

Open Report on behalf of Andy Gutherson, Executive Director - Place

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| Report to: | Councillor C J Davie, Executive Councillor: Economy and Place Councillor M J Hill, OBE, Leader of the Council (Executive Councillor: Resources and Communications) |
| Date: | Between 06 April 2021 and 16 August 2021 |
| Subject: | Market Deeping Grow-On Business Space |
| Decision Reference: | I021845 |
| Key decision? | Yes |

Summary:

In February 2021 in consultation with the Executive Councillor for Economy and Place the Economic Infrastructure (EI) team submitted a decision report for pre-decision scrutiny by the Environment and Economy Scrutiny Committee, proposing the delivery of Grow On space in the Deepings area through alterations to the Eventus Business Centre in Market Deeping.

This is part of a revised strategy to deliver business space locally, to better respond to the requirements of businesses in the light of the global pandemic, as drawn from recent analysis.

Since that Report there have been further developments including in particular the identification of fire safety works and repair works which will impact on the cost of the proposed project.

This Report seeks approval from the Executive Councillor for Economy and Place for the principle of proceeding to provide "Grow On" space in the Deepings area through alterations to the Eventus Business Centre in Market Deeping, with consideration of the updated information presented in this paper.

It also seeks approval from the Leader of the Council for the capital scheme business case.

Recommendation(s):

That the Executive Councillor for Economy and Place:-

- 1) approves in principle the development of Grow On business space in the Deepings area through alterations to the Eventus Business Centre in Market Deeping comprising the whole of Project 1 and the whole of Project 2 as set out in the Report; and
- 2) that the Leader of the Council (Executive Councillor for Resources and Communications) approves the scheme business case for the development.
- 3) delegates to the Executive Director for Place, in consultation with the Executive Councillor for Economy and Place, authority to approve the final form of and the entering into of all contract documentation to give effect to the above decision.

Alternatives Considered:

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| 1. | 'Do less' option: 'Project 1' could be delivered, together with those elements of 'Project 2' which are deemed a requirement for health and safety reasons. This would leave the remaining elements associated with repairs to be addressed separately at a later date: this would involve further procurement processes; potential cost increases; potential issues in the interim; and disruption to tenants subsequent to the initial works. |
| 2. | 'Do minimum' option: Those elements of 'Project 2' could be delivered which are deemed a requirement for health and safety reasons only, resulting in a need for the remaining elements associated with repairs to be addressed separately at a later date, possibly at an increased cost. This would leave a continued shortage of grow on space opportunities in the Deepings area. Additionally, deferring Project 1 would also incur additional fees to retender the works and would delay project completion. |

Reasons for Recommendation:

In the context of the pandemic, the Economic Infrastructure Team has sought to assess the current market, and has revised the strategy accordingly in order to best respond to the needs of the business community. Additionally, the project now captures the work associated with necessary maintenance and safety enhancements now the building has been operational for over 10 years.

1. Background

The original proposed activity ('Project 1')

In February 2021 in consultation with the Executive Councillor for Economy and Place and the Environment and Economy Scrutiny Committee, the Economic Infrastructure (EI) team set out the proposal to deliver Grow On space in the Deepings area through alterations to the Eventus Business Centre in Market Deeping.

The main aims of this transformational activity are to:

- increase lettable space overall (assisting both growing businesses and newer ones);
- introduce new agile / 'co-working' space, with provision for safe and social distancing but which also offers greater choice and flexibility for businesses in the longer term;
- provide for safer and more user-friendly management of the building; and
- implement Mechanical and Electrical (M&E) improvements/upgrades (where appropriate).

the anticipated benefits/outcomes are:

- an increase of over 2,000sq ft of lettable space;
- new opportunities for flexible and collaborative working for existing tenants and local businesses;
- improved layout, accessibility, safety and operability for tenants, visitors and staff;
- increased income generated from new lettable space; and
- efficiency savings resulting from upgrades to ageing equipment/fittings.

