

# **Cabinet**

**14 November 2019**

## **Capital Investment in Nuneaton Town Centre**

### **Recommendation**

- 1) Cabinet recommends Council approves the investment of £19,423,000 into the creation of a new public sector building in Nuneaton town centre using WCC Capital Investment Fund resources.
- 2) Cabinet recommends Council approves the addition of the £19,423,000 scheme to the capital programme in financial years 2019/2020, 2020/21 and 2021/22 as per the profile shown in section 6.
- 3) Authorises the Strategic Director for Communities to enter into any such contracts as may be necessary to deliver the new building on terms and conditions acceptable to Strategic Director for Resources.
- 4) Authorises the first call on the revenue income generated (described in section 7.4) is used to re-pay reserves that may be needed to temporarily meet upfront project costs as detailed in the report.
- 5) Cabinet note and endorse the renewed Collaboration Agreement with Nuneaton and Bedworth Borough Council for the Vicarage Street Development Site.

### **1. Background**

- 1.1. The Transforming Nuneaton (TN) Programme is a suite of projects that, together, will help Nuneaton to grow its local economy and enhance the town centre offer. Investment in the town centre is needed to improve and expand the leisure offer, re-focus and enhance the retail offer, unlock housing development and improve rail, highway and cycle infrastructure to support economic growth within the Borough and wider area. The resulting job creation will be a huge boost to the local economy and improve the viability of the whole town centre. Key elements within the programme include:
  - Delivery of major infrastructure improvements in order to enable development to take place;
  - Acquisition and preparation of land in order to unlock and create prime development sites;
  - Design and implementation of flood mitigation schemes for the town which will open up development opportunities;
  - Delivery of key developments within the town centre to diversify and grow the offer within the area and support economic growth;

- Deliver high quality public realm to create better links to the town via the train and bus stations;
  - Engagement of key stakeholders and service providers to support the diversification of the town centre;
  - Effective marketing and communication of Nuneaton to promote and encourage investors and visitors; and
  - Creation of a Business Improvement District to support town centre businesses and develop the offer within the area.
- 1.2. Delivery of the Programme is led by strategic partners WCC and Nuneaton and Bedworth Borough Council (NBBC), with direct funding provided by the Coventry and Warwickshire Local Enterprise Partnership for land assembly and transport infrastructure design work.
- 1.3. The Vicarage Street development site (see figure 1) is one of two key investment sites in the town centre in WCC and NBBC ownership and a priority for the TN programme. It sits in a prime location adjacent to the ring road and at a gateway point to the town centre. The site is currently being expanded through land assembly to make it bigger and more attractive to the private sector. The land being bought directly links the land owned by WCC and NBBC to the main retail area.
- 1.4. WCC and NBBC are renewing the Collaboration Agreement between the two authorities regarding Vicarage Street development site. The renewed collaboration agreement is based on the same principles as the original but has been updated to reflect the current programme, governance, external funding and land assembly arrangements for the project in line with decisions of Cabinet since 2012. The formula for the division of any proceeds from the finished programme is based on land ownership percentages as originally agreed. Cabinet are asked to note and endorse the action taken in order to maintain the pace of the programme.
- 1.5. The primary aim for the site is for the two partners to release the land to developers to bring in alternative uses for the town centre. It is hoped by bringing in new uses the offer will diversify within the town and reduce its reliance on the retail sector (which is in severe decline on the high street). The first phase of Vicarage Street development site is in construction, with McCarthy and Stone currently building a 50-retirement apartment scheme. Market demand for other development plots remains tentative, but soft market testing carried out by an independent consultant has indicated that this is very likely to be assisted, and private sector investment encouraged, by direct investment by WCC in the site.
- 1.6. A key part of the site's development is therefore now seen to be the proposal to build a new public sector building accommodating a library, new business centre and café, which would act as an anchor tenant and catalyst to the wider development site, building on the success of the WCC Business Centre portfolio to create quality office accommodation for new start-up and existing businesses within the town centre. These uses have been identified through a full options appraisal which also looked at bringing in other uses, comparing with having a single use building and assessing what WCC's service requirements were. It also assessed what uses could have a positive impact on the generating footfall in the

# Vicarage Street Development Site

## OPPORTUNITY SITES IN NUNEATON TOWN CENTRE

<b>Vicarage Street Site</b>	<b>HA</b>
Area in Council Ownership	1.6
Potential Land Assembly	1.1
<b>Total Site Area</b>	<b>2.7</b>

