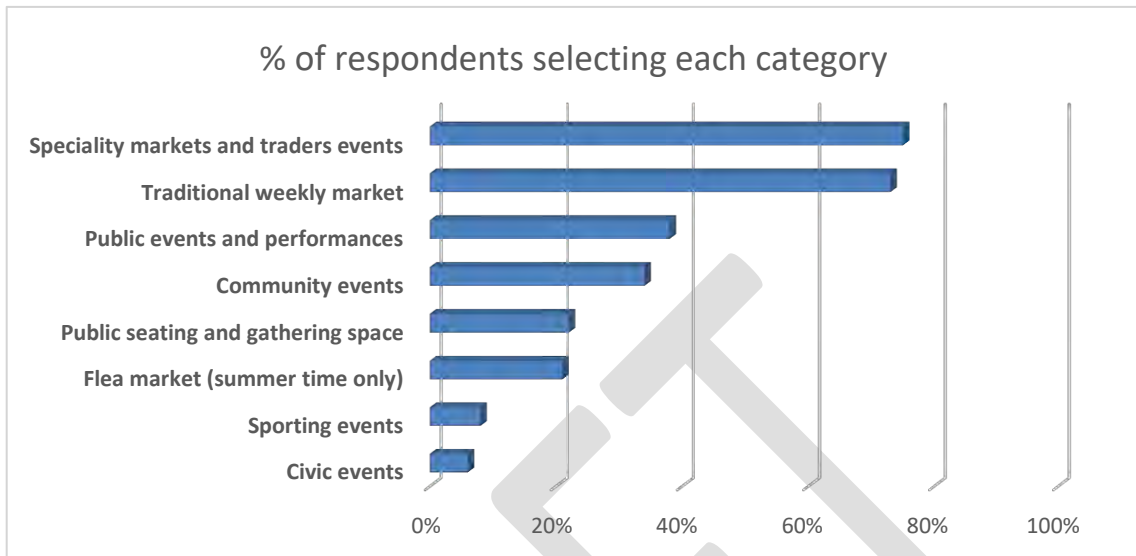
‘Smaller businesses need to be encouraged into the town to create working opportunities for those that are seeking local work.’

‘Community units and starter units could give new businesses a starter’.

‘To be successful the area needs to provide a different experience for visitors and not the same old same old.’

The need for toilet facilities was also frequently mentioned.

- The **top 3 selected reasons** for respondents to be encouraged to visit Arnold town centre **more often** were: speciality markets and traders' events, traditional weekly market and public events and performances.



Appendix J Cushman & Wakefield report

See overleaf

Arnold Market Place Indicative Cashflow Assumptions Paper

Final Report

July 2020

Prepared for:
Gedling Borough Council

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2	Key Model Assumptions	6

Report Disclaimer

This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, Cushman & Wakefield can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to Cushman & Wakefield.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Market activity is being impacted in many sectors. As at the date of this report we consider that we can attach less weight to previous market evidence for comparison purposes, to inform viability, pricing and related recommendations and advice. Indeed, the current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep under frequent review the advice contained in this report.