The activity remains as originally outlined, as follows:

- First floor reception services move to the ground floor lobby area, creating a more welcoming and accessible arrival for visitors and tenants, whilst assisting building management;
- Two conference suites reduced to one and relocated to the ground floor, to increase accessibility and proximity to the new reception space and reflect anticipated patterns of use;
- Vacated first floor reception area/conference rooms converted to suites (where a tenant with significant unmet growth needs is expected to take a large proportion of the space);
- Introduction of 'agile' work space in underutilised communal areas - assisting Eventus tenants who perhaps have fluctuating staff numbers or work patterns, and encouraging existing and new Virtual Tenants to make use of the new facilities;
- Removal of the existing external staircase which leads to the first floor reception, enabling us to address some long-standing issues (and will also bring prominence

to the frontage of our on-site Oasis Café facility, which is currently obscured from the rest of the estate by the existing staircase structure); and

- Installation of a new external, enclosed fire escape at the north end of the building which extends to all floors, optimising the available exit points at that end of the building.

Additional elements of proposed activity ('Project 2')

As a result of the detailed design and comprehensive site investigations which were still on-going in February, the proposed project scope has increased to encompass fire safety recommendations (enhancements/upgrades) and repairs.

Fire safety elements

The Fire Strategy for the building has been comprehensively reviewed by our advisors, to ensure the Authority meets its obligations to Fire Safety and Building Regulations.

All identified measures were initially costed: however, the extent of the work has now been confirmed, to ensure the building is compliant in the context of the proposed alterations and also to capture any changes to the fabric of the building or to legislation since its original construction. The revised Fire Strategy is now being costed and is expected to produce Fire Safety Work costs in the region of £238,882 (rather than £313,882 as initially expected) so reducing the anticipated overall project costs. This is due to the required work being less extensive than initially anticipated.

Repairs

Repairs and legacy issues have also been identified, which are now deemed to be more efficient, economic and effective to coordinate under one contractor rather than delaying until after the works.

The cumulative effect of these additional works increases the estimated project cost and construction programme, but the extent is expected to be slightly less than originally predicted now that the Fire Strategy is agreed.

Tenant Engagement

The team will continue to work with the Centre's tenants to manage the delivery of the works.

Timescales

The programme is still to be finalised, based upon most appropriate sequencing of works and materials availability (explained later in the report). As a worst case scenario, the start date may now be November/December 2021; however, the project team is working to refine this. The expected completion date is also being reviewed now that the fire strategy

work has been confirmed. This programme will be dependent on Committee/Key Decision process approvals to facilitate material orders to be placed.

Delivery Route and Estimated Project Cost

Under the Scape Regional Construction Framework (Lot 2), Lindum Group Ltd has been commissioned through a Delivery Agreement up to and including RIBA Stage 4 (Technical Design) to enable detailed design work, surveys and planning application work etc. to be completed. There is a cost commitment of £83,300 for pre-contract works.

Current cost estimate

Detailed evaluation of market tested prices is currently underway by Gleeds Cost Management Ltd (appointed to support the EI team with cost management/evaluation). This is expected to be completed during August 2021.

At this time, therefore, the information set out below remains a high level summary which the team is working to refine and, where appropriate, consider options to identify any elements that are not required. The costs incorporate refinements made during the detailed design of the project and revised, anticipated costs of the fire safety measures, pending the outcome of the full analysis.

A 'risk allowance' has been incorporated into the project costs, to capture elements still to be determined. A proportion of these costs may not be needed, and this will be reflected in the final, agreed project cost.

This financial information will be further refined as necessary, prior to contract award.

Breakdown of updated, summarised costs

| Project Activity Cost Estimate – Project 1 | Summary cost |
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| Scape Delivery Agreement (RIBA Stage 4) Includes: consultants fees (Architect, Structural Engineer, M&E consultant, Building Control, Fire Engineer etc.); site surveys (Services, WAC testing etc.); pre-construction charge (%) | £83,300 |
| Professional fees for construction phase Includes: client contract administrator; specialist services | £82,600 |
| Construction phase costs Preliminaries (site establishment, running costs, items required for handover and shutdown of the contract); contractors risk; construction fee charge (%) | £159,510 |
| Internal reconfiguration works Includes: constructing new reception services and new offices in the vacated space; alterations to existing suites for new purposes; agile work stations; furniture; café alterations; IT equipment/hardware; M&E, security, signage alterations | £382,205 |

