

Report to Cabinet

Subject: Hill Crest Business Park Extension, Calverton

Date: 21 February 2024

Author: Head of Regeneration and Welfare

Wards Affected

Calverton

Purpose

To seek approval to proceed with the design and development of 4 additional small business units for SMEs at the Hill Crest Business Park in Calverton (the Site).

Key decision

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

Recommendations:

THAT Cabinet:

1. Notes the D2N2 decision to include the Hill Crest Business Park extension onto the LEP Capital Programme.
2. Approves an increase in the Hill Crest Business Park project budget of £146,000 to be funded from the UK SPF grant which creates an overall budget of £1,534,000.
3. Approves Officers to continue with the completion of the D2N2 Final Business Case submission and therefore proceed with the design development to RIBA 4 at a cost of £78,000 and Employer Agents costs of £18,000 both of which are included in the proposed new budget envelope.
4. Delegates authority to the Chief Executive in consultation with the Legal Services Manager to sign off the final business case submission and enter into a legal agreement with the D2N2 LEP to deliver the scheme should the business case be successful.

1 Background

- 1.1 On 30 June 2023 the Council submitted a funding application to D2N2 to support the extension of the existing Hill Crest Business Park. The overall project value was anticipated to be £1.388m project and included the development of 4 additional industrial units, PV panels on the new and existing 8 units and electrical charging points.
- 1.2 The funding application built on previous unsuccessful ERDF/LEP bids where planning approval had been secured (but subsequently expired) and a high-level cost plan had been developed. The Council prior to submitting a new funding application undertook a desk top exercise to test the business case assumptions to ensure that the scheme continued to support the Council's priorities. This desk top exercise reviewed the local commercial market using the CoStar system, which evidenced a continued lack of suitable industrial/business space to support SMEs and Start Up businesses within the Borough.
- 1.3 The Council also appointed independent consultants who reviewed the earlier cost plan and Value for Money assessment prior to the Council submitting its application in June 2023. The assessment concluded that based upon the additional floor space to be delivered and the evidence of existing units, 18 jobs could be created generating over £800,000 GVA pa.
- 1.4 The Council were notified on 30 July 2023 that the funding application had been shortlisted for approval and would be submitted to the Investment Board on 7 September 2023. The D2N2 funding conditions required works to commence prior to 31 March 2024. Therefore, the Council proceeded to secure Planning approval for the scheme and to prepare a business case that was approved by Cabinet on 7 September 2023 in readiness for confirmation of D2N2 decision.
- 1.5 In December 2023 the Council received confirmation that the Hill Crest Business Park extension had been formally adopted onto its Capital Programme with an allocation of £642,457. This award being subject to the Council submitting a compliant Final Business Case (Appendix A Final Business Case requirements). This includes the requirement to undertake pre-construction work, including technical design to RIBA stage 4.
- 1.6 Although the previous D2N2 grant funding conditions stipulated that construction works must commence within the current financial year, this requirement has now been relaxed and works can commence in 2024/25.

2. Proposal

- 2.1 The September 2023 Cabinet Report recommended a procurement approach via compliant framework due to the funding constraints that required a scheme to commence prior to 31 March 2024. Although the delivery timescales have been relaxed there remains an urgency for this project to proceed at pace in view of the future of

D2N2. Therefore, the Council has proceeded to select a preferred contractor via a compliant framework who has been working at risk.

2.2 In order to assess the next stage of the project the Council has appointed independent advisors (Employer Agents) through SCAPE, a compliant framework. The advisors have supported the Council in the review of the latest cost plan and the scoping of pre-construction services contract. Subject to the agreement to proceed with the project, the advisors will provide contract and technical support up to RIBA 4 (technical design) and through to construction RIBA 5 and 6.

2.3 The independent advisors have been working with the preferred contractor and have advised that the overall project value should be revised from £1.388m to £1.534m This increase includes an uplift in the Risk Allowance, as well as additional ground works and fixtures and fittings that had been previously omitted. The additional project costs also include an allowance for NEC contract/supervisor, technical and project management fees.

Feasibility Report (03/11/2023) Review	
Pre-Construction Services (PSSC) – Design Work	£78,000
Main Contract Works estimate	£1,277,000
Client-Side Costs	
Project Risk Allowance (10% of main contractors cost)	£128,000
Fees, Contract Management, Project Management and Quantity Surveyor (includes £17,000 Pre- Construction Fees)	£41,000
NEC Supervisor	£10,000
Total	£1,534,000

2.4 The pre-construction services value to develop the scheme to RIBA 4 has been confirmed to be £78,000. This cost and the Employer Agent fees of £18,000 are included in the overall project value of £1.534m. Although there is a risk in proceeding with the pre-construction works, the project has been formally adopted onto the D2N2 Investment Programme. The Council’s responsibility is to ensure compliance with the funding conditions (Appendix A) including the submission of a compliant Treasury Green Book Full Business Case.

