

# Executive Decision Report

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## **Workspace scheme adjacent to Dock, Pioneer Park**

Decision to be taken by: City Mayor

Decision to be taken on: 28<sup>th</sup> March 2019

Lead director: Andrew Smith

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## Useful information

- Ward(s) affected: Abbey
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- Report version number: v1

### 1. Summary

This report sets out the scheme and financial position in relation to the development of a workspace scheme adjacent to Dock in Pioneer Park. The report provides an overview of the process and development proposals ahead of seeking authorisation to enter into a contract to deliver the scheme along with a capital allocation towards the cost.

### 2. Recommendations

The City Mayor is asked to:

- (1) Approve the total expenditure of £5m for delivery of a workspace scheme at Pioneer Park.
- (2) Approve an allocation of £1.723m towards the delivery of a workspace scheme. This is anticipated to be funded by £440k from earmarked receipts and £1.283m of prudential borrowing through the Corporate Estate as part of the Investment Strategy.
- (3) Approve £40k to fund the revenue deficit in the first year of operation to be funded by savings within the scheme or surpluses expected to be generated in future years.
- (4) Approve entering into the formal contract for the delivery of the workspace scheme and associated land sale to Brackley Property Developments Limited.

### 3. Background

The city council secured £2.6M LGF funding via the LLEP in 2016 to deliver a commercial workspace scheme at Pioneer Park to complement Dock. In March 2018 the council purchased two former Homes and Communities Agency (HCA) owned sites on Exploration Drive drawing on the LGF funding.

The balance of the funding of £2.15m from the Local Growth Fund (approved

November 2017) and a further £1.127m (approved January 2017) from the Economic Action Plan (EAP) have already been approved for this scheme and remains available. This is included in the proposed £5m expenditure for the project.

In September 2018 a development opportunity for workspace scheme adjacent to Dock was advertised. Following assessment and scoring of the subsequent submissions, in October 2018 Brackley Property Developments Limited were appointed the preferred bidder for the development.

Since October officers have been working alongside Brackley to progress detailed designs, pre-application meetings and drafting the required legal agreements to facilitate the delivery of the workspace scheme. The designs and financial implications of the scheme are detailed below.

#### **4 Workspace Design**

The development adjacent to Dock is expected to deliver 26,400 sq.ft of workspace, distributed across three floors, with 14 units ranging from 874 sq.ft to 1763 sq.ft, providing larger units than in Dock and therefore a wider variety of accommodation for companies to grow. Units on the ground floor are designed as production space with higher floor to ceiling heights and roller shutter doors to the rear. The first and second floors are intended as office workspaces.

Flexibility has been designed into the scheme to enable large office units to be subdivided over time to minimise void risk wherever possible.

The building will function as an extension to the existing Dock development, sharing reception and meeting room facilities. The site access and egress will share existing arrangements with the Dock with an extension to the existing car park.

Elevation treatments are proposed to complement the existing architecture seen at Dock. This will link the two developments as one campus and retain the strong identity of the park.

#### **5 Delivery Proposals**

Three phases of development are envisaged on the former HCA land that has been acquired, resulting in approximately 90,000 sq.ft of workspace being created over the lifetime of the scheme development. This decision report relates to the delivery of phase 1 and phase 2 only, which are detailed below. (Appendix 1 – Phasing Plan)

Phase 1 is the site adjacent to Dock which will deliver 26,400 sq.ft of workspace. The development will contain a mixture of production and office space. Units range from 800 – 2000 sq.ft providing move on space from existing Dock units for growing businesses.

Phase 2 is a site of 1.1 acres and is subject to a land deal. The intention as advertised

within the development opportunity is to enter into a land deal with a developer. The developer will not actually acquire the freehold plot until a build contract has been let for a minimum floorspace. The site is already subject to a B1(b) covenant which we would seek to maintain, restricting the end use to science, technology and digital uses.