1 Introduction and Executive Summary

- 1.1 Cushman & Wakefield (C&W) has been commissioned by Gedling Borough Council (the “Council”) to prepare an indicative operational cashflow to support its proposed direct investment in a new commercial retail/leisure/office facility at Arnold Market Place. Our commission is focused solely on the operational costs and incomes once the building has reached practical completion and is not intended to model the funding and financing of the development as a whole. The purpose of this is to inform the Council’s investment decision making processes in determining the potential ability for the facility to be financially sustainable as a Council owned property asset.
- 1.2 The Arnold Market Place site was acquired by the Council using LEP grant funding and the dilapidated market stalls have since been demolished. The Council is seeking to directly deliver a new commercial building on the site as part of a wider ambition to drive the regeneration and sustainability of Arnold Town Centre, alongside a new and improved outdoor market offer. As with town centres nationally, Arnold Town Centre is facing a number of critical challenges as a result of the changing role and function of town centres and how we use them. The scheme seeks to provide a new high quality building at the heart of the town as part of a wider improved outdoor market offer. The Council has appointed a full professional team and is seeking to submit for planning consent in June 2020.
- 1.3 This paper should be read in conjunction with the appended MS Excel model entitled “Arnold Market Place Indicative Operational Cashflow”. This has been prepared by C&W based on the following information provided to us by the Council:
- Architect drawings from Maber Associates (version WIP2, SK001/S2/PO6)
 - Market reports from NG Chartered Surveyors (January 2020), Musson Liggins (11th May 2020) and New West Chartered Surveyors (21st May 2020)
- 1.4 It is important to note that as part of our commission we have not undertaken any of our own research into the local market from the perspective of market demand and modelled ‘value’ inputs but instead, as agreed with the Council have relied on the information provided by the 3 local commercial property agents referenced above. We cannot therefore be held responsible for any errors/omissions in the information provided to us by third parties. We have, however, provided our professional view on the potential operating costs based on our experience of managing commercial property on behalf of landlords. This is very indicative modelling at this stage and should be read in this way.
- 1.5 **It is important for the Council to acknowledge the extent of market risk and associated financial risk to the Council with the scheme as proposed. The speculative delivery of a commercial scheme of this type in this location always carries risk and this is heightened in light of the recent challenges that our town centres are facing and particularly more so following the current Covid19 pandemic and likely aftermath of this. Whilst we have based our modelling on a number of assumptions, there are clear risks around these, particularly from an occupier demand perspective and the key risk is that the building does not achieve the occupancy profile assumed and the units remain void post practical completion. There has been very limited new build activity in Arnold in terms of small retail/leisure/office workspace in recent years as confirmed by the local agent reports and there is therefore very little evidence to support the likely demand prospects and assumed occupier demand profile. Clearly, the Council is progressing this as a regeneration scheme (as opposed to a**

financially driven revenue generating investment scheme) and as landlord would have the ability to promote a flexible offer as required to meet future occupier demands. This is considered important given the rapidly changing nature of these and the building needs to be designed to be as flexible as possible. Prior to making an investment decision to proceed we would advise the Council ensures it is fully aware of the potential scenarios which may materialise in terms of prolonged voids and the financial implications of this to the Council as funder and landlord, given the potential revenue costs that this could give rise to.

- 1.6 Our indicative modelling, based on the assumptions set out in this paper, identifies that once developed out, the building could generate a positive net cumulative cashflow position of circa £130,000 over the first five years of operation. This is based on an assumption of a single let first floor floorplate to an office occupier and multiple lettings to ground floor retail/leisure based occupiers. This is very indicative and highly sensitive to the assumptions applied around the occupancy profile and void periods particularly. Based on the assumptions applied, the building could require revenue support of c.£70,000 in the first year, although it has the potential to then reach a position of break-even (with the potential to generate a surplus in subsequent years). However, based on the assumed letting profile, by year 5, it could then go back to an annual deficit position until void units at that point are re-let.

2 Key Model Assumptions

2.1 This section presents the key modelling assumptions applied based on the market and value evidence we have been provided in terms of the demand, occupancy and income assumptions with our professional judgement applied to determining what we consider to be an appropriate set of operating cost assumptions. These are all very indicative and the model is highly sensitive to them. The Council should ensure that sufficient sensitivity analysis and scenario planning is undertaken to account for the changing market conditions that are prevailing which could impact on the demand position and ultimate financial performance of the asset.

2.2 This section covers the following in turn:

- Accommodation quantum and mix
- Rental income
- Occupancy profile, tenure and void periods
- Tenant incentives
- Operating costs
- Overall financial summary

Accommodation quantum and mix

2.3 We have based this on the latest Maber Associates scheme (version WIP2, SK001/S2/PO6) as below, albeit assuming a single let office floorplate on the first floor at this stage. In practice, there may be commercial advantages to splitting this into 2 or 3 suites or indeed operating it as more of a flexible serviced workspace facility and the Council should ensure it is flexible enough to be able to achieve this through the design process. However, at this stage we have assumed a single let floorplate assuming it is let to a single commercial office occupier. The accommodation schedule we have assumed is set out below. This equates to a total NIA of 639 sqm or 6,875 sqft, of which 295 sqm or 3,178 sqft is on the ground floor and 344 sqm or 3,698 sqft on the first floor.

