

Subject:	Industrial Building Development	Status:	For Publication
Report to:	Council	Date:	27 th February 2019
Report of:	Chief Executive	Portfolio Holder:	Leader of the Council
Key Decision:	<input checked="" type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached: No
Biodiversity Impact Assessment	Required:	No	Attached: No
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1.	RECOMMENDATION(S)
1.1	Members note the imminent decision by a local advanced manufacturing company to establish its UK head office at Plot 5 at Futures Park.
1.2	Members agree to the Council developing out Plot 5 at Futures Park to provide a circa 65,500 sq ft industrial unit up to a maximum capital cost and borrowing of £6m, on condition that all Members are invited to a briefing to comment on the business case, with the final decision delegated to the Chief Executive, Leader and Portfolio Holder for Resources, in consultation with the Leader of the Opposition, given the tight build timescale.
1.3	Members approve the use of the existing cross party Project Development Group as a means to receive updates on the implementation of this project.

2. PURPOSE OF REPORT

- 2.1 To seek Member's agreement in principle to the Council developing out Plot 5 at Futures Park to provide a circa 65,500 sq ft industrial unit as a lease arrangement to a local expanding advanced manufacturing company.

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- A clean and green Rossendale:** our priority is to keep Rossendale clean and green, for all Rossendale's residents and visitors to enjoy. We will use our resources wisely and reduce our environmental impact where possible.
 - A connected and successful Rossendale that welcomes sustainable growth:** our priority is to realise the growth potential of the Rossendale economy, create jobs locally and improve economic opportunity for all. We will ensure that we are well connected to our residents, key partners and stakeholders. We want to make the most of every pound we spend and we are always looking for new and innovative ways to make the resources we do have, work harder for us.
 - A proud, healthy and vibrant Rossendale:** our priority is to ensure that we are creating and maintaining a healthy and vibrant place for people to live and visit.

4. RISK ASSESSMENT IMPLICATIONS

- 4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:
- A robust business case is in place.
 - There is a financial risk of the Council not covering all its development costs by the rental and length of lease agreement. All expenditure items, including abnormal costs, costs attributable to grant claw back and contingency allowances, are being

incorporated in to the development costs. A 25 year lease will be sought with no break clause.

- Discussions have taken place with the Ministry of Housing, Communities and Local Government (MHCLG) regarding the cost of claw back on the grant, and an assumption has been incorporated in to the development costs. A commercial valuer has been appointed by MHCLG to provide an accurate valuation which will be reflected in the end development costs
- The financial risk of abortive development expenditure if the end user 'walks away'. This is to be addressed by a legal agreement. An early draft Heads of Terms has been sourced by the Council.
- The risk of cost overruns will be mitigated. An independent quantity surveyor has provided initial feedback on a first set of figures and will look at subsequent updates to ensure the council gets value for money. A contingency budget will be included. A fixed price contract will be entered into.
- Given the original phase 1 completion timescale of January 2020 required by the end user, it is proposed to use the existing Joint Venture partnership with Barnfield as this has already been tendered, is OJEU compliant and will avoid a further lengthy procurement process in order to be procurement compliant. The contract will seek to include penalty clauses to support a timely delivery and to ensure the Council is not 'out of pocket' if there are delays. The company has acknowledged the current delays at their end and that flexibility will need to be built in.
- The Council's Planning Manager has been involved from the outset of this expansion enquiry and is a member of the Futures Park Project Group, and whilst not prejudicing a full planning application, has provided initial views on planning compliance.
- The likelihood of the company becoming insolvent is low, as a credit check of the company's strength is positive.
- A risk register will be prepared.
- As an ambitious council, there is a risk to not having sufficient staff and multi-disciplinary resourcing required of this project alongside other corporate priorities. This risk will be alleviated by employing a third party project manager and utilizing contractor resources up front and working at risk until the deal is negotiated.
- Failure to explore and 'win' this investment opportunity may result in the company vacating its existing business premises in the borough with an associated significant job losses. Proceeding with its business expansion will create a further 90 high value jobs and associated positive contribution to the business rate base.
- Furthermore, failure to proceed with this development will ultimately delay the 'kick-starting' of the remaining development plots at Bacup's prime employment site, the further investment in to the area attracted as a result of the development of Plot 5, and the positive regeneration benefits including local employment opportunities.

5. BACKGROUND

5.1 Futures Park Leisure and Employment Village is identified both as a Corporate Project within the refreshed 2018 Corporate Strategy and within the three year action plan of the adopted 2018 Economic Development Strategy.

5.2 Futures Park Leisure and Employment Village is located off the main A681 Bacup to Rawtenstall road and is approximately half a mile from the centre of Bacup. The site consists of 5 plots which are within the ownership of Rossendale Council. The main office development on plot 2 is well established and is home to Rossendale Council as well as several private sector tenants. Some site infrastructure such as the main access road already exists which was built in 2001 with NWDA grant support, resulting in a restrictive covenant in terms of use of the land, as well as a claw back provisions on new development or land sales.

