

Executive Decision Report

Pilot House – Levelling Up Fund

Decision to be taken by: City Mayor

Decision to be taken on: 20 December 2021

Lead director: Mike Dalzell



City Mayor

Useful information

- Ward(s) affected: All wards
- Report author: Mike Dalzell
- Author contact details: 37 2931
- Report version number: 1

1. Summary

- 1.1. The purpose of this report is to provide details of the Levelling- Up grant awarded to the Council for the development of Pilot House and to approve the addition to the capital programme, along with the associated match funding.
- 1.2 This scheme will refurbish the Pilot House complex at King Street to create a landmark 60,000 sq ft workspace to support the growth of the creative industries sector in the city and the regeneration of the surrounding area.

2. Recommendations

The Executive is recommended to:

- 2.1 Approve the addition of £11.4m to the capital programme to fund the redevelopment of Pilot House. This will be funded from £8.6m of Levelling-Up grant from government and £2.8m of match funding from the Council.

2. Supporting information including options considered:

Background

- 3.1 The Levelling Up Fund is a central government regeneration initiative launched in spring 2021 for Authorities to bid into on a competitive basis for projects that will support the economic prosperity of their areas. The city council made a bid to refurbish the Pilot House complex in June 2021 and received formal notification in October 2021 that the full £8.6m requested in the bid was being supported.
- 3.2 Pilot House will support businesses and circa 250 jobs that attract highly skilled staff and support graduate retention and will make a £52.5m GVA contribution to the city economy. It will help regenerate a part of the city centre that has suffered disproportionately from loss of footfall and economic activity. It will grow the successful, but relatively invisible, city creative design cluster and refurbish a group of architecturally significant but currently dilapidated heritage buildings. The outcome will be a highly visible landmark 'destination', a source of pride for Leicester, a hive of activity throughout the day and evening.
- 3.3 It will support training and skills development, including higher education programmes, meetings and events. It will be a permanent base for businesses of varying sizes from graduate start-ups to established firms with growth ambitions and of varying types including craft makers and design practises, a

mixed complex of office and industrial space users.

- 3.4 The need for new workspaces of all types in Leicester is well evidenced and a long standing challenge. Little to no new workspace has been developed in the past 20 years by the private sector so there is a critical need for public intervention. Increasing workspace supply was a central theme of the City Mayor's 2016-2020 economic action plan. Pilot House was identified as an underperforming council asset with potential several years ago and this proposal is the outcome of considerable research, planning and partner engagement.
- 3.5 The refurbishment supported by these funds will deliver a substantial overhaul of the complex which comprises a number of separate, large, heritage buildings in a significant state of disrepair. The current service yard fronting King St will be covered to create a high quality courtyard space that will be highly flexible and serve as the main entrance to the scheme. It will have a food and beverage offer to support workspace occupants but also be a publicly accessible venue.
- 3.6 As with other city council workspace schemes such as the LCB Depot, DOCK and the new Gresham facility, the intention will be to support an active community of businesses on site. There will be an emphasis on facilitating complementary meetings and events, enabling access to business support and creating opportunities for new partnerships. Research shows that demand for the workspaces is high and it is anticipated that once operational the facility will be able to deliver a sustainable revenue surplus for the council.
- 3.7 All workspaces will have 24/7 access arrangements for tenants, enabling individuals to work when it is suitable for them. This helps particularly to facilitate flexible working that can more easily accommodate other responsibilities e.g. caring for dependents. The project will engage with business support programmes that encourage local people to start new businesses and proactive measures will be appropriately targeted at both women and ethnic communities.
- 3.8 The project will build on the extensive track record of the city council in delivering high quality workspace schemes that spur wider regeneration. It will be delivered by a highly qualified team of construction specialists and be operated by the team currently operating the successful LCB Depot workspace in Leicester's Cultural Quarter. It draws on considerable partnership working with De Montfort University and a host of existing creative businesses and networks.
- 3.9 The complex lends itself perfectly as a home for a community of creative individuals and organisations that have their own working and learning spaces but who also share high quality communal spaces that can be flexibly used. The council has amassed a great deal of feedback from potential occupants. An independently commissioned demand study (April 2020) noted the council was dealing with 60 live enquiries from creative businesses for circa 40,000 sq ft of space.
- 3.10 The scheme responds to market failure i.e. the inability of the market to provide sufficient supply of new accommodation to support growth. Partly due to issues of viability and partly preference for other forms of development, notably residential. Long-term trends since 2000 highlight declines in industrial and

office floorspace far greater in Leicester than other cities in the region. Supply of office accommodation (analysed between November 2018 to November 2019 as the number of properties advertised as a proportion of VOA properties) is considerably lower (Leicester 21 %, Nottingham 24 %, Derby 35 %). Availability of office accommodation (years of supply defined as current availability divided by 10-year average take-up) is also lower for Leicester. In 2019 Leicester supply on this measure was just over 1.5 yrs, Nottingham was more than 2 years and Derby was more than 2.5 yrs.