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| Project Activity Cost Estimate – Project 1 | Summary cost |
| External alterations and improvements Includes: demolition of existing first floor staircase; erection of enclosed fire escape structure tied into the existing building at all floors; replacement store for site café outdoor seating; signage; furniture | £181,804 |
| Sub Total for Project 1 | £889,419 |
| Risk Allowance An allowance has been factored in for undetermined items – of which a proportion may not be needed | £110,915 |
| Estimated Total inc. Risk items | £1,000,334 |

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| Project Activity Cost Estimate – Project 2 | Summary cost (subject to final agreement of works) |
| Fire safety works A revised schedule is being costed to reflect the agreed works, the extent of which is less than initially anticipated, but still comprising: Upgrades/modifications to door sets; fire stopping materials to partitions/cables and pipes; additional fire detection provision (Includes a proportion of additional construction phase costs and professional fees attributable to the works) | £238,882 |
| Repair and legacy issues Internal resin floor crack repair; commercial kitchen mechanical ventilation system renewal; roof repair to address localised water ingress (extent of works to be determined); high level ceiling tile replacement due to previous water ingress; external, localised paving reinstatement (two sunk/uneven areas) (Includes a proportion of additional construction phase costs and professional fees attributable to the works and Risk allowance) | £119,945 |
| Estimated total for Project 2 inc. Risk items | £358,827 |

Cost to deliver the whole of Project 1 and the whole of Project 2

The cost range for the original proposed activity ('Project 1') is now estimated at £889,419 to £1,000,334. The cost range for the additional activity ('Project 2') is estimated at £271,510 to £358,827.

The overall, upper outturn figure for ('Project 1' and 'Project 2') is currently £1,359,161 (cost range of £1,160,929 to £1,359,161).

Cost to deliver the 'Do Less' option of the whole of Project 1 and the additional fire safety activity of Project 2, without the repair work

The cost range for the additional fire safety activity ('Project 2') without the carrying out of repair work is estimated at £228,882 to £238,882.

The overall, upper outturn figure ('Project 1' and the safety only aspects of 'Project 2') is currently £1,239,216 (cost range of £1,118,301 to £1,239,216).

Costs to deliver the 'Do Minimum' option of the additional fire safety activity of Project 2, without the repair work

The cost range for the additional fire safety activity ('Project 2') without the carrying out of repair work is estimated at £228,882 to £238,882.

Subject to the final decision, the Scape Regional Construction Framework enables Lindum Group Ltd to be commissioned through a Delivery Agreement up to and including RIBA Stage 7 (Use).

Extraordinary factors affecting cost and programme

The key issues impacting projects across the entire construction sector are increased lead-in times and price uplifts - due to large global demand as infrastructure is used to support economic recovery. Materials prices are highly volatile and construction trades are in demand, which can lead to higher prices and/or contractors declining to tender due to lack of capacity. Firm quotes have been received for the works, which the team is currently analysing, and a risk allowance has been incorporated to address potential commercial fluctuations.

There are significant pressures currently being seen with materials. 80% of contractors surveyed by Gleeds reported they had experienced issues with the supply of materials and products on their projects in the first quarter of 2021. These pressures are expected to continue until at least the end of the year. The report, 'Spotlight on Materials Issues', is attached for further information.

The pandemic has, at times, also presented challenges to the typical design development of such a project: the collaborative approach to design solutions and the ability to hold site meetings have been curtailed by the periodic restrictions.