- 5.3 A Futures Park Project Group, comprising the Director of Economic Development, the Economic Development Manager, the Planning Manager has been established to develop a masterplan and to take the development forward. Following a compliant procurement process, Day Architecture was appointed to join the group. As part of the current pilot arrangement as commercial advisor to the Council, a representative from Taylor Weaver commercial letting agents has also attended. Both the Head of Finance and Legal Services Manager have been instrumental in the group's work.
- 5.4 The current final draft masterplan (Appendix A) comprises 68,000 sq ft bespoke industrial unit (Plot 5), 19,000 sq ft SME light industrial units (Plot 4), a trail head facility (Plot 3) and coffee outlet (Plot 1); and has been submitted to the MHCLG for their comment.
- 5.5 Members received a report at full Council dated 30 January 2019 on this advanced business expansion enquiry from a well know business in the borough to develop its UK head office . The business is foreign owned, in the advanced manufacturing sector, with a strong exporting base, looking to retain its existing business premises and create an additional 90 high value jobs in the borough.
- 5.6 Given the tight timescale for this business expansion; requiring a first phase completion to house machinery on order by January 2020, it was considered prudent to make Members aware at the outset. Members agreed at the January meeting to exploring the business case for investment at Plot 5 Futures Park, with a further update to be made at full Council in February 2019. Members also approved a development fund of £100,000. This report provides an update at this point in time for this fast moving project.

6. INDUSTRIAL BUILDING DEVELOPMENT UPDATE

6.1 Project Proposal

- The Council has presented 4 possible build configurations at Futures Park for the end user to consider as part of presenting an options appraisal to its approval body. The preferred proposal for a 65,500 sq ft unit at Futures Park is contained in Appendix B. The Council was notified on 18 February that the company's board had requested further detailed drawings and costings before making a final investment decision.

6.2 Project Costs

- A first set of project costs have been developed and checked by an independent quantity surveyor. All expenditure items, including abnormal costs, costs attributable to grant claw back and contingency allowances have been incorporated. Costs will be updated in line with modifications to the architect's plans and quotations for work. A commercial valuer has been appointed by MHCLG to provide an accurate valuation of the land in relation to the clawback provision.
- Detailed costings to form part of the all member briefing.

6.3 Commercial Structure/Lease Terms

- A proposed rental level has been provided to cover development costs. Detailed costings to form part of the all member briefing. Offer includes a 25 year full repairing lease with no break clause, 5 year rent reviews with a Parent Company Guarantee or bond in place.
- An early draft Heads of Terms has been sourced by the Council for an agreement to lease. The financial risk of abortive development expenditure will sit with the end user if they 'walk away'.
- The Council will enter in to a contract with Barnfield based on the existing procurement compliant Joint Venture partnership that has already been tendered and is OJEU

compliant. The contract will seek to include penalty clauses to support a timely delivery and to ensure the Council is not 'out of pocket' if there are delays.

6.4 **Indicative Milestones**

<u>Activity</u>	<u>Indicative Timescale</u>
Site enabling works commence	mid February 2019
Company Board decision to proceed	22 February 2019
Finalise detailed costings	18 February - 1 March 2019
Prepare risk register	28 February 2019 onwards
Member Briefing	w/c 4 March 2019
Delegated Executive Decision	w/c 4 March 2019
Prepare and sign agreement to lease	28 February – 12 April 2019
Planning application preparation	25 February – 15 March 2019
Cross party Project Development Group	w/c 22 April 2019 and on-going
Planning decision	w/c 29 April 2019
Conclude agreement with Barnfield	w/c 22 April 2019
Main construction works (Phase 1)	w/c 29 April 2019 following planning permission – January 2020
Full completion	August 2020

6.5 **Project Benefits**

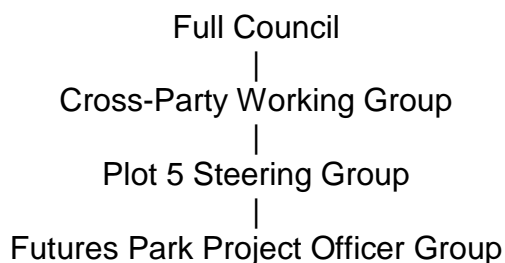
- 172 jobs safeguarded
- 90 jobs created
- 65,500 sq ft industrial floorspace
- Additional business rates
- Support of the Medium Term Financial Strategy
- 'Kick-starting' the remaining development plots at Bacup's prime employment site
- Regeneration of Bacup

6.6 **Project Risks**

- The risks identified at Paragraph 4.1 will help shape the preparation of a live risk register.

6.7 **Project Governance**

- The diagram below illustrates the governance structure
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- It is proposed that the cross-party working group receives updates on the implementation of the project.

COMMENTS FROM STATUTORY OFFICERS:

7. SECTION 151 OFFICER

7.1 Financial implications are noted in the report and will be expanded upon at the all member briefing.

8. MONITORING OFFICER

8.1 Continued due diligence will need to take place together with all necessary legal agreements to be in place to protect the Council's interests.

9. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

9.1 Futures Park Leisure and Employment Village is identified both as a Corporate Project within the refreshed 2018 Corporate Strategy and within the three year action plan of the adopted 2018 Economic Development Strategy.

10. CONCLUSION

10.1 The investment enquiry at Futures Park is a fantastic opportunity to support an existing business expansion, safeguard significant jobs in the borough, and create an additional 90 jobs locally. The delivery of Plot 5 will 'kick-start' Futures Park Leisure and Employment Village, providing regeneration benefits to Bacup. It will generate a revenue income and expand the business rate base to support the Medium Term Financial Strategy and the sustainability of the Council. The overall business case for investment is positive, however further detailed work is now needed to minimise the risk to the Council before final ratification.

Background Papers	
Document	Place of Inspection
Industrial Building Development, Report to Council, 30 January 2010	www.rossendale.gov.uk