

Report to Cabinet

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

Date: 7 September 2023

Author: Economic Growth & Regeneration Manager

Wards Affected

Calverton

Purpose

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

Key decision

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

Recommendation:

THAT Cabinet:

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

1 Background

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

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

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

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

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

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

Table 1: Local Economic Benefits

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

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

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

D2N2 Funding

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

2. Proposal

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

3 Alternative Options

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

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

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

Option 2: Build the project without funding:

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

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

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

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

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

3.2 Preferred option: continue with the funding approval process:

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

4 Financial Implications

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

4.2

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

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

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

4.4

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

For further financial details please see Business Case.

5. Legal Implications

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

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

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

6. Equality Implications

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

7 Carbon Reduction/Environmental Sustainability Implications

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

8. Appendices

- 8.1 Proposed Plans
- 8.2 Business Case

9 Background Papers

- 9.1 None identified

10 Reasons for Recommendations

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

Statutory Officer approval

Approved by the Chief Financial Officer

Date:

Approved by the Monitoring Officer

Date: 31.08.2023