Estimated Income/Savings

The additional annual income (when fully occupied) from the increased lettable space is estimated as £45,750 per annum. As the centre is targeted at SME's and their growth is encouraged, a high proportion move on and so it is typical to have some vacancies at any time. Currently just under 5% of the office space is vacant and available, which is a favourable position for accommodating new businesses. Following provision of extra space it is anticipated that vacancies would return to this level within a year with a significant proportion of the extra space being let within 6 months of completion. This would increase the total income from lettings (when fully occupied) from £323,000 to £368,750 per annum, in addition to income from conference room hire, storage room rental, virtual tenancies, etc. Income from virtual tenancies is showing growth – and is expected to further increase with the provision of the proposed agile working space. Income from conference room hire has been decimated during the pandemic but it is expected that one larger conference room will equal the income from the current two smaller rooms. This will provide greater opportunity and flexibility for socially distanced meetings should the need continue/resume; an aspect which has been challenging with the limited space available at present.

Efficiency savings will result from an anticipated reduction in reactive maintenance/repairs (e.g. to address periodic roof leaks and to change non-LED lighting). Whilst there is strong demand for office space in the area, the project would also help to retain jobs in the area as there is a shortage of space locally for expanding businesses to grow into. In addition to the extra provision that would be created by the scheme it would bring other benefits for the centre including improved management and enhanced fire safety.

The payback period for the alterations associated with Project 1 is 19 - 21 years based upon the above cost estimate, and a return on capital investment of 4.5 – 5.1%.

2. Legal Issues:

Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

Compliance with the duties in section 149 may involve treating some persons more favourably than others.

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process.

The Equality Act duty has been considered and there are not considered to be any adverse impacts on people with a protected characteristic from the proposal in this Report. The facilities will be available to any applicant regardless of protected characteristic and the building will meet all current standards for accessibility.

Joint Strategic Needs Analysis (JSNA) and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health and Wellbeing Strategy (JHWS) in coming to a decision.

The JSNA and JHWS have been considered and there are not considered to be any direct impacts from the proposal. Indirectly the proposal contributes to the strength of the economy in the area and therefore employment opportunities.

Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area.

The Section 17 matters have been taken into account but there are not considered to be any implications arising out of this Report.

3. Conclusion

As outlined in the Scrutiny paper considered in February, the proposed changes to Eventus Business Centre will better meet current and forecast market demand, which has been significantly impacted by the pandemic, and represent a more appropriate use of public funds in this context.

They will bring many benefits: we will increase lettable space and consequently income by over 2,000 sq ft; improve safety, accessibility and operability of the centre for all; create new opportunities for agile working for local and tenant businesses; and upgrade ageing systems and features where appropriate. Additionally, through the increased scope of activity described above, the works will also result in enhanced fire safety and the rectification of maintenance issues at the same time.

4. Legal Comments:

The Council has the power to pursue the proposal in the Report. The decision is consistent with the Policy Framework.

The decision to proceed with the development is within the remit of the Executive Councillor for Economy and Place.

The approval of the scheme business case is within the remit of the Leader of the Council as the relevant Executive Councillor with responsibility for Finance.

5. Resource Comments:

The capital costs and potential impacts on revenue budgets are considered in the body of the report. Funding for the proposed project is available from within the Economic Development - Business Unit Development programme included in the Council's approved capital programme.

6. Consultation

a) Has Local Member Been Consulted?

Yes

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

On 13 July 2021, the Environment and Economy Scrutiny Committee considered the report on the Market Deeping Grow-On Business Space, and unanimously supported the Recommendations to the Leader of the Council and to the Executive Councillor for Economic Development, Environment and Planning.

The following points were highlighted:

- One member expressed disappointment that there had not been enough funding for Eventus 2. It was noted that there was currently a 95% occupancy rate at Eventus with no waiting list and that professional advice sought as part of the due diligence suggested that the development of a further centre at this time would be high risk.
- The centre needed to be future proofed with such facilities as video conferencing
- Whilst not on the scale of Eventus 2, the project was welcomed as a positive development in providing more space for businesses.
- There were businesses located in the centre who had achieved significant growth and would require additional space and it was hoped that space elsewhere could be identified for these types of businesses, allowing for the vacated space to be let.

d) Risks and Impact Analysis

See the body of the Report.

7. Background Papers

The following background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

| Background Paper | Where it can be viewed |
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| Report to Environment and Economy Scrutiny Committee dated 16 February 2021 – "Market Deeping Grow-On Business Space" | Democratic Services |

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