

# Cherwell District Council

## Executive

9 January 2017

### North West Bicester Eco Business Centre Update

#### Report of Commercial Director

This report is public

#### Purpose of report

To report on the progress to deliver the North West Bicester Eco Business Centre.

#### 1.0 Recommendations

The meeting is recommended:

- 1.1 To note the progress to date and that the project is due to deliver the Business centre in Q2 2018 within the budget of £4.325m.
- 1.2 To agree in principle to the council operating the Business Centre.
- 1.3 To agree that in the absence of securing a retail tenant by the end of the calendar year for the vacant unit on the ground floor of Franklins House, it is in principle (subject to budget approval) fitted out to serve as a business incubation space and lettable offices for a period of up to 3-5 years.

#### 2.0 Introduction

- 2.1 The proposal for an eco business centre (EBC) was first put forward by the then facilitators on the eco town development in early 2010 when discussion between P3Eco, the Council and the developer of the York EBC (the Helmsley Group) took place. The discussions led to the Council negotiating the transfer of a serviced site for the proposed development.

The site area is approximately 0.4 hectares (one acre) and is located within the commercial area of the first phase development at NW Bicester. The size of the site constrains the amount of car parking that can be provided for the proposals. Outline planning consent for up to 1,800 sq. m. of B1 office use within the EBC site was secured in July 2012 (Planning application reference: 10/01780/HYBRID). A detailed planning application for the local centre was approved, subject to completion of the legal agreement in November 2015 (Planning application reference: 15/0760/F).

The Executive considered a previous update report at the meeting on 1 July 2015 and approved the use of up to £4 million eco capital funding.

This report provides an update on the progress and approach to date and sets out key targets and milestones going forward.

### **3.0 Report Details**

- 3.1 **Budget:** The approved £4m still provides the majority of the capital funding for the Eco Business Centre. This is to be supplemented with £175K of funding through the Oxfordshire LEP bid for ERDF funding. This is a match funding bid that is being submitted mid January 2017. In addition Economic Growth have committed to providing capital funding of £150k to reflect and ensure that the EBC is aligned with and contributes to the delivery of their wider targets and aims. A formal Service Level Agreement has been drafted that sets out their requirements.

The total budget for the project is now set at £4.325m.

- 3.2 **Delivery:** The project to deliver the Eco Business Centre has been structured to reflect the stages set out by the Royal Institute of British Architects (RIBA). This structure is used by the SCAPE procurement framework which has been adopted to award a design and build, fixed cost contract. This framework has allowed the current Feasibility Stage (RIBA 2) to be undertaken with Kier, the construction company appointed through SCAPE, and allows their external expertise to be utilised by the council at an earlier stage than would normally occur under a traditional tender exercise.

As part of RIBA 2 a design concept has been created and an estimated cost plan drawn up. These will be refined during Develop Design Stage (RIBA 3) which will result in the planning application being submitted and Detailed Design Stage (RIBA 4) which will finalise the fixed cost for construction. A further update to Executive, confirming the cost for construction is expected to be submitted early in Q2 2017. The design concept and estimated cost plan have initially challenged the current budget and has resulted in a reduction in the size of the building. This allows the quality of the building to be maintained at the current budget.

- 3.3 **Timescale:** As detailed in 3.2 a further update to Executive, confirming the construction cost is expected early Q2 2017. The target date for the opening of the EBC is Q2 2018. This timescale allows for a 9 month construction period following detailed planning approval.

The Eco Business Centre will open in Q2 2018.

- 3.4 **EBC Operation:** Following a soft market testing exercise with other business centre operators and site visits to a number of centres in London the original idea of appointing an operator to run the centre has been reviewed. A draft business case was submitted to the Commercial Panel in July 2016 setting out a proposal for the council to operate the centre. This will allow the centre to closely support the work of the Economic Growth team whilst maximising the revenue returned to the council. Current models for the operation of the centre are being explored including

the use of membership schemes to access a collaborative work space. This model has been successfully adopted by some of the centres visited in London.

