

9 March 2016		ITEM: 20 (Decision 01104364)
Cabinet		
Enterprise Units		
Wards and communities affected: West Thurrock and South Stifford Grays Riverside Tilbury Riverside and Thurrock Park		Key Decision: Key
Report of: Councillor Richard Speight, Portfolio Holder for Regeneration.		
Accountable Head of Service: Matthew Essex, Head of Regeneration.		
Accountable Director: Steve Cox, Assistant Chief Executive.		
This report is Public		

Executive Summary

In July 2014 Cabinet approved the development of an Enterprise Hubs programme which sought to bring forward a mix of revenue generating business units across the Borough as a response to savings targets and as a mechanism for addressing a clearly identified lack of high quality accommodation for new and small businesses in the Borough.

Through this programme the existing Tilbury Riverside Business Centre and the Old Post Office in Grays have been joined by the refurbished former Magistrates Court in Grays and approvals have already been given to the expansion of the Riverside Centre and the development of new business space within the planned National College building (NC) on High House Production Park, Purfleet.

Proposals for the new centres in Tilbury and Purfleet have been in development since the last report to Cabinet in September 2015 and both are expected to be submitted for planning consent in the coming months. Both projects have reached the point at which formal commitment is required and, alongside the approvals already given in respect of procurement activity, approval is now sought to enter into the legal agreements which will secure their delivery.

In the meantime a new proposal has come forward which, if approved, would see the Council funding the development of a new building for the Royal Academy of Arts (Royal Academy) on the High House Production Park site. This development would further continue the development of the Production Park and provide an income generation opportunity for the Council.

This report seeks to provide an update on the enterprise units programme, gain the approvals needed to enter into the necessary legal agreements for previously approved projects and gain approval to the principle of the Royal Academy of Arts (Royal Academy) project and its addition to the Council's capital programme.

1. Recommendation(s)

That Cabinet:

- 1.1 Notes progress made on the Enterprise Units programme and the positive impact this will have on supporting business growth and job creation in the borough as well as supporting the Council's savings programme.**
- 1.2 Delegate authority to the Assistant Chief Executive, in consultation with the Portfolio Holder for Regeneration, and Head of Legal and Democratic Services to finalise the terms of the development agreement and lease and to execute any other legal agreements and or documents necessary to secure the business accommodation within the National College building at High House Production Park.**
- 1.3 Grant formal approval to underwrite up to £150,000 of the funding target needed for the National College project and delegate authority to the Assistant Chief Executive, in consultation with the Section 151 Officer and Head of Legal and Democratic Services to negotiate, finalise and execute the terms of the underwriting facility.**
- 1.4 Approves an allocation of up to £7m be added to the Council's capital programme for investment in the Royal Academy of Arts project.**

2. Introduction and Background

- 2.1 The Enterprise Hubs programme was approved by Cabinet in July 2014. The provision of enterprise units; well-designed flexible workspace with flexible terms, is a key part of the Council's Regeneration Strategy which seeks to support economic growth and create employment opportunities. The lack of suitable accommodation for new and small businesses is recognised as one of the barriers to growth. As such, the Council is actively developing a broad range of enterprise units across the borough.
- 2.2 As well as strengthening the local economy, these enterprise units provide a revenue stream which is used to meet savings targets and support a range of regeneration activities across the Borough.
- 2.3 Historically, there has been strong demand for good quality small business accommodation in Thurrock. This is reflected in the consistently high occupancy levels in the Council held units such as the Riverside Business Centre in Tilbury and the old Post Office in Grays. In response to this demand, Cabinet has already approved the conversion of the former

Magistrates Court building in Grays to a business centre (2013), the expansion of Riverside Business Centre in Tilbury (2014) and the development of creative workspace within the National College building on High House Production Park, Purfleet (2015).

- 2.4 The ultimate aim is to secure a mix of accommodation (workshops, offices, industrial units and studios) across the Borough to ensure an appropriate geographical and sectoral spread. Further opportunities are being investigated across the Borough and a new opportunity has been identified to provide a facility on a pre-let basis to the Royal Academy of Arts on High House Production Park. Progress in respect of the already approved projects is outlined below and the terms of the Royal Academy opportunity are outlined for Cabinet's approval.

3. Issues, Options and Analysis of Options

Former Magistrate Court building, Grays

- 3.1 Works to refurbish the former Magistrates Court building were completed in December 2015 and have provided 29 units with a total lettable area of 12,700sqft. The operator procured by the Council to manage the facility, NWES, moved into the building on the 1st January 2016 and has already secured thirteen new tenants and reports strong interest in the building from further potential occupiers. The opening of the building was marked by an event at the end of January 2016.

Riverside Business Centre, Tilbury

- 3.2 Good progress has been made on the expansion of the Riverside Business Centre to provide 20 self-contained workshop units with a lettable area of c.14,000 sq.ft. Detailed design works are well progressed and it is anticipated that a planning application will be submitted before the end of the current financial year. Planning pre-application advice on the proposed expansion was sought in September 2015 and the response was generally positive however further work is needed in respect of flood risk. Subject to planning permission being granted, procurement of the building contractor will take place in summer 2016 and it is anticipated that building works will be completed in 2017.

