

## Full Business Case

# New business units at Littlecombe, Dursley

Headline summary	
<b>Main objective:</b>	To build new employment units for small and medium businesses to rent, or buy, at Littlecombe Business Park
<b>Cost Summary:</b>	<p>Scenario 1: SDC funds part of scheme up to £1.75m depending on a) pre-lets and sales and b) the terms of building contract which may include deferred payments</p> <p>Scenario 2: SDC secures LEP support for additional units/phase</p> <p>A. Pay-back on full build cost: maximum 12 years, minimum 0 years depending on pre-let, pre-sale and contract terms</p> <p>B. Pay-back for jobs and growth: Immediate, starting with jobs deployed on design and construction</p>
<b>Principal benefit</b>	Creates new jobs and business in Dursley and Cam
<b>Top risk</b>	<ol style="list-style-type: none"> <li>1. Delay in attracting new buyers and tenants, which may affect the time required to recover construction costs</li> <li>2. Returns do not cover input costs due to changing economic conditions</li> </ol>
<b>Has this been consulted already?</b>	Since 2014 there has been widespread discussion about how we can help more business opportunities at Littlecombe. Those involved include the Council's Leader, local members, Senior Officers and development partner and, externally, the Town and Parish Councils and the public at exhibitions and consultations.
<b>Decisions requested today</b>	<ol style="list-style-type: none"> <li>1. Agree to provide new employment units and</li> <li>2. Provide funding to build the new units of up to £1.75m</li> </ol>

Document Version Control			
Date	Version	Issued by	Summary of changes
12Feb2016	1	NS	V1
21Mar2016	2	AF	Timetable/LEP bid
General Information			
<b>Project Name</b>	New business units at Littlecombe, Dursley		
<b>Project Description</b>	<p>This is a project for us to buy 20,000sqft of new, flexible, modern employment buildings in the form of small and medium business units on the Littlecombe Business Park. These will be sold or leased at market value, providing us with a full return of costs.</p> <p>It creates opportunities for local businesses to expand and stay in the area</p>		

	and also attract inward investment from companies coming to Dursley.		
Function (Service Area)	Asset Management are promoting the project which is a Jobs and Growth function of the General Fund		
Start Date	Immediately upon project approval	End Date	<ol style="list-style-type: none"> <li>1. Terms agreed      Week 6</li> <li>2. In contract        week 18</li> <li>3. Marketing start    Week 20</li> <li>4. New units complete Week 47</li> <li>5. First occupation    Week 48</li> <li>6. Income starts        Week 60</li> <li>7. Full occupation     Week 112</li> </ol>

<b>Governance:</b>	
Project Sponsor	Allison Richards , Strategic Head (Corporate and Tenant Services)
Project Manager	Nick Stewart
Project Team members	Nick Stewart, Principal Estates Surveyor; SDC’s Littlecombe contact
Project Board	Housing and Development Panel

<b>Background/Drivers:</b>
<p>The Council owns Littlecombe, a redevelopment of new homes and employment land which is being built by our partners, St Modwen. The first phase of the employment land has been fully let, although this was at a discounted rate to attract occupiers in the early stages of the Littlecombe scheme. The next phase of employment land remains undeveloped because new occupiers are unable or inexperienced to commit to premises that have not been built and St Modwen are reluctant to build without bidders.</p> <p>This proposal would unlock the employment land and open up the market for small-medium businesses to rent or buy. New jobs and work activity would add to the economic and social influence that Littlecombe is bringing to Dursley and Cam.</p> <p>The alternative to intervening is to continue market the land and wait for bidders. The downside to this is that a) it does not promote jobs and business and b) the case for building housing increases because of lack of demand c) it continues a situation that has been running for over 5 years.</p> <p>Building more small units increases local growth, jobs and entrepreneurship. The financial return is rent and/or capital receipts, recovering costs in 12 years. The vision is to repeat the success of the adjoining business units at market value.</p>

<b>Objectives, Outputs and Outcomes:</b>	
Objectives	20,000sqft of new buildings for use by small-medium businesses
Outputs	Between 5 – 15 modern buildings for a range of uses such as manufacturing, service, light industrial, processes, research and development and offices, and 25 – 50 jobs by 2018
Links to Corporate Delivery Plan	<p>There are direct connections to the 4 Year Focus in the CDP. See “Priorities a) Economy and b) Resources”:-</p> <p>a) investing in projects and new building assets that will deliver a return and generate income creating jobs, enabling us to fund essential public services and</p> <p>b) working with our partners to promote and deliver infrastructure projects which help grow the economy</p>

