

MID SUFFOLK DISTRICT COUNCIL

TO: CABINET	REPORT NUMBER: MCa/21/5
FROM: Councillor Gerard Brewster - Cabinet Member for Economic Growth	DATE OF MEETING: 7 June 2021
OFFICER: Fiona Duhamel – Assistant Director for Economic Development and Regeneration	KEY DECISION REF NO. CAB260

CROSS STREET EYE WORKSPACE DEVELOPMENT

1. PURPOSE OF REPORT

- 1.1 To note that the Council is shortly to finalise its acquisition of 6 Cross Street, Eye from Suffolk County Council. The premise has been vacant and underutilised for over a decade. It is located centrally within Eye adjoining the new Eye library, public conveniences, and public car park.
- 1.2 To report the high-level business case to enable Mid Suffolk District Council to consider whether to invest in delivery of the building's upgrade to workspace accommodation.
- 1.3 To provide indicative milestones and timeline for delivery of the proposed scheme.
- 1.4 To seek appropriate funding commitments from Cabinet to enable the next steps to progress, including to undertake enquiries with prospective occupiers.

2. OPTIONS CONSIDERED

- 2.1 (a) DO NOTHING – the site is transferred to the Council without it having any clear plan and retains an underutilised site with an employment allocation. Not considered a viable proposition given high level appraisal undertaken already.

(b) PROGRESS THE DEVELOPMENT, CARRY OUT A TENDER PROCESS FOR THE WORKS NEEDED AND AN OPERATOR– This option is being progressed as per this report. This will directly support the Council's 'Invest in Eye' programme and provide jobs and employment opportunities at a growing key location in the district if a suitable scheme can be delivered. It will also support the Town Council and general town centre activity and productivity.

3. RECOMMENDATIONS

RECOMMENDED TO CABINET

- 3.1 Cabinet fully considers the high-level business case and options appraisal attached as Appendix A and, if satisfied to proceed, then to resolve the recommendations to Council as shown in 3.2 to 3.3 below.

- 3.2 Cabinet authorise the Assistant Director for Economy, Business and Regeneration to progress with the development of an optimal scheme and carry out a tender process to secure an appropriate operator for the completed building.
- 3.3 Cabinet authorise £195,000 from the Growth and Efficiency fund for the necessary redevelopment as outlined in 3.2 above.

REASONS FOR DECISION

1. The Council has through negotiation with Suffolk County Council and Eye Town Council secured a unit in Eye town centre which can be used for creation of new workspace which in turn will support the local community of Eye and surrounding area.
2. The Councils workspace demand study in October 2019 identified a need for more workspace including incubators and hot desk spaces across the district.
3. Refurbishing the building will create a new space for Eye Town Council in the heart of the Town Centre.
4. The planned development has already secured funding for low carbon improvements and match funding from the Suffolk Growth and Investment Fund.

4. KEY INFORMATION

BACKGROUND

- 4.1 In agreement with Suffolk County Council and Eye Town Council the building once refurbished will provide accommodation for Eye Town Council Clerk and project co-ordinator. The rest of the building will be converted to new innovation opportunities and grow-on space for businesses within Eye and the surrounding area.
- 4.2 The building is being transferred from the County Council to Mid Suffolk District Council for a nominal fee (£1). Mid Suffolk District Council has already secured £90,000 of Public Sector Asset Decarbonisation funding via a Salix grant in addition to £45,000 granted from the Suffolk Growth Investment Fund. With over 40% of the funding for the total redevelopment now secured from external funding this means the remaining cost to the Council would be £195k (including a suitable contingency allowance).
- 4.3 The opportunity to bring this premises back into economic use benefits several Mid Suffolk Strategic outcomes. It will bring much needed incubator and micro unit space which is a key part of the Mid Suffolk Economic Recovery Plans. The premises will provide a central location for Town Council officers to enable better access for the community and will bring a vacant building back into productive use within the town centre with strong sustainability credentials which meets the Council's Climate Change Action Plan.
- 4.4 This would be a core project in the Council's programme of Invest in Eye by generating new footfall and economic growth in the town centre as well as stimulating jobs and innovation.