National College (NC), High House Production Park, Purfleet

- 3.3 Following the announcement in the 2015 Autumn Statement, that the National College for Creative and Cultural Industries had been selected as one of five, industry-led National Colleges, the Council has been working with partners at High House Production Park and the Backstage Centre to develop the proposals for a new building to provide much needed support accommodation for the eventual College offer.

- 3.4 In September 2015 Cabinet received a detailed report on the potential for the Council to support the delivery of the National College building on the Production Park site by investing £1.5m in return for a long term lease on 10,000sqft of lettable business space. The Capital investment was subsequently considered and approved by the Full Council meeting convened later in September 2015 together with the principle of underwriting up to £150k of project costs through a grant to assist with the wider fundraising strategy.
- 3.5 The above business space would sit alongside residential accommodation and catering facilities supporting National College students using the world class facilities in the Backstage Centre. The students will be studying on an industry designed curriculum focussed on meeting the higher level skills requirements of the various technical trades associated with the music, performing arts, events, film, television and visual effects industries.
- 3.6 Since September 2015, the Council has continued to work with partners (High House Production Park and Creative and Cultural Skills) to develop the proposals and secure the necessary funding to allow the project to proceed. This has been hampered by significant delays in the Department for Business Innovation & Skills (BIS) and Skills Funding Agency (SFA) approval processes whereby a decision originally anticipated in July 2015 was only given in January 2016. In the interim, a mixture of design development and build cost inflation has seen the anticipated cost of the project rise from £8.9m to £9.9m. Through discussion it has been agreed that BIS/SFA will meet the majority of this increase but that project partners (Thurrock Council, High House Production Park and Creative and Cultural Skills) will have to make up the balance.
- 3.7 To this end Creative and Cultural Skills have secured further private sector match funding and have had confirmation that the funds they were seeking from third parties (including the Arts Council and Garfield Weston Foundation) have been secured. At the time of writing however there remains a £310k funding gap which the partners will need to evidence to BIS/SFA has been met before their funds can be drawn down. Whilst the partners continue to seek other funds it seems very likely that the underwriting facility previously agreed in principle is going to be required, at least in part. Approval is therefore sought to formally confirm the underwriting of up to £150k to support the project.
- 3.8 To progress the National College development, this report also seeks delegated authority for the Assistant Chief Executive, in consultation with the Portfolio Holder for Regeneration and Head of Legal and Democratic Services to finalise the terms of the development agreement and lease and to execute any other legal agreements necessary to secure the Council's investment in and use of the commercial units delivered through the project.

Royal Academy of Arts Collection Store, High House Production Park

- 3.9 The Royal Academy of Arts (Royal Academy) was established in 1768, with the support of King George III. It was, and still is, 'a society for promoting the Arts of Design' with an art school and an annual exhibition, that we know today as the Summer Exhibition. The Royal Academy's mission is to promote art and artists through exhibitions, education and debate. The Royal Academy is still led by many of the country's greatest artists and architects. Known as Royal Academicians, they are all practicing artists who help to steer the academy and support its activities.
- 3.10 The Royal Academy is an independent charity, it does not receive revenue funding from government and is reliant upon the support of visitors, donors and sponsors. The Royal Academy is home to Britain's first art school, its three-year postgraduate course is one of the most competitive in the country, and offers free tuition to all its students.
- 3.11 Following completion of the Royal Opera House's Costume Store and Production Workshop, the Royal Academy has expressed an interest in taking up space on the Production Park site to deliver a similar mix of storage, conservation and production activities. Their existing collection is currently housed in a commercial storage facility which is a viable option in the short-medium term, but does not meet the Royal Academy's long term aspiration for the collections to be easily accessible to the public.
- 3.12 Through a series of discussions a proposal has emerged whereby the Council could be granted a long term lease (125 years or longer) by High House Production Park, subject to the Council providing the funding for the construction of the new facility. On completion of the construction of the new facility the Council will then grant an under lease of the new facility to the Royal Academy on commercial terms for a period of 25 years. At the end of this term the head lease to the new facility shall be transferred to the Royal Academy.
- 3.13 The annual rental payment for the under lease will be calculated based on the capital costs of constructing the new facility plus cost of borrowing (Public Works Loan Board (PWL) Rate at the point of drawdown) plus an additional 1.5% premium on the interest charged by PWLB to the Council. The rental payment shall adequately compensate the Council for the capital funding of up to £7 million the new facility and provide an additional income source for the Council and ensures that the Council is supporting the project without breaching the principles of State Aid.
- 3.14 A preliminary feasibility study has presented several design options ranging from solutions that meet the Royal Academy's minimum requirements through to those providing for their maximum anticipated requirements. The options have varying capital costs with estimates ranging between £4.5m to £6.5m. The Royal Academy's preferred option is estimated at around £6m (including

fees and contingency) but the design work is at a very early stage and it is anticipated that the cost could grow as the design progresses.