<b>Scope:</b>	
What is within Scope?	Asset Management is the key business area involved in negotiating the build contract and managing the sales and lettings. The funding will be recovered through rent and sales.
What is outside of Scope?	This project is not directly linked to any one service area; it is a District wide initiative to improve jobs and growth.
What <b>assumptions</b> have you made?	The key assumptions are that there is a continuing demand for business units of this size in Dursley; that there is funding to buy the buildings.
Likely headcount reduction?	N/A
Are partners involved? How is the relationship governed?	A legal development agreement regulates our relationship with development partner, St Modwen. The new buildings would be a supply from St Modwen controlled by a standalone building contract and the main partnership agreement. All decisions about the new building, timing and financing will be settled firstly by negotiations with St Modwen, then by us as client through the two legal arrangements.

<b>Cashable Financial Benefits:</b>	Amount (£)
Return of capital costs through property sales and/or rental streams	Capital equivalent value >£1.75m over 12 years

<b>Non Cashable Benefits:</b>
<ol style="list-style-type: none"> <li>1. Direct and indirect employment from construction contract – measured by scale and details of scheme, long-term building maintenance</li> <li>2. Business Rates from new buildings</li> <li>3. Improvement to development mix at Littlecombe</li> <li>4. Increase in opportunity for live-work space</li> <li>5. Growth of local economy – measured by increase in occupation of town centre premises</li> <li>6. Increase in value of Littlecombe development - measured via partnership account</li> <li>7. Raised amount of property for local businesses – measured by occupation of units</li> </ol>

<b>Funding Sources:</b>
This scheme has scored highly for funding support in Gloucestershire First Local Enterprise Partnership's programme. In the absence of LEP support, funding rests with SDC. We are still waiting for information on the timing and amount available for the next round of LEP funding, although there is a commitment by Government to release extra funds under the Single Local Growth Fund.
<b>Costs breakdown:</b>
This is a single cost element project.

<b>Staff Resources</b>	
Project Manager's time	Managed within 'day-job' resource although this creates a shortfall on other Asset Management priority work areas.
<b>Support Service Resources needed</b> (incl. No. days support requested).	
Approvals to proceed will be sought from these functions.	
Expect to manage project within Asset Management, with support from Legal and Finance.	

<b>Procurement:</b>	
Does this project require the procurement of goods/services exceeding	No

£50,000 over the life of the contract?	
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Milestones (project plan)	Owner	Start date	End date
Confirmation of LEP funding	G1st LEP	Jan 2015	July 2016
Confirmation of SDC funding	Strategy and Resources	Feb 2016	May 2016
Terms agreed	Asset Management	April 2016	May 2016
Completion of construction contract	Asset Management	July 2016	Sept 2016
Marketing start	Asset Management	Sept 2016	June 2019
Construction start - completion	St Modwen	Sept 2016	June 2017
First - full occupation	Asset Management	June 2017	Sept 2019

Risks	Controls/Actions	Score
If economic conditions decline or there is a collapse of demand for business property, then the repayment period will be extended	Market testing indicates demand for these premises. Adjoining premises owners/occupiers have been actively pressing for new business space.  Terms of sale or leases can be adjusted to meet market conditions and generate a return	2x2=4

Stakeholders (List all appropriate, along with how communication will be handled)	
All stakeholders  Dursley Town Council Cam Parish Council SDC Local Members Corporate Team Business community Residents and wider public	All press releases will be run by SDC's Marketing Team and St Modwen's PR specialists; information will be published on <a href="http://www.littlecombe.co.uk">www.littlecombe.co.uk</a> website; property agents; GL11 group meetings GL11 group meetings Monthly progress update reports, as used for Littlecombe Monthly progress update reports, as used for Littlecombe GL11 group meetings GL11 group meetings

**Constraints and Tolerances:**  
As soon as it is confirmed that funding can be committed to the project, the main onus for performance is on the development partner to deliver the new units and marketing agents to attract occupiers. Timescale and quality will be regulated through contracts with these partners.

Project Impact:		
Has an equalities impact assessment been completed?	YES	The EIA shows this project could benefit and help SDC meet the General Equality duty

Interdependencies	
Inter-dependent projects	The scheme is part of the Littlecombe regeneration project. Investment in the employment units will be rolled into the Littlecombe development equation which is returned to the Council.
Other interdependencies	N/A