2.5 The revised timeline for the Project is as follows and is based on a Pre-Construction Service Agreement being entered into week commencing 5th February:

June 2023	Submit proposal to D2N2 LEP
July 2023	Re-submit planning application
September 2023	Cabinet approval of Hill Crest Business Case
September 2023	Planning approval secured
December 2023	Approval from D2N2 LEP Investment Board to move to full business case

February 2024	Approval to proceed with developing Full Business Case
February 2024	Pre-Construction Services Agreement with Preferred Contractor
April - May 2024	RIBA 4 technical designs completed and costed
April - May 2024	Full Final Business Case submitted to D2N2 LEP
April – May 2024	Final Business Case approved
June 2024	Construction Contract (RIBA 5)
June 2024	Contractor mobilisation 4 week
22 July 2024	Construction Commences (28 week)
27 January 2025	Completion and Handover
Feb/March 2025	Occupation

2.6 The Council's UK SPF Investment Plan includes provision for initiatives to support enterprise infrastructure and employment and innovation sites. The UK SPF also includes provision for feasibility studies. Therefore, it is proposed that the additional budget requirement of £146,000 is funded from this grant. The table below illustrates the interventions, measures and targets the funding and project will contribute to.

Intervention	Measure	Target	Financial Contribution
E22: Enterprise infrastructure and employment/innovation sites	Amount of commercial buildings developed or improved m2	462	£50,000
E14 Relevant Feasibility Studies	Feasibility Study	1	£18,000
E24: Training hubs, business support offers, incubators and accelerators.	Number of potential entrepreneurs provided assistance to be business ready	4	£78,000
Total Contribution			£146,000

3 Alternative Options

3.1 The options available to the Council includes:

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

The conditions of the D2N2 funding require the Council to proceed with design development up to RIBA 4 prior to submitting a full business case. Therefore, there is a risk to the Council of aborted fees if the D2N2 Investment Board reject the Council's submission. The Council can decide that this is too great and to withdraw from the approval process. This would result in the continued under-provision of smaller units to

support Gedling businesses with the danger that they locate outside of the area. Although this would reduce the financial burden on the Council, it would result in the Council foregoing the potential grant of £642,457.

Option 2: Build the project without funding:

This option would require the Council to provide the full capital funding to develop the site either through Council resources or through borrowing. The approved business case demonstrated that the scheme was not viable without grant funding.

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

The Council has the option to shelve the scheme and revisit it when alternative potential funding becomes available in the future. However, the timescales and constraints/conditions and certainty of such funding are unknown and may not materialise.

Option 4 (Recommended) Continue with the D2N2 LEP funding approval process:

The Council has the option to continue to move through the D2N2 funding approval process, entering into a Pre-Construction Services Agreement with a preferred contractor to develop RIBA 4 technical designs and to complete a Full Business Case submission to the D2N2 Investment Board.

4 Financial Implications

4.1 The revised project cost is now estimated to be £1.534m. This is an estimated increase of £146,000 from the original estimate submitted as part of the D2N2 bid. This increase in cost is to be funded from the UKSPF provided the works meet the funders eligibility and are completed by 31 March 2025, any delays to the project will put this funding at risk.

4.2 Entering into a Pre-Construction contract would be at risk to the Council, the project having been entered onto the D2N2 Investment Plan but not yet formally approved. However, the costs are required to develop designs to RIBA 4, a design requirement of the D2N2 funding. The costs at risk would be £78,000.

4.3 The D2N2 award, subject to an approved Final Business Case is £642,457 which equates to 44.5% of the estimated project costs. Council intends to fund the entire project as follows:

D2N2 Grant Funding (Bid submitted)	£642,500
Earmarked Reserves NNDR Pool	£160,000
UK Shared Prosperity Fund	£146,000
Prudential Borrowing (PWLb)	£585,500
Estimated project cost	£1,534,000

4.4 The increase in cost has resulted in a reduced Net Present Value (NPV) of the project from £140,200 to £42,700 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 for the amount above.

- 4.5 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 29. The cashflow analysis is based on current interest rates which are at a current high level, but as the interest rates are expected to fall, the units will pay back quicker.

5. **Legal Implications**

- 5.1 The project is already included in the Capital Programme but this increase to the cost of the project is not currently reflected. As the increase is funded from external funding sources, approval of the Cabinet is required to amend the Capital Programme. In addition, as the project is in excess of £500,000 overall, this is a key decision which should be taken by the Cabinet, or the Leader on behalf of the Cabinet, if a decision is urgently required.
- 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 In order to ensure no funds are clawed back from UKSPF or D2N2, the Council must ensure that the project delivery, and any associated procurement is compliant with any funding requirements.

6. **Equality Implications**

There are no specific equality impact implications. However, 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 Voltaic (PV) panels on the roof; in addition, the existing units will also have PV panels installed (subject to survey). Electric car charging points will also be installed. Refer to Appendix B Hill Crest Business Park Extension Carbon Impact Assessment.

8. **Appendices**

- 8.1 Appendix A D2N2 Final Business Case Requirements
- 8.2 Appendix B Hill Crest Business Park Extension Carbon Impact Assessment

9 Background Papers

9.1 Cabinet Report: Hill Crest Business Park Extension 7 September 2023

10 Reasons for Recommendations

- 10.1 To meet the requirements of D2N2 LEP funding conditions, the Council must develop designs to RIBA 4 (technical design). Although D2N2 have confirmed that the Hill Crest Business Park extension has been included on their capital programme the Council will need to develop these designs at risk and ensure that a compliant Treasury Green Book Full Business Case is submitted to the funders. The Council also needs to ensure that there is sufficient technical, management and contractual resources available to support the project.
- 10.2 There continues to be a lack of funding to develop capital projects such as the one proposed at Hill Crest Business Park. Therefore, the funding, and level of funding, offered by the D2N2 LEP alongside the opportunity to allocate UKSPF grant to the scheme will ensure the project is viable for the Council.

Statutory Officer approval

Approved by the Chief Financial Officer

Date:

Approved by the Monitoring Officer

Date: