

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 19 March 2021 and 30 April 2021 |
| Subject: | Market Deeping Grow-On Business Space |
| Decision Reference: | I021845 |
| Key decision? | Yes |

Summary:

In May 2019 in consultation with the Executive Councillor for Economy and Place and the Environment and Economy Scrutiny Committee, the Economic Infrastructure Team began to pursue a project to deliver around 10,000sq ft of 'grow on' space provision in the Deepings area, by leveraging external funding sources to match the County Council's allocation.

Two separate solutions were then sought which, for different reasons, were ultimately not deliverable. To mitigate this, a shorter term project has been developed for delivery in 2021, as part of a revised strategy.

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.

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 Grown On business space in the Deepings area through alterations to the Eventus Business Centre in Market Deeping; and

- 2) 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.

That the Leader of the Council (Executive Councillor for Resources and Communications) approves the scheme business case for the development.

Alternatives Considered:

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| 1. | A 'new build' solution was developed to meet the last ever call for ERDF funding; however, several complex, critical aspects could not be resolved within the required timescale and consequently MHCLG declined to fund the project. |
| 2. | The possibility of utilising existing commercial premises in the Deepings area was explored in some depth with a third party. As the pandemic situation unfolded, all of the analysis and professional advice suggested the market was too uncertain and posed an unacceptable level of revenue risk to deliver significant additional provision on the scale and terms which the solution would have involved. |
| 3. | Do nothing: Should this project not proceed there will continue to be a shortage of grow on space opportunities in the Deepings area. |

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.

1. Background

Update on Previous Development Work

In May 2019 the Economic Infrastructure Team, in consultation with the Executive Councillor for Economy and Place and the Environment and Economy Scrutiny Committee, began to pursue a project to deliver around 10,000sq ft of 'grow on' space provision in the Deepings area, using external funding sources to match the Lincolnshire County Council (LCC) financial allocation of £1.5m.

The following solutions were then sought:

- **Proposal 1 (September 2019 - March 2020):** A 'new build' solution was developed to accelerated timescales, to meet the last ever call for ERDF funding by the Ministry of Housing, Communities and Local Government (MHCLG). A preferred location, in third party ownership, was identified to ensure a 'soft landing' for growing small and medium-sized enterprises (SMEs)

to operate more independently, whilst accessing support from Eventus Business Centre if needed.

Outcome: The Outline Business Case was successful; however, several complex, critical aspects could not be resolved within the required timescale and consequently MHCLG declined to fund the project.

- **Proposal 2 (October 2019 - August 2020):** In parallel with the above, confidential discussions and exploratory work took place with a third party around the possibility of utilising existing commercial premises in the Deepings area.

Outcome: As the pandemic situation unfolded the external professional advice taken, together with the team's own analysis, suggested the market was too uncertain to deliver provision on the scale and terms which the solution would have involved. Whilst the proposal would potentially cost less than the new build initially, it would carry a significant revenue risk in the early years. Furthermore, there was concern that in the shorter term, additional office provision was likely to compromise the viability of Eventus Business Centre, with the outcome potentially being two part-occupied facilities.

Revised Strategy

To mitigate the above challenges and provide support measures for the local business community, an Action Plan was agreed by the Economic Development Capital Programme Board in September 2020.

Shorter term measures for delivery in 2021 - generating positive outcomes by utilising an asset already owned by Lincolnshire County Council by:

- Optimising Eventus Business Centre to better accommodate current anticipated grow-on space need (drawn from recent analysis).

Longer term ambitions for delivery from 2022 onwards - planning for growth when the market is more settled and requirements are more certain by:

- Preparing for additional grow on provision from 2022 – reviewing previously considered solutions and exploring any new opportunities;
- Considering alternative delivery models if appropriate (such as Joint Ventures etc.)

Outline of Measures for 2021 (Optimisation of Eventus Business Centre)

'Eventus Business Centre optimisation' has explored ways to optimise the use of the building whilst providing new opportunities.

The main aims are to:

- increase lettable space overall (assisting both growing businesses and newer ones);

- introduce new agile / 'co-working' space (with emphasis on safe and social distancing);
- 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.