- 3.11 The location is perfect for contributing to regeneration of a part of the city that has suffered economically from the loss of employment space and footfall. It also lies in an excellent location for access from both universities, is immediately accessible from the primary New Walk promenade, close to public transport routes and with car parking immediately adjacent at Welford Rd. It is a prominent and highly visible site on the edge of the city centre.
- 3.12 Sustainability will be a key consideration in design, construction and operation and will be guided by a Sustainability Impact Assessment.
- 3.13 The Pilot House project responds to the objectives of the City Mayor's second economic action plan for the city. Enterprising Leicester Action EL5 from that Plan is to 'Increase availability of new workspace for growing businesses – at least 90,000 sq ft'. A new City Growth Strategy covering the period 2021 – 2030 is now in preparation. It too will emphasise the importance of generating new employment workspace.
- 3.14 This project aligns to the government's Build Back Better strategy. It will drive innovation, boost productivity, create new intellectual partnerships and products, drive demand for high skilled roles in the knowledge economy, make better linkages between HE providers, business support agencies and SMEs. It will help level up current inequalities. As noted Leicester average pay is well below national levels. So are resident qualification levels and graduate retention rates. It will create new office and industrial space that is currently underprovided compared to peer cities, which hinders economic growth and restricts career opportunities.
- 3.15 Some images are attached showing the proposed new entrance and aerial shots of the existing site and the position of it in the city centre.

4. Details of Scrutiny

Details of all Levelling Up Fund bids were presented to EDTCE scrutiny on 16 June 2021 prior to their submission to government.

5. Financial, legal and other implications

5.1 Financial implications

This report proposes to add £11.4m to the capital programme to support the development of Pilot House. This scheme is to be funded from £8.6m of Levelling Up

Funding from Government and £2.8m of match funding from the Council. The match funding is coming from monies set aside at the 2020/21 outturn for these purposes.

It is anticipated on completion this scheme will generate revenue to the Council to help support future budgets.

Amy Oliver, Head of Finance

5.2 Legal implications

Legal and procurement teams should be engaged at an early stage to ensure compliance with the Council's Contract Procedure rules and the Public Contract Regulations when procuring a contractor for the works and refurbishment to Pilot House.

Any requirements of the funding should be cascaded down into the works contract to ensure compliance with the funding agreement obligations on the Council.

Shireen Eliyas, Qualified Lawyer - Ext 4479.

5.3 Climate Change and Carbon Reduction implications

Buildings represent the single biggest source of carbon emissions in Leicester and commercial and public sector buildings between them generate 17% of city emissions. Decarbonisation of buildings will need to happen at pace if the council's ambition for the city to become carbon neutral by 2030 is to remain achievable. Our own construction and refurbishment projects present an ideal opportunity to lead by example in this. For this reason, the Pilot House project is one of several construction and refurbishment projects in the Climate Emergency Action Plan.

In addition, the Levelling Up funding criteria stipulate that projects must address Government policy objectives, including net zero. Our application committed to deliver the lowest possible carbon emissions for the Pilot House project, including both the operational emissions from running the building and the carbon footprint of construction materials and waste.

It is recommended that sustainability performance targets are now established for the project which are consistent with the above commitments and the climate emergency declaration. These should be tracked throughout the project, to ensure that they are achieved on completion. At the time of writing, a study is underway in the council to develop corporate sustainability performance targets for council construction and refurbishment projects, along with a set of guidance and project management tools to support their achievement. While these are still under development, they are being designed to ensure that completed schemes perform to the level needed in a carbon neutral city. It is therefore recommended that consideration is given to aligning the Pilot House project with them.

Duncan Bell, Climate Change Manager. Ext. 2249.

5.4 Equalities Implications

Whilst there are no direct equality implications arising from the report, if funding from the Levelling Up Fund to refurbish the Pilot House complex at King Street to create a landmark workspace to support the growth of the creative industries sector in the city and the regeneration of the surrounding area is accepted it should benefit people from across a range of protected characteristics by encouraging local growth in the economy.

Sukhi Biring, Equalities Officer, 0116 454 417

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

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

None

7. **Summary of appendices:**

None

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

No

9. **Is this a “key decision”?**

Yes

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

Expenditure exceeding £1m is proposed which has not been specifically approved by Council. Note that the decision can be taken by the Executive as the corporate resources to be committed are below £10m.

Appendix One : Pilot House Images