SCHEME SUMMARY

- 4.5 The proposed plan has been based upon the features commonly seen within employment incubator and touchdown spaces, the likes of which can be found at Innovation Labs at Wharfside House in Stowmarket.
- 4.6 With retractable walls the proposed layout allows for a flexible and fluid workspace which can encompass both sociable open areas allowing for discussion and creative sharing, as well as more intimate cellular offices within which more focused work can take place. This in turn allows the space to be shared by multiple businesses or on a single use basis.
- 4.7 In light of recent office requirements brought about by the COVID-19 pandemic, this layout permits and promotes both low density and remote working, depending on the needs and an operator will be sought for the space whose business model reflects physical and virtual occupation or membership. **See Appendix A for more detail and indicative layout.**
- 4.8 This project will support sole traders and micro start-ups alongside established small businesses in the Eye area, and wider as it is along the strategic A140 trunk road with good access to the A14 and A12 corridors for growth. It will support jobs (including potential opportunities for young people/apprenticeships) and will support the local economy as it emerges from the Covid-impact period.
- 4.9 Work to commence as soon as possible following transfer to the Council in Summer 2021. Work on an operator for the space would commence once the scheme is approved by Cabinet.

DEMAND (POST-COVID) AND JUSTIFICATION FOR SCHEME

- 4.10 This project opportunity arises on the back of the clear evidence reported via the October 2019 MENTA workspace and grow-on space study commissioned by Babergh & Mid Suffolk - which found a shortage in incubator space (1,500sq ft range) in the districts and reported that "ideal locations are on outskirts of population centres with good access, car parking, broadband, mobile signal etc."
- 4.11 Post-Covid reports from MENTA update that demand is still outstripping supply for small affordable workspace units in the local area. The Council is updating its evidence base including, by the end of June 2021, the MENTA Work Space and Grow-on Space Study.
- 4.12 Mid Suffolk has an identified supply shortfall for incubator space. New build investment costs for incubator space are high and, because of high churn, the security of rental income means commercial investment is seen as high risk for many developers. Evidence suggests that other districts which have invested in incubator space have facilitated growth and the investment risk has been rewarded.
- 4.13 The Council will be able to specify sustainability and energy efficiency in design (e.g. roof mounted solar PV) towards the net zero carbon ambitions of Suffolk and the District Council by 2030.

NEXT STEPS

- 4.14 Funding of £195k is sought to progress scheme delivery on the basis of the business case attached in Appendix A. This will help to secure the upfront enabling works to ensure the development project can progress without delay upon transfer. Initial costs and site preparation have been modelled into the lifetime business case returns and whilst the core reason for this project is to promote and accelerate economic growth, there may be revenue streams generated to meet the initial investment.
- 4.15 The Regeneration Team has been exploring external funding opportunities for this initial work. Match-funding of £135k has been secured and we are finalising the funding arguments. The level match funding is a good outcome given the scale of the scheme.
- 4.16 Work will commence on the procurement of an operator for the space. It is important an operator is secured who can see the potential in the building and in the wider area and who will use the space not just as workspace but also to generate innovation activity through local mentoring, workshops, event hire and general business support. The Council will run a tender process to invite proposals from existing workspace and business support agencies and will assess and appoint to closely align the space on offer with the best possible operating offer.

5. LINKS TO CORPORATE PLAN

- 5.1 The Corporate Plan (2019-27) is designed to address the challenges and seize the opportunities facing the districts, and their organisations, for the foreseeable future. In relationship to the matters contained within this report, the Council's strong local leadership role to build great communities for living, working, visiting and investing in is particularly relevant.
- 5.2 Strategic priorities linked to this project and to the Economic Recovery Plan include:
- (a) Rejuvenate our vibrant market towns (including our Vision and Invest programmes)
 - (b) Thriving, attractive, sustainable and connected Communities
 - (c) The opportunity to support energy businesses and those businesses wishing lower their carbon footprint.
 - (d) Work with partners to facilitate support and growth networks for entrepreneurs and innovators.