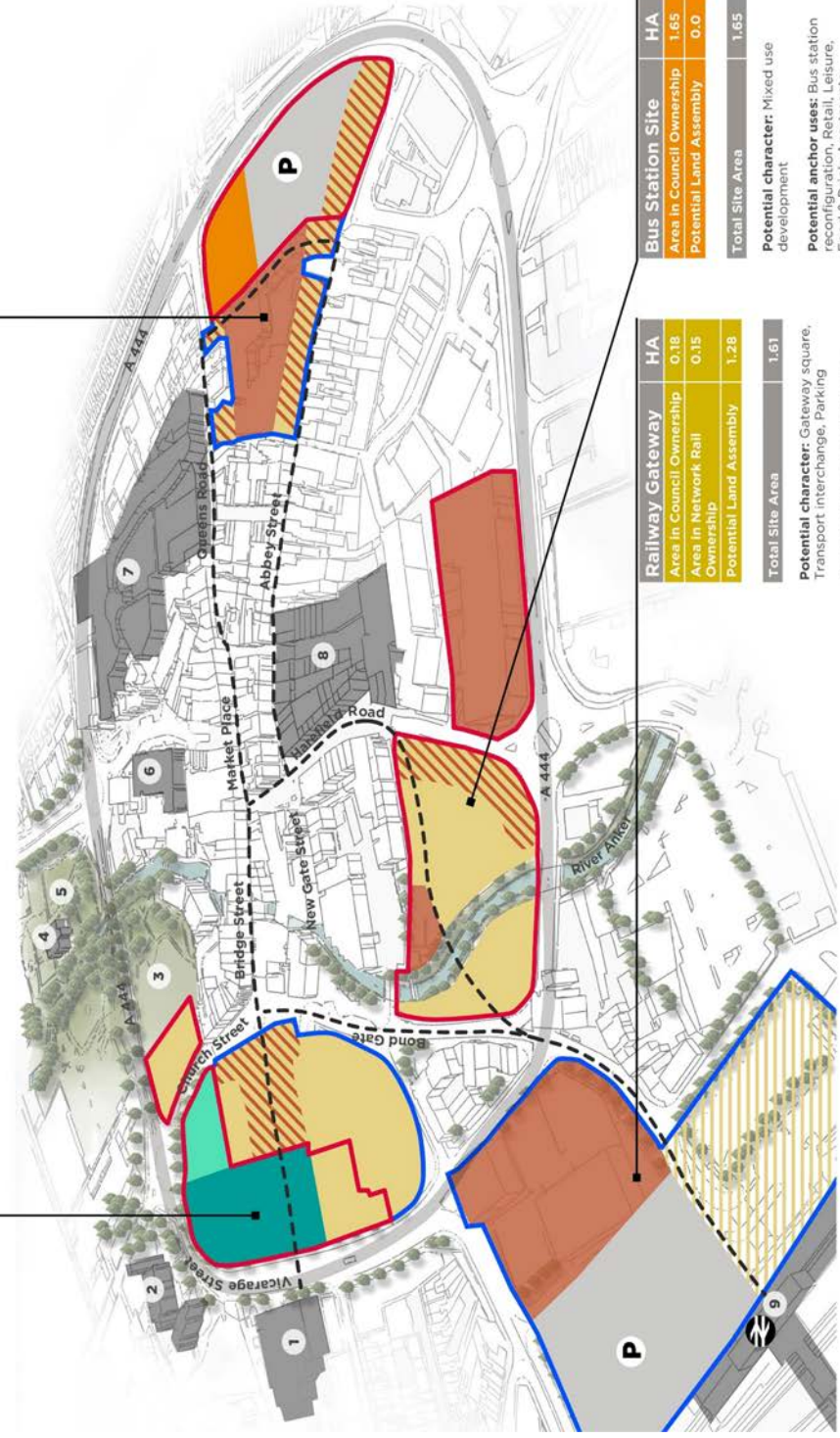
**Potential character:** Residential-led mixed use development and public sector hub  
**Key uses:** Office, Public sector hub, Hotel, Apartments, Education facility

<b>Abbey Street Site</b>	<b>HA</b>
Area in Council Ownership	1.41
Potential Land Assembly	0.91
<b>Total Site Area</b>	<b>2.32</b>

**Potential character:** Leisure led mixed use development  
**Key uses:** Leisure (Cinema), Retail, Restaurants, Apartments