- 3.5 Franklins House: Over the last 2 years we have been unable to secure a retail tenant for the ground floor units. Graven Hill have agreed to lease one of the 2 ground floor units for a period of 3-5 years as a sales office. The remaining unit is still vacant and therefore could be used as a feeder unit for the Eco Business Centre as a business incubator. There are some leads we are still following up but in the absence of securing a retail tenant for this vacant unit it is suggested that we consider(subject to budget approval) that it is fitted out to serve as a business incubation space and lettable offices for a period of up to 3-5 years.

Whilst a separate project there may be opportunities to be realised by aligning the fit out of the ground floor units of Franklins House with the EBC project. As the incubator`s fit out specification will be similar to the business centre there may be an opportunity to realise economies of scale. Design considerations for the internal layouts can be aligned reducing professional fees. By opening Franklins House, the smaller facility, first any feedback and learning derived from the site can be used to develop the EBC offering prior to its fit out and thereby avoid costly rework. It should be noted that the use of the ground floor as offices and incubator will require planning permission for change of use.

Given the units at Franklins House have a target opening date of April 2017 then the operational running of the incubator can be seen as the precursor and pilot for the running of the ECB. This will enhance the offering of both buildings as a synergy is created that allows fledgling businesses to transfer from the incubator as they grow, extending the customer lifecycle. By running both concerns as a single business, fixed costs (such as management, marketing and web site) can be shared thereby increasing productivity and reducing the break even point of each facility.

By combining the offerings of both facilities into a single concern the EBC contribution to the target for jobs created at NW Bicester can be achieved. The reduction in floor space of the EBC to accommodate budget constraints had impacted on the ability of delivering this target.

The fit out of the ground floor vacant unit at Franklins House could be delivered using the remaining £250k from the original Franklins House capital budget. It is anticipated that the fit out costs may exceed this amount and therefore if this option is progressed further funding will be sought.

- 3.6 BREEAM: In keeping with the North West Bicester site the design concept and cost plan for the EBC have set out to achieve an excellent BREEAM rating. The architects appointed for the Design Concept stage, Architype, have experience in creating award winning sustainable buildings.

## **4.0 Conclusion and Reasons for Recommendations**

- 4.1 The project to deliver the Eco Business Centre in North West Bicester is on track to have a completed centre, open for business in Q2 2018. By adopting the SCAPE

procurement framework a fixed costs, design and build contract has been awarded with the fixed cost to be agreed at the end of the Detailed Design Stage (RIBA 4). Initial cost estimates based on the design concept put the cost within the available budget.

In line with the Councils commercial agenda the opportunity to run the centre and thereby maximize the return to the council whilst closely aligning it with the work of Economic Growth is seen as preferable to the original plan of building the centre and then appointing a third party to run it on the councils behalf.

In the absence of securing a retail tenant it is proposed that by changing the use of the vacant units on the ground floor of Franklins House economies of scale should be achieved to deliver the fit out by combining it with the Eco Business Centre project. The complimentary use of both sites will also allow operational benefits for both the council and users. Planning permission will be needed to change the use and £250k remains from the original Franklins House budget which can be used towards the fit out costs.

## **5.0 Consultation**

None

## **6.0 Alternative Options and Reasons for Rejection**

None – Update on an existing project

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 The financial implications arising from this report have been previously agreed when the £4m budget was approved by the Executive in July 2015. The additional budget contributions have been obtained from the OXLEP ERDF funding submission and the use of Economic Growth Reserves.

By undertaking the running of the centre the council will have an additional revenue stream. The level of return will be set out in the revised operational business case following additional modelling that is being undertaken following the reduction in building size to meet the capital budget.

Comments checked by:

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## Legal Implications

- 7.2 The most appropriate legal structure for the operation of the centre is currently being investigated by the legal service. The transfer of land from A2Dominion to the council is currently being undertaken by the legal service.

Comments checked by:

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## 8.0 Decision Information

### Key Decision

**Financial Threshold Met:** No

**Community Impact Threshold Met:** No

### Wards Affected

All

### Links to Corporate Plan and Policy Framework

Cherwell: a district of opportunity

### Lead Councillor

Councillor Barry Wood, Leader of the Council

### Document Information

Appendix No	Title
None	
Background Papers	
None	
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