- 3.15 Initial investment projections indicate a reasonable return for the Council over the 25-year lease period based on the Royal Academy's preferred solution of a 16,060sqft facility with an estimated development cost of £6.1m. The 1.5% premium balances the Council's desire to support the development of High House Production Park and secure further investment in the Borough with the requirements to ensure best value from any investments being made. The risk of the investment is considered low given the financial strength of the Royal Academy which would be secured through a pre-let agreement.
- 3.16 This report recommends that Cabinet approves an investment of up to £7m be added to the Council's capital programme under the enterprise hub programme. The income generated from Council's investment will contribute towards fulfilling the savings target for the Regeneration Service.

4. Reasons for Recommendation

- 4.1 This report outlines progress made with the programme to expand Council owned business accommodation in Thurrock. The programme will provide high quality accommodation to attract and retain businesses and employment opportunities in the borough while helping to address the savings target for Regeneration in the savings programme.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 Previous reports to Cabinet in July 2014, December 2014, March and September 2015 have explained the development of the business units programme. Cabinet Members were supportive of proposals to address the Regeneration savings target through expanding the Council's business accommodation portfolio.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The proposals are consistent with the Council's strategic objective to 'encourage and promote job creation and economic prosperity'. The report supports the priorities set out in the Thurrock Regeneration Strategy and the Economic Development Strategy.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Chief Accountant

As the report sets out, the Medium term Financial Strategy assumes income generation through the development of business units and supporting infrastructure.

The £1.5m contribution and £150,000 underwriting towards the National College development have been added the capital programme.

The £7m contribution towards the Royal Academy Collection Store development is not included within the capital programme.

7.2 Legal

Implications verified by: **Assaf Chaudry**
Major Projects Solicitor

The report sets out the strategy of the Council to develop the Enterprise Units programme which it purports to bring a mix of revenue generating business units across the Borough as a response to savings targets and as a mechanism for addressing a clearly identified lack of high quality accommodation for new and small businesses in the Borough.

The Council has the powers to do anything that individual generally may do under section 1 of the Localism Act 2011 which creates the “general power of competence” of local authorities. This gives wide powers to undertake the activities contemplated by this report. It states that:

“(1) A local authority has power to do anything that individuals generally may do.

(2) Subsection (1) applies to things that an individual may do even though they are in nature, extent or otherwise—

(a) unlike anything the authority may do apart from subsection (1), or

(b) unlike anything that other public bodies may do.

(3) In this section “individual” means an individual with full capacity.

(4) Where subsection (1) confers power on the authority to do something, it confers power (subject to sections 2 to 4) to do it in any way whatever, including—

- (a) power to do it anywhere in the United Kingdom or elsewhere,*
 - (b) power to do it for a commercial purpose or otherwise for a charge, or without charge, and*
 - (c) power to do it for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area.*
- (5) The generality of the power conferred by subsection (1) (“the general power”) is not limited by the existence of any other power of the authority which (to any extent) overlaps the general power.*
- (6) Any such other power is not limited by the existence of the general power (but see section 5(2)).*
- (7) Schedule 1 (consequential amendments) has effect.*

The Council may also rely upon other overlapping powers such as section 1 of the Local Government Act 2003 - power to borrow money. However the general power of competence is circumscribed in three ways as set out in Section 2.

- “(1) If exercise of a pre-commencement power of a local authority is subject to restrictions, those restrictions apply also to exercise of the general power so far as it is overlapped by the pre-commencement power.*
- (2) The general power does not enable a local authority to do—*
- (a) anything which the authority is unable to do by virtue of a pre-commencement limitation, or*
 - (b) anything which the authority is unable to do by virtue of a post-commencement limitation which is expressed to apply—*
 - (i) to the general power,*
 - (ii) to all of the authority's powers, or*
 - (iii) to all of the authority's powers but with exceptions that do not include the general power.”*

The report also contemplates a procurement exercise which is being conducted on behalf of its partners to secure the new facilities. Although these partners are separate entities to which the public procurement rules do not apply. The Council has agreed to procure all the design/constructions providers in accordance with the Council’s constitution and EU procurement regulations. The Council needs to ensure that it has when acting as agents on behalf of any of its partner obtains written undertakings/Indemnities from its partners to ensure that the Council will be compensated for underwriting costs

and for any claims that are made against the Council on instructions made by the partners.

7.3 **Diversity and Equality**

Implications verified by: **Natalie Warren**
**Community Development and Equalities
Manager**

The Enterprise Units schemes create opportunities for small and medium sized enterprises to grow and strengthen their business base in the borough,

Occupiers will have access to business support; serviced meeting rooms; conference; training and breakout facilities. The centres offer a quality professional environment that focuses on supporting business growth, generating further employment opportunities and ultimately contributing towards the prosperity of the borough. Accessibility requirements are reflected in all of the schemes proposed by the Council.

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

There are no other significant implications arising from the report.

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None.

9. **Appendices to the report**

- None.

Report Author:

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