There is wide recognition that Eventus Business Centre successfully meets the needs of start-ups/SMEs and its design provides a prestigious setting. Ten years of operation, however, presents the opportunity to review what is working well and what could work better for both tenants and staff; it also enables consideration of outdated or ageing elements which are now in need of replacement.

Having considered the current layout and use of each floor, a number of changes have been identified to achieve these aims, as outlined below.

The project would see the:

- 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 (described below) 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.

New agile / 'co-working' space

The team has identified some communal space that could be used more effectively going forward. The proposal is to introduce some flexible working space using purpose-designed office equipment and procedures, whilst retaining an element of 'break out' space.

The work space is aimed at:

- assisting Eventus tenants who perhaps have fluctuating staff numbers or work patterns, and maybe need extra space on an occasional rather than permanent basis. Equally, staff may sometimes require some 'quiet' work space away from their own room; and
- providing sole traders/start-ups/micro-businesses with occasional work space in a professional and collaborative environment. This would effectively be a refreshed offer of the existing Virtual Tenancy service.

The detailed arrangements have yet to be defined, but the principle is that each work station is bookable to help us to manage who uses the space and maintain all-important safety/security measures. Whilst the pandemic situation is constantly changing, we will take an approach that follows Covid-secure principles, meaning that the types of furniture and how they are set out provide an appropriate density and can be reviewed in future.

Tenant Engagement

The team is continuing to work with the Centre's tenants, who have been accommodating and widely receptive to the proposals. Feedback received on specific aspects is shaping the finer detail of the project.

Promotion

The refreshed 'offer' available to businesses through delivering the above changes would be promoted using updated marketing material (digital/electronic format) and using appropriate channels available through the wider Economic Development team's network.

Timescales

The team is in process of project design and planning. Subject to a firmer programme being developed but based on planning consent for some aspects of the work, the team is expecting to be able to start in May and complete in September 2021.

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.

The outline estimate for delivering the project is in the region of £875,000 - £975,000. At present this is a range assembled by the Economic Infrastructure Team to capture all of the anticipated project activity and to reflect that design details are not yet finalised; furthermore, costs will then be subject to market testing.

The market tested project costs are due to be available in mid/late March.

This financial information will be updated in the light of detailed pricing received prior to the final decision being taken.

Breakdown of current estimated costs

| Project Activity | Actual cost |
|--|-----------------|
| 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 |
| Project Activity | Estimated cost |
| Professional fees for construction phase Includes: client contract administrator; specialist services | £60,000 |
| Construction phase costs Preliminaries (site establishment, running costs, items required for handover and shutdown of the contract); contractors risk; construction fee charge (%) | £120,000 |
| 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; IT equipment/hardware; M&E, security, fire safety, signage alterations; contingency | £460,000 |
| 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 | £200,000 |
| Estimated Total | £923,300 |

Subject to the final decision, the Scape Regional Construction Framework enables Lindum Group Ltd to be commissioned through a Delivery Agreement to RIBA Stages 5 and 6 (Construction and Completion).

Estimated Income/Savings

The additional annual income (when fully occupied) from the increased lettable space is estimated as £45,750 per annum. 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.

The payback period for the alterations would be 20 years based upon the above cost estimate, and a return on capital investment of 5%.

The annual income from conferencing is expected to remain predominantly unchanged, with a larger facility replacing two current suites which are infrequently in use at the same time. Initially however, given current circumstances, the proposed suite is likely to be utilised for socially distanced meetings rather than full or half-day event bookings.

Anticipated efficiency savings include the avoidance of need for cherry picker hire to periodically access the roof of the business centre (provision for access is proposed via the external, enclosed fire escape) and potentially energy usage resulting from upgraded fittings not yet assessed and quantified.

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

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.

The revised strategy for the longer term will be developed with the experience of current events and how they continue to shape the way businesses operate.

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

The Environment and Economy Scrutiny Committee is due to consider this report on 16 February 2021. Any comments of the Committee will be reported to the Executive Councillor and the Leader of the Council.

d) Risks and Impact Analysis

See the body of the Report.

7. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Amanda Bond, who can be contacted on 07717 447112 or Amanda.Bond@lincolnshire.gov.uk.

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