Accommodation Schedule			
Unit	Sq m	Sq ft	
GROUND FLOOR			
GF Starter unit 1		67.4	725
GF Starter unit 2		53.8	579
GF Starter unit 3		34.5	371
GF Starter unit 4		34.5	371
GF Starter unit 5		34.5	371
GF Starter unit 6		34.5	371
GF Starter unit 7		36	388
Sub-total NIA		295	3,178
WC Provision		29.8	321
Management Office		14.5	156
Stairs		28.9	311
Sub-total		73	788
Total		368	3,965
FIRST FLOOR			
Unit	Sq m	Sq ft	
Office unit		344	3,698
Sub-total NIA		344	3,698
Accessible WC		4.06	44
Cleaners Station		2.67	29
WCs		12.27	132
Tea point		3.11	33
Circulation and stairs		48.83	526
Sub-total		70.94	764
Total		414	4,461
	Sq m	Sq ft	
Net lettable area total	639	6,875	
Total internal area (including circulation/ancillary space)	783	8,427	
Total GIA	851	9,155	

2.4 At this stage as agreed with the Council, we have assumed a single office occupier format for the first floor and this is what the modelling is based on. Whilst there could be a range of permutations of how this first floor space is used as “office” space from this through to serviced/managed workspace and co-working space, further work would be needed to understand the potential operational implications and costs of these. For example, often co-working space is let on an all-inclusive basis and can include desks rented by the hour/day/week/month – this is a very different cost and income model. Furthermore, this type of space would need actively managing and the Council would need to consider how this would be best done (e.g. in-house or through a head-lease or management agreement with a specialist provider for example (perhaps on a profit share arrangement) – given the scale of this it might be necessary to include other Council operated facilities as part of this to provide critical mass to be of interest to an operator?). Our approach of assuming £12/sqft on the NIA is considered an appropriate high level assumption at this stage. Splitting it up into smaller units would reduce the overall net lettable area but equally the increased flexibility of the co-working model could enable higher rents per sqft to be achieved. It will be important to ensure that the first floor is constructed in a way that it could be flexibly sub-divided in due course if required to meet occupier demands and the Council may need to consider holding back some capital to deliver any subdivision works that may be required if it does not let as a single unit, to mitigate market void risks.

Rental income

2.5 We have assumed the following rental incomes (excluding service charge). At this stage we have excluded VAT on all incomes and costs in our modelling:

Rental Income Assumptions	£/sq m	£/ sq ft	Annual Rental Income
Ground Floor			
Shop Unit 1	£	215 £	20 £ 14,509.74
Shop Unit 2	£	215 £	20 £ 11,581.96
Shop Unit 3	£	215 £	20 £ 7,427.09
Shop Unit 4	£	215 £	20 £ 7,427.09
Shop Unit 5	£	215 £	20 £ 7,427.09
Shop Unit 6	£	215 £	20 £ 7,427.09
Shop Unit 7	£	215 £	20 £ 7,750.01
Ground Floor total			£ 63,550
First Floor - Single Office total	£	129 £	12 £ 44,373
Overall Total			107,923

2.6 This is based on a ground floor rent of £20 per sqft across all units and a first floor single occupier office rent of £12 per sqft. Taking an average of the 3 local agent rent assumptions equates to a slightly higher ground floor rent as below, although given that 2 of the 3 agents suggested £20 per sqft this has been applied as a more conservative income assumption at this stage. £12 per sqft across the first floor aligns with the average figure suggested across the 3 local commercial agent reports.

2.7 We have not made any assumptions around rent increases and whilst in practice there would be rent reviews at lease renewal and the potential for rental increases, at this stage given the uncertainties in the market, it was considered prudent to exclude this for the purpose of the indicative cashflow modelling (rents could also fall in theory in real terms at lease renewal). The assumed rental tone generally aligns with the 3 local agent reports. No inflation on incomes/costs is assumed at this stage either for consistency.

Average rents across 3 local agent reports			
	Rent per sqm		Rent per sqft
Ground Floor			
Shop Unit 1	£	254	£ 24
Shop Unit 2	£	242	£ 23
Shop Unit 3	£	239	£ 22
Shop Unit 4	£	247	£ 23
Shop Unit 5	£	247	£ 23
Shop Unit 6	£	247	£ 23
Shop Unit 7	£	238	£ 22
First Floor - single office	£	125.25	£ 11.64
First Floor - serviced office	£	282.55	£ 26.25
First Floor - gym	£	104.95	£ 9.75

2.8 As clearly highlighted by the local agents and supported by our view, the parking will be important in respect of the marketability of the first floor as an office suite and less important for the ground floor A class uses (given its town centre location). It will be important for the first floor office unit to ensure that it can compete with out of town business park facilities that can provide accessible free parking. The parking should also be considered as part wider town centre parking provision.