6. FINANCIAL IMPLICATIONS

Revenue/Capital/ Expenditure/Income Item	2021/22	2022/23
Funding		
Income - Public sector decarbonisation fund	£90,000	
Income - Suffolk Inclusive Growth Investment fund	£45,000	
Expenditure		

Low carbon options for the premise	-£90,000	
Remodelling of the premises	-£180,000	
Professional fees and contingency	-£60,000	
Capital needs		
Capital Programme Investment required	195,000	
Income	£0	£17,875.65
Operational expenditure		£13,000.00

- 6.1 The core purpose of this project is to deliver high growth support for businesses in the district and to provide good quality workspace which in turn will encourage and facilitate more economic activity to directly and indirectly benefit the local area.
- 6.2 However, in terms of the investment sought from the Council, the Medium-Term Financial Strategy (MTFS) 2021-2025 requires the Council to take a medium-term view of the budget through a robust financial strategy that is focused on delivering the six corporate strategic priorities. The Council's main strategic financial aim remains to become self-financing and not reliant on Government funding. The Council's parallel aim is to generate more funds than are required purely for core services, in order to enable additional investment into the district. This requires careful balancing of cost management, income generation and service levels.
- 6.3 The financial analysis carried out in the business case suggests that income levels generated from the operation of the building, even taking into account void periods and growth in occupation over a number of years, do create a viable project but that viability is marginal and any returns after operator costs would be minimal to the Council. However, an operator can enhance their viability through increased virtual memberships and other income channels such as event hire so the risk to the Council in having to support the facility financially is low.
- 6.4 See high level appraisal scenario modelling attached as **Appendix E**.

7. LEGAL IMPLICATIONS

- 7.1 The transfer of land from Suffolk County Council is subject to contract and for a nominal fee.
- 7.2 It is envisaged that an operator will be offered the building on a lease arrangement with terms still to be finalised. A lease will be put in place with the town council.
- 7.3 Any legal issues in relation to identified land constraints or issues will get picked up through ongoing due diligence and be dealt with as appropriate but to date no title issues have arisen.

8. RISK MANAGEMENT

This report is most closely linked with the Council's Corporate / Significant Business Risk No.11 (Income and Capital projections and economic outcomes may not be delivered – meaning land remains underutilised). Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to develop a viable scheme will leave the site under-utilised and a cost burden	2	2	Evidence for incubator and flexible workspace suggests small business centres can be viable particularly if other income generators included such as event hire, training programmes etc. Scheme develops has void periods and rising occupancy levels to help assess risk
Failure to provide strong local leadership on controllable elements of the Invest in Eye Programme which will stifle wider investment in the town	1	2	The Council will be leading this project and has worked in partnership with the Town Council. This is a key project for Invest in Eye and it is important that the project is a success for the town as a whole. Council will manage the redevelopment in accordance with strict project management processes.
Investment is made but demand for units and rental profiles are less than anticipated, negatively impacting business case	1	3	The current Menta report suggests that demand post Covid is growing for this type of space with flexible terms for tenants. A lack of supply in the district makes it unlikely that these workspaces will be unlettable but

			void periods have been built into the business case.
Failure to develop a sustainable scheme will negatively impact on carbon reduction ambitions	1	1	Sustainable design and solar PV/EVCP to ensure low or offset of carbon. Utilise Salix fund award.

9. CONSULTATIONS

- 9.1 Already progressed and will continue including through the Invest in Eye Board and with the town council, prospective occupiers and local stakeholders.
- 9.2 Some initial high-level discussions on the potential of a scheme have been had with the Planning Team and Strategic Assets colleagues.
- 9.3 Planning process will follow in due course.

10. EQUALITY ANALYSIS

- 10.1 Equality Impact Assessment (EQIA) initial screening was completed (see **Appendix D**), and it was deemed a full equality impact assessment was not required at the present time. This position will be reviewed, and it required a full assessment will be completed. This is an asset development proposal and commercial principles apply to it. Design work will incorporate accessible features and in accordance with prevailing Building Regulations.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 Development of the site would have associated environment impacts requiring assessment and mitigation. The initial design work has proposed roof mounted solar PV and air source heat pumps, to provide self-consumption energy opportunities and cost savings for occupiers. Electric vehicle and bicycle charging points and biodiversity planting and features are proposed to further embed green infrastructure and mitigate carbon impacts.

12. APPENDICES

Title	Location
A: Outline Business Case	Attached
B: Estimated annual kWh financial savings	Attached
C: Indicative timeline and key delivery milestones	Attached
D: Equality Impact Assessment (EQIA) initial screening	Attached
E: CONFIDENTIAL Financial appraisal	Attached