The land price has been provisionally agreed at tender stage at £440K for 1.1 acres. This figure is subject to final site surveys and intrusive investigations. If there are abnormal conditions in the ground, the final price may be reduced to reflect the cost of addressing this.

## **6. Details of Scrutiny**

The scheme will be subject to a planning application and consultation.

## **7. Financial, legal and other implications**

### 7.1 Financial implications

The proposal is to spend up to £5m to develop an additional commercial workspace scheme at Pioneer Park. This sum of £5m includes a significant contingency.

Funding of £2.15m from the Local Growth Fund (approved on 23/11/2017) and a further £1.127m (approved on 26/1/2017) from the Economic Action Plan (EAP) has already been approved for this scheme and is still available.

It is proposed that the land sale proceeds of an estimated £440k be earmarked towards the scheme.

It is also proposed that the balance of funding of £1.283m be funded from prudential borrowing through the Corporate Estate as part of the Investment Strategy. Even by ignoring additional rates income and including funding from the EAP and earmarked capital receipts, the scheme can be expected to make a 5.5% return on Council funding which is greater than the 2.5% plus base rate i.e. currently 3.25% benchmark specified in the Investment Strategy.

Prudential borrowing costs based on current PWLB rates over 50 years are estimated to be £46k p.a. though in practice the Council would probably use its cash balances instead which could reduce borrowing costs to approximately £27k in the early years.

Based on anticipated occupancy gradually rising from 50% to 90% over 3 years, it is anticipated that including borrowing costs (based on the higher PWLB rate), the scheme will make an estimated loss of £40k in year 2020/21, and then make a net profits of £16k in year 2021/22, a net profit of £86k in 2022/23 and a net profit of £110k p.a. thereafter.

The one-off revenue loss of £40k in 2020/21 can be funded from savings within the scheme if they are forthcoming, or from future years' surpluses. The corporate treasury management budget can manage any cashflow requirements if needed which will be minor.

The site is located within the Enterprise Zone, and will generate an estimated £87k p.a. 100% of which can be used by the LLEP. This would be in addition to the net profit of an estimated £110k p.a. for the City Council in the medium term.

It should also be noted that small businesses relocating to new premises in the Enterprise Zone benefit from rates relief. As such, it is expected that demand for the units constructed may actually be greater than modelled.

Nick Booth  
Principal Accountant

## 7.2 Legal implications

If approved the Council intends to award a contract for a value that falls below the Public Contracts Regulation 2015 ("the Regulations") threshold of £4.55m. Although the Regulations would not apply, EU Treaty principles in general would still apply. There is still an obligation to treat economic operators fairly and without discrimination and to act in a transparent and proportionate manner.

It should also be noted that the Council's duty to obtain best consideration in the disposal of land and property under section 123 of the Local Government Act 1972 (as amended) as well as its general fiduciary duty, also applies. External legal advisers have advised that by advertising the opportunity in the national publication Estates Gazette, the general treaty principles have been met. Advertising opportunities in the Estates Gazette has long been the Councils chosen route to openly market property opportunities to adhere with fiduciary duty.

John McIvor, Principal Lawyer (Property) Tel: 0116 454 1409 and Jenis Taylor, Principal Lawyer (Commercial) Tel: 0116 454 1405

## 7.3 Climate Change and Carbon Reduction implications

The proposed design for the development is targeting a BREEAM 'Very Good' certification, meaning that it will meet high standards for sustainability in design and construction. In terms of climate change mitigation, ambitious targets should be set for the BREEAM 'Energy' credits. This will ensure that high levels of energy efficiency and carbon reduction are achieved, above those required by the Building Regulations.

Aidan Davis, Sustainability Officer, Ext 37 2284

## 7.4 Equalities Implications

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Equalities Impact Assessment will be undertaken as part of the design process.

7.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

None

**8. Background information and other papers:**

None

**9. Summary of appendices:**

Appendix 1 – Phasing Plan

**10. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?**

No

**11. Is this a “key decision”?**

Yes

**12. If a key decision please explain reason**

The budget allocation required exceeds £1M