Occupancy profile and void periods

2.9 The following letting profile is assumed by unit which shows all units being let on a quarter by quarter basis from PC through to an assumed 100% occupancy position at Q3 year 2.

Unit	First Letting (start of quarter) post practical completion
Shop Unit 1	Q1 Year 1 (i.e. upon PC)
Shop Unit 2	Q3 Year 2
Shop Unit 3	Q2 Year 1
Shop Unit 4	Q3 Year 1
Shop Unit 5	Q4 Year 1
Shop Unit 6	Q1 Year 2
Shop Unit 7	Q2 Year 2
First Floor	Q2 Year 2

2.10 It is assumed that the ground floor units are let on a 3 year lease with a 1 year and 2 year break clause in favour of the tenant (although we have assumed that all leases run for 3 years in the model with no breaks assumed). It is assumed the first floor is let on a 3 year lease with no break clause. The Council may wish to reduce the lease length to increase flexibility but clearly this could increase the void risk to the Council and could result in additional letting related time and cost. The

local agents provided mixed views on this but what is assumed aligns with some of these and in our view is considered a sensible assumption at this stage to be reviewed if ultimately tenants require either increased flexibility or security of tenure.

- 2.11 It is assumed that following each 3 year lease expiry there is a 12 month void on each unit until it is re-occupied. There is no local agent evidence to support this but in the current market environment this is considered a prudent approach.

Tenant incentives

- 2.12 A 3 month rent free period is assumed on the ground floor units and first floor unit. This is broadly in accordance with the local agent reports and will be required to attract tenants. If the lease length on the first floor unit is increased to say, 5 years, this may need to increase to 6 months.

Operating costs

- 2.13 Operating costs have been split into those which are recoverable through a service charge which would be payable by the tenants when the units are occupied, those which are recoverable but not service charge items and those which are not recoverable from tenants even when the units are occupied. Clearly, when units are not occupied in void periods, the Council as landlord will be liable to fund the operating costs.
- 2.14 A summary of the recoverable service charge cost assumptions is presented below. This is based on the advice of C&W's professional judgement and experience of managing commercial and retail property assets. This totals £24,460 per annum, which equates to £3.56 per sqft on an NIA basis and is apportioned out by unit on this basis.

Recoverable Service Charge Costs				
Cost Class	Cost Category	Description	Total Annual Cost	Notes
Management	Management Fee	Management Commission	£ 10,000	Managing Agent (£7k) and Facilities Management fee (£3k).
	Accounting Fees	Professional Fees - Audit	£ 500	Independent accountants auditing fee.
	Site Management Resources	Help Desk Fees	£ 695	24/7 hour helpdesk
		Health, Safety & Environmental Management	Health & Safety	£ 1,500
Soft Services	Cleaning and Environmental	Cleaning - Contract	£ -	Assume all allocated to occupiers
		Cleaning - Hygiene Services/Toiletries	£ -	Assume all allocated to occupiers
		Cleaning Materials	£ -	Assume all allocated to occupiers
		Cleaning - Windows	£ -	Assume all allocated to occupiers
		Pest Control	£ 265	Cost for regular baiting and checking of the bait boxes and includes 8 visits per year
		External Landscaping Contract	£ 5,000	Appears to be minimal landscaping, gritting.
Hard Services	Mechanical & Electrical Maintenance	Air Conditioning - Maint. Contract	£ 500	Condenser unit in the refuse store
		Mechanical & Electrical Misc	£ 4,000	CCTV and fire alarm maintenance
	Fabric Repairs & Maintenance	Maintenance External - Repairs	£ 2,000	Cost for external repairs. This cost also includes for maintenance of the surface water drains, allowing for one visit per year.
		Fabric Repairs - Internal	£ -	Occupier responsibility
TOTAL			£ 24,460	

- 2.15 This assumes the following:

- No physical permanent management presence
- Refuse – assumed tenants will do their own via shared facility
- Window cleaning – tenant responsibility
- CCTV will be installed
- Lift service/maintenance costs and stairwell fabric repairs/utility costs will be the responsibility of the first floor tenant
- Utilities – assumed each occupier will access and pay for their own utility supplies
- No costs associated with the outdoor market.

- 2.16 Building insurance at £0.20 per sqft is assumed (total at £1,375 pa) and apportioned on an NIA basis and recovered from tenants.

- 2.17 Non-recoverable costs include letting agent/legal costs at an assumed 15% of first year rent (excluding inducements). Marketing costs assumed in year 1 of £20,000.
- 2.18 Given the rateable value of the units, it is assumed that all units aside from Unit 1 and the First Floor unit would be exempt from business rates as they fall below the £12,000 rateable value threshold as defined by the Valuation Office Agency. The small business rate multiplier was applied to these to estimate the rates liability to the Council when these units are not occupied. In accordance with VOA guidance, a 3 month 100% rate relief period is assumed upon PC of the building and following each lease expiry.

Overall financial summary

- 2.19 On the basis of the above, the below summarises the indicative cashflow position based on the indicative modelling we have undertaken and shared with the Council:

	Total	Year 1	Year 2	Year 3	Year 4	Year 5
Total Income	£ 349,419	£ 25,650	£ 89,101	£ 107,923	£ 82,272	£ 44,472
Total Operating Cost	£ 217,682	£ 94,060	£ 44,344	£ 0	£ 15,680	£ 63,598
Net Cashflow Position	£ 131,736	-£ 68,409	£ 44,757	£ 107,923	£ 66,593	-£ 19,126

- 2.20 This identifies a positive net cashflow position of c.£130,000 over the first five year period and a peak revenue deficit position of c.£70,000 in year 1.

Appendix A – Summary of Commercial Property Agent Reports from New West, Musson Liggins and NG Chartered Surveyors

Use types/market demand

NG Chartered Surveyors

- Ground floor retail space should target pop up shops and new business ventures
- Gym uses on first floor - whilst there is proven demand for sites such as this for commercial gym uses in smaller market towns as designed it is highly likely that the floor area proposed would fall below the minimum threshold required to make it is viable proposition
- An alternative would be to utilise the first floor accommodation as office accommodation however, recent statistical analysis of the Gedling Office Submarket can confirm that at present there is limited demand for office accommodation in this location. In the past 12 months there has been no space delivered to the market and a net absorption of only 736 sq ft.
- An alternative approach would be to consider the first floor space as serviced office provision. The rental return would be significantly higher than a conventional letting however, the floor area quoted would be reduced considerably as within the space this would be subdivided to create smaller more manageable individual letting units.

New West Chartered Surveyors

- The town centre has seen a growing number of void units, however the trends towards smaller independent traders will continue post Covid19
- First floors are more difficult to let in Arnold Town Centre and parking will become a consideration
- Recommend that planning is secured for the widest possible range of uses to maintain flexibility
- Target audience will be new businesses, incubators, shared collaboration and community uses and they will generally require lease flexibility
- The upper floor space is relatively large for Arnold and splitting this should be considered to provide say 2 suites to give flexibility on the letting. There could be a range of B1a office users or more of a shared business hub/serviced workspace.
- The first floor would provide airconditioned, new build office space for which there has not been a great deal in Arnold for some time. The traditional older stock has however struggled to let but that is of a much poorer quality
- Occupiers unlikely to commit until they can see the product
- It may then come down to the lettings policy and user mix as to whether 2 or 3 units remain available for a longer period and depending on wider market conditions it may take 6-12 months to fill the space with the correct mix of occupiers
- The A3/A4 market may take some time to recover and there is already a reasonable A3/A4 offer in the town centre including some larger premises more suited to this offer
- The ground floor retail offer does not want to compete with what already exists between 700-1200 sqft. Occupiers need simple occupational leases with limited capital/fit out costs.
- The ground floor scheme is more focused on the independent trader market with the possibility of attracting franchisee occupiers (e.g. Post Office)
- The first floor space will be more difficult to let and could take the form of training space, community based space and office co-working. Due to the sheer size and location this will take longer to secure occupiers. There has been hardly any space of this scale and type delivered in Arnold over the past 5 years. Typically office occupiers are requiring out of town campus based space with parking – parking will be key to letting the first floor space.
- Availability within the town centre will only increase over the next 12-18 months and there are already many traditional ground floor retail units available from say £20,000 pa to £80,000 pa.

- This scheme should provide small and more affordable ground floor retail units so as not to compete with these.

Musson Liggins

- It is difficult at this stage to predict what types of businesses will ultimately be willing and able to occupy space in the proposed development. The Tenant mix can only realistically be managed once the marketing of the development has commenced.
- It is likely that the ground floor units will be of interest to either an A1 retail tenant or for A3 café use. Whilst there are quite a few coffee shops in Arnold Town Centre, having a coffee shop in this development would also bring some balance to the location and would also, in our opinion, be beneficial.
- The first floor unit is most suitable for a Business Centre (B1 use). We have seen many successful conversions of buildings into Business Centres which command higher than average office rents but on an all-inclusive basis and on easy in/out terms. Lettable rooms are usually created in order for them to be interconnecting if required if small businesses expand and need more room.
- Another option for the first floor level may be for use as a private gymnasium which would require a different planning consent (D1) and a basic fitout. The incoming Tenant would have to complete a bespoke fitout themselves. A gymnasium of this nature is not likely to be competing with the Council run Leisure Centre and may be a more specialist type of gym. A gymnasium may command a rent in the region of £12 per square foot.

Rental Evidence

NG Chartered Surveyors

- As the retail space has a target market of pop up shops and new business ventures in our view it is imperative that the retail rents are set at a level proportionate and appropriate to this type of user. Setting the rents at a higher rate than £20 psf would have a detrimental impact upon the tenants ability to meet rental expectations.
- It is also important that all rateable values to the individual units remain below £12,000 per annum thereby offering potential tenants the ability to enjoy 100% Small Business Rates Relief.
- First floor single let office use - a single let is targeted and rental expectations are limited and we have applied a rate of only £10 per sq ft to the floor area. The lack of on-site parking would also have a detrimental impact upon levels of demand and potential rental income.
- Serviced space in this location would increase to at least £30 per sq ft on the lettable space.

New West Chartered Surveyors

- Ground floor rents of between £26 and £31 psf based on Zone A rents of £30-£35 psf depending on the specific unit (see Excel worksheet for breakdown)
- First floor rent of £13.25 psf applied to the NIA
- In an ideal scenario, the units would have an RV of less than £12,000 to be rates free but this may not be possible on the larger units, although they would still be eligible for discount on a sliding scale up to £15,000.

Musson Liggins

- A ground floor retail unit may command a rent in the region of £15 to £20 per square foot depending upon the size and position of the unit.
- A ground floor café may command a slightly higher rent in the region of £20 to £25 per square foot, again depending upon the size and position of the unit.
- The expected rental values will depend upon the use of the first floor areas and will also depend upon whether these areas are used by a single or multiple tenants.
- In terms of a business centre, typically, an office could be in the region of 125 ft² to 200 ft² and may command a rent in the region of £20 to £25 per square foot on an all-inclusive basis depending upon the size of the office. Clearly shared kitchen and w/c facilities will have to be provided and communal areas will need to be cleaned and maintained.

Lease terms/tenure

New West Chartered Surveyors

- Standardised lease structure of short term contracted out leases of say 1, 2 or 3 years on the ground floor with annual breaks in favour of the tenant
- The first floor may be on longer terms of 3 years or 6 years with 3 year review and 3 year tenant break clauses or 10 year leases with 5 year tenant breaks.
- Lease flexibility will be key
- Internal repairing and insuring liability only with no service charge. The landlord should be able to recharge the tenants a fair proportion of the building insurance premium. Generally start up tenants will not want responsibility for the upkeep of the structural or external elements. A traditional FRI lease will not work and would cause delays in the lettings process.

Musson Liggins

- We would suggest that the Leases should each be 5 years with a Tenant only Break Clause at the end of Years 3 and 4 on effectively Full Repairing and Insuring terms. This may include a service charge for communal areas and insurance.
- A shorter Break Clause may not give the Tenants enough time to establish as a business before needing to make a decision. The reason for having Break Clauses at Years 3 and 4 (and 5 technically at the end of the Lease) is to give the Tenants flexibility to be able to move out to a larger unit if required, although other reasons for exercising the Break may be for them to move out of the area or to close their business if required. A shorter overall Term would mean that Gedling Borough Council as Landlord will have to renew the Leases too often.
- We have recommended that the Leases are drawn up with Service Charges. Appointed solicitors should advise further in this regard. If Service Charges are in place there should be no future costs to Gedling Borough Council other than management of the development which we would assume will be done 'in-house'.

Incentives

New West Chartered Surveyors

- 3 month rent free on ground floor units, depending on length of lease and rent involved
- The first floor space may require greater incentives of 3-6 months depending on the lease length and finish of the space

Musson Liggins

- The current typical Rent-Free Period is 3 months. We would recommend this is the standard offering [C&W – presumably in relation to the ground floor retail units].

Cushman & Wakefield
St Paul's House
23 Park Square South
Leeds
LS1 2ND

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for our clients. Cushman & Wakefield is among the largest commercial real estate services firms, with core services of agency leasing, asset services, capital markets, facility services, global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation and valuation & advisory.

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Appendix K: Feasibility Drawings (for public consultation)



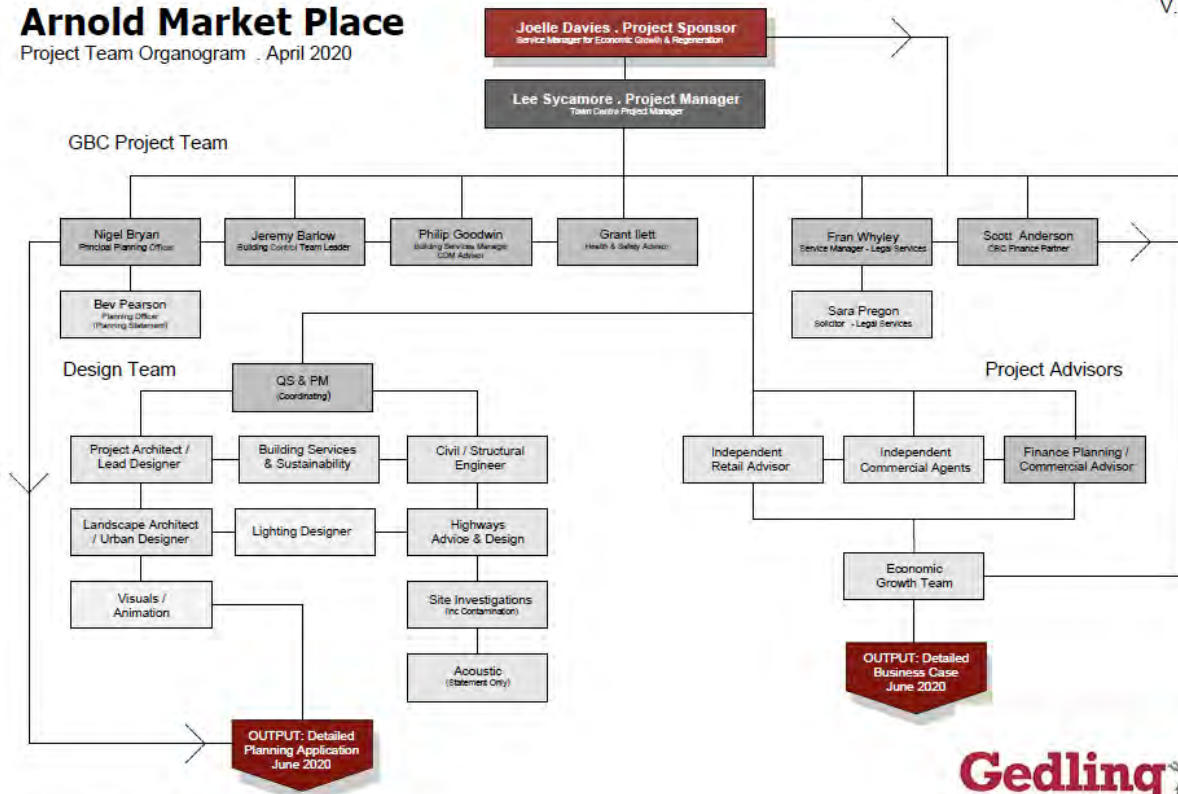




Appendix L: Project Team

Arnold Market Place
Project Team Organogram . April 2020

V.1.1



Economic Growth and Regeneration Team