- Opportunity Sites
- Potential Land Assembly
- Commercial & Leisure (Cinema)
- Offices & Public Sector
- Retail, Food & Drink
- Residential with Retail/Leisure ground floor
- Hotel
- Residential
- New & Replacement Parking
- Improved Connections
- New Station Square

1. Warwickshire Justice Centre
2. St Nicolas Parish Church
3. George Eliot Memorial Gardens
4. Nuneaton Museum & Art Gallery
5. Riversey Park
6. Town Hall
7. Ropewalk Shopping Centre
8. Abbeigate Shopping Centre
9. Nuneaton Railway Station



<b>Railway Gateway</b>	<b>HA</b>
Area in Council Ownership	0.18
Area in Network Rail Ownership	0.15
Potential Land Assembly	1.28
<b>Total Site Area</b>	<b>1.61</b>

**Potential character:** Gateway square, Transport interchange, Parking  
**Key uses:** Transport hub, Parking, Gateway Square

<b>Bus Station Site</b>	<b>HA</b>
Area in Council Ownership	1.65
Potential Land Assembly	0.0
<b>Total Site Area</b>	<b>1.65</b>

**Potential character:** Mixed use development  
**Potential anchor uses:** Bus station reconfiguration, Retail, Leisure, Food & Drink, Apartments

Figure 1

has approximately 182,000 visits per year which is a big contribution to the number of visitors in the town; a new offer in a better location is expected to really increase the town centre's vitality.

- 1.7. Specifically, delivery of the new public sector building is expected to generate, over the next 10 years:
- Create 200 jobs in the business centre and café over and above existing library jobs
  - Support 120 businesses through the provision of office accommodation and WCC business support, particularly important for new start-ups and those expanding
  - Bring £15.8m to the local economy in Gross Value Added
  - Generate gross revenue income of circa £ 490,000 per annum from Business Centre and café when target occupancy is achieved.

## **2. Key Issues**

- 2.1. Nuneaton town has several issues facing it which effect the growth of the local economy and its long-term sustainability. These are described below.
- 2.2. Socio-economic factors: Nuneaton is the largest town in Warwickshire but performs especially poorly economically and socially. For example, comparator statistics show that the number of jobs per person in Nuneaton & Bedworth is 0.6 whereas in Warwick District it is 1.16, and Gross Value Added per head (2015) is £33,660 in Warwick District and £15,830 in Nuneaton & Bedworth. Nuneaton and Bedworth have the highest levels of deprivation across Warwickshire and NBBC ranks as the 111th most deprived Local Authority District nationally (out of 326). Six Super Output Areas within Nuneaton and Bedworth are in the top 10% most deprived nationally including one in Abbey ward which covers the town centre.
- 2.3. Town Centre Diversification: The town centre is heavily reliant on retail (currently 58% of units) which, in the current climate, is not sustainable and so it needs to diversify its offer. The vitality and viability of the town centre is affected by the low level of office and residential accommodation available – this limits investment from new businesses locating to the town centre and reduces the number of people using the centre, especially in the evening and night time. Figures from the Rope Walk shopping centre in Nuneaton show a decline of nearly 13% in footfall between 2016 and 2018 and a 29% drop since 2008/09. The Coventry & Warwickshire Sub Regional Employment Market Signals Study (2019) states “Businesses, especially new-start businesses with high growth aspirations, are struggling to find premises with suitably flexible leases, which will allow them to expand or move-on within a few years (or even sooner) if they achieve their rapid growth aspirations. The provision of small-scale flexible office accommodation within inner urban areas across the sub-region should be a priority going forward.”
- 2.4. Town Centre Investment: Nuneaton does not attract the same level of investment from the private sector as other areas of the county. Land values and market conditions mean that private investors are not choosing the town as a location for

development. Current void units within the town centre area equate to 14% of the total commercial ground floor space. Level of dis-investment are illustrated by the following changes affecting Nuneaton in recent years:

Disinvestment	Date	Details
Marks and Spencers	2011	2648sqm. Reopened as Poundland in 2013.
Pizza Hut	2013	Abbey Street restaurant closed. Returned in 2017 as a takeaway on Queens Road.
BHS	2016	3750sqm of prime retail space
Heart of England Department Store, food store and HQ offices	2016	
Saints Bar	2016	Café bar closes
Store 21	2017	
Maplins	2018	379sqm in prime retail location. Company nationally went into receivership and closed stores across UK.
Royal Bank of Scotland	2018	National consolidation.
Blue Inc	2018	Ropewalk based, part of problems with whole company.
Toni & Guy	2018	
The Bakery	2019	Opened in 2018. Community company
Topshop	announced June 2019	<a href="https://www.bbc.co.uk/news/business-48510300">https://www.bbc.co.uk/news/business-48510300</a>

### 3. Options and Proposal

- 3.1. The proposal is to deliver a new library, business centre and cafe building in Nuneaton town centre to act as a catalyst for the regeneration of the town. The building's location has been chosen to allow it to act as an anchor at a prominent position to drive footfall through the town. The funding is requested from within the existing notional Capital Investment Fund (CIF) allocation reserved for the Transforming Nuneaton programme.
- 3.2. The café, library and the business centre entrance will provide activity at ground level whilst the office accommodation occupies the upper three floors. The footprint of the office floor plates is an efficient L-shaped plan with a central circulation with offices either side. This is broken up with meeting and breakout spaces that could be converted to office accommodation if required. At mezzanine / first floor level, library staff will overlook the main double-height library space, whilst above this a roof terrace will provide amenity space to office users. A large circular roof light will provide excellent daylighting into the heart of the building. Images of the proposed building and its location in the town are shown below in figures 2 – 4; see appendix for the full details of the building design.

**Figure 2: Location of proposed new building:** site of current Wilkos, Powell House and post office – end of Bridge Street currently being bought by WCC using CWLEP funds

Plot of new building



**Figure 3: Proposed new building - pedestrian view**



**Figure 4: Proposed new building - aerial view**



- 3.3. The new building will provide the library service with a new, state-of-the-art facility which will have flexible space across most of the ground floor of the building. It will have the same floor space as the existing Nuneaton library, to enable delivery of all the key services provided by the Library service as well as accommodating pods for registration services, meeting rooms, make a space and informal event space. It will be well lit through a large roof light and have accessible facilities for all. It will be complemented by a café which will be sited in one corner allowing for interaction between the spaces whilst also being able to operate independently if opening hours differ.
- 3.4. The building has been designed to enable maximum flexibility in how space is used. The floor plate for the ground floor is, apart from plant rooms, a flexible space which can be adapted as plans become firmer about how the Library Service and WCC look to use it; equally the first floor provides space which provides an opportunity for wider WCC services to be delivered from here. Further work will take place to explore opportunities with other WCC services, for example children centre services, to maximise the opportunity of a new public sector building in the heart of the town centre.
- 3.5. The current Library and Information Service is moving towards a Community Hub Model working with Partners and delivering more events and activities and becoming a destination for the community and visitors. The service aims to create

opportunity for all citizens of Warwickshire through information learning and inspiration, promote literacy skills and an appetite for reading and learning, widen participation and demonstrate impact of libraries in supporting learning and **provide library premises and services** that meet the needs of 21st century communities.

- 3.6. The development of a new Business Centre on the top floors aims to provide modern, quality, well serviced, flexible business accommodation with car parking, generally not available within the town centre currently. The development of a new Centre aims to:
- Address the failing office market – new office development is not currently viable, so public sector intervention is necessary to strengthen and develop a more vibrant office market;
  - Support the growth of smaller businesses through the provision of suitably sized office space and WCC Business Support services;
  - Create an environment for networking and new partnership working;
  - Stimulate the market for larger spaces and justify development of more private led business accommodation; and
  - Increase viability of other sites in the Town Centre through this direct development and establishing higher accommodation standards.
- 3.7. This is in line with WCC's Business Centre Strategy, which has a vision "to have a network of Business Centres within Warwickshire which, while continuing to be cost neutral to the County Council, provide appropriate and flexible workspace for new, early-phase and growing businesses in a supportive environment. We do this to help to pro-actively stimulate and support increased dynamism and entrepreneurialism within under-performing economic areas, generating increased economic activity, employment and prosperity." A previous review of WCC's business centres had recommended that WCC "explore the potential to invest released funds both in the development of the existing portfolio and development of new centres, therefore creating more accommodation suitable for start-up and SME businesses."
- 3.8. The business centre will comprise of approximately 68 highly flexible offices focussed at small start-up enterprises. They will range from two desk offices to 7-9 desk offices alongside break-out, collaboration space which has been recognised as a highly effective way of bringing young businesses together.
- 3.9. The building is being designed to BREEAM Good standard; at the next design stage (RIBA 3) it is intended that detailed low and zero carbon technology reviews will be held by the design team. This will include exploring the zones on the building where photovoltaic panels could be introduced. The scheme also includes an allowance of for electric vehicle charging points in the cost plan and showers and allowances for cycle stores are also included.
- 3.10. The full breakdown of the building GIFA of 4,124 m<sup>2</sup> is:
- Ground Floor (1531m<sup>2</sup>)
    - Nuneaton Hub Library including book loan service, Let's Make - technology spaces (including 3D printers, virtual and augmented reality,



robotics, coding and programming), children's area, George Eliot collection

- Café – to be run by a private business
- Changing Spaces facility – a fully accessible changing / toilet facility for adults with disabilities, the first in the town centre.
- Storage, plant and service access
- First Floor (825m<sup>2</sup>)
  - WCC Office space for library service, hot desking facilities and other services, in a flexible space which overlooks the main library
  - Business Centre offices / reception
- Second Floor (873m<sup>2</sup> + 764m<sup>2</sup> roof terrace)
  - Business Centre including offices and collaborative working areas
  - Roof Terrace > for events, meeting space, environmental feature
- Third Floor (873m<sup>2</sup>) (plus roof plant area 22 m<sup>2</sup>)
  - Business Centre

3.11. An initial equality impact assessment has been carried out to identify any potential impacts the building may have on protected groups. This assessment will be continually reviewed as the design work enters its final stages and will aim to ensure opportunities are maximised (e.g. installation of a changing place facility) and any potential negative impacts are mitigated against.

3.12. The proposal has been developed jointly by Communities and Resources in recognition that the potential of this new building has benefits for the town centre itself, economic growth, local communities, the council's assets, and service delivery.

3.13. The new building will:

- Become a new landmark building, which will create additional footfall in the town centre: the current library is in a building that sits on a corner out of sight of the main retail area. In a more prominent location with the addition of a business centre, it will provide a greater number of visitors through new business owners/staff and library/café customers.
- Free up a key site for future development: by moving the library service to a new building its current site at a gateway point on the ring road will be available for private sector development.
- Contribute to a wider uplift in value of WCC land in the area, thereby increasing WCC's asset base. The land value is currently low; by proactively investing in the area and demonstrating a market for development the value of the land should increase.
- Stimulate the local economy by introducing grade A offices in the town centre where currently there are none. The business centre would be run as part of WCC's existing business centre portfolio and generate a revenue income for the organisation once it is established.

3.14. Within the Strategic Business Case for the new public sector building, option analyses for scope ("what"), solution ("where"), delivery ("who"), implementation and funding were carried out. Options were assessed against critical success criteria (business needs, strategic fit, benefit optimisation, potential achievability, ability of the market, and the organisation could fund the required

level of expenditure) and investment objectives (enable and provide a catalyst for change and improve return on investment through efficiencies and opportunities for income generation initiatives).

- 3.15. Financial modelling showed that private developers would not find the scheme commercially viable as current low land values do not provide the levels of developer profit required by the market. Instead WCC is proposing to retain ownership of the site and develop the building itself. Development of land owned by the public sector to attract future private development is a well-documented way of subsequently bringing in private investors. Case studies show that public sector intervention by way of developing a new public building successfully bring in further private sector investment, for example:
- Southwater One: As part of plans to regeneration Telford town centre and the shopping centre Telford and Wrekin Council developed a new library which led to the private sector investing in residential and retail in the immediate vicinity <http://www.telford.gov.uk/Southwater/>
  - Barnsley: The Library @ the Lightbox forms the cornerstone of the wider town centre redevelopment, which has already seen the transformation of the famous Barnsley Markets. Future plans also include a Cineworld, Superbowl UK, 26 new shops, seven family-friendly restaurants and high-quality public realm improvements <https://theglassworksbarnsley.com/news/library-the-lightbox-opens-as-a-cornerstone-of-the-glass-works/>

## 4. Risks

A full risk register has been established for the project and will be continually reviewed as it moves forward. Key headline risks to WCC are summarised below:

<b>Risk 1: Increase in project costs due to increases in build costs, demolition costs escalating due to currently unknown issues within the buildings, or flood mitigation measure costs increasing if the flood zone areas change.</b>	
Impacts	Mitigations
<ul style="list-style-type: none"> <li>• Impact on deliverability, possible reduced / changed building which may not deliver desired outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• Costs based on RIBA stage 2 designs which is a known gateway for reaching reasonably robust costs.</li> <li>• Work with the Flood Management Team and Environment Agency to ensure design meets planning requirements.</li> <li>• Contingency has been built into the costs for the building at this stage (10%) allowing for final technical design to be completed in RIBA stage 3 /4 and costs to be finalised. See section 6.3 for detail on contingency costs.</li> </ul>

<b>Risk 2: Planning Application for the new building is refused or severely delayed due to objections</b>	
<ul style="list-style-type: none"> <li>• Delay in delivery due to a need to re-apply with revisions</li> <li>• Additional costs incurred due to the need for revisions</li> </ul>	<ul style="list-style-type: none"> <li>• Experienced design team are in place to develop a scheme which works within the identified site.</li> <li>• Preliminary conversations have taken place with the planning authority</li> <li>• Once agreed as a project a clear communication and engagement strategy will be developed to work with the community on this project</li> </ul>
<b>Risk 3: Delay in land assembly due to the need for CPO and or objections received – key risk relating to re-location of Royal Mail and timescales/costs</b>	
<ul style="list-style-type: none"> <li>• Delay in site preparation and starting construction</li> <li>• Impact on funding spend – risk of losing LEP funds if not spent in required timescales</li> </ul>	<ul style="list-style-type: none"> <li>• Extensive voluntary negotiations with landlords and tenants have taken place</li> <li>• Two key buildings acquired to date; third property price agreed.</li> <li>• CPO authority received from WCC Cabinet for full development site.</li> </ul>
<b>Risk 4: Business Centre does not acquire tenants as predicted</b>	
<ul style="list-style-type: none"> <li>• Income levels for WCC are not as predicted and affect cashflow</li> <li>• Number of new businesses and jobs into the town are lower than anticipated.</li> </ul>	<ul style="list-style-type: none"> <li>• Currently two cashflows have been developed looking at different occupancy levels to assess the impact of a slower uptake of office space. These show how income will be affected and will enable the Service area to plan accordingly.</li> <li>• Predicted uptake has been based on the occupancy levels of an existing WCC business centre (Eliot Park), enquiries being received by the service area and inward investment and what the industry would use as reasonable occupancy level (85%)</li> <li>• A full marketing campaign will be launched at the appropriate time to 'sell' the centre / office space.</li> </ul>
<b>Risk 5: Project Management and governance - capacity of PM and/or project team is affected leading to an effect on delivery of project</b>	
<ul style="list-style-type: none"> <li>• Delay in timeline of project</li> <li>• Limited engagement of key stakeholders moving forward, leading to minimal buy-in to project</li> <li>• Effect on cost and or deliverables</li> </ul>	<ul style="list-style-type: none"> <li>• MACE have been appointed to act as Project Manager</li> <li>• Transforming Nuneaton Programme Management Structure in place</li> <li>• Project Officer Group proposed for every day delivery needs</li> </ul>
<b>Risk 6: Legal implications of running a business centre - ensuring compliance with state aid and income generation requirements</b>	
<ul style="list-style-type: none"> <li>• Restricts the running of the business centre in terms of rents, target audience and</li> </ul>	<ul style="list-style-type: none"> <li>• Initial advice on state aid has been provided when purchasing the proposed site; recommended that further advice is obtained prior to contracts being signed.</li> </ul>

<p>therefore the level of income generation</p> <ul style="list-style-type: none"> <li>Limits how the space could be used in the future.</li> </ul>	
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## 5. Capital Investment Fund (CIF) Panel Assessment

- 5.1. Overall the bid scored 81.8/100, scoring particularly well on both the alignment to WCC's core outcomes and on political, social and environmental impacts. Individual sections scored as follows:
- Alignment with the organisation's core outcomes - 19.2/20
  - Warwickshire's economy is vibrant and supported by the right jobs, training and skills and infrastructure - 21.6/30
  - Financial Viability - 31.2/40
  - Political, Social and Environmental impact - 9.8/10
- 5.2. The panel felt that the level of detail in the bid and supporting appendices was appropriate for the balance of funding requested and the panel was happy to see that the project had successfully progressed to this stage. An extensive options appraisal contributed proof that the scale of the investment is necessary, this was particularly important as it was evident that WCC needed to prove externally they would take the risk in order to be the catalyst for further private sector investment in the town. The scale of the public sector investment has been sufficiently justified given the need to support the Council's strategic aims in the current economic climate.
- 5.3. Due care and attention around risk was evident in the bid with an extensive (construction phase) risk register which needs to be continuously monitored (and developed further for other risks). The panel could not identify evidence for the consideration of optimism bias however an appropriate 10% contingency has been provided which the panel felt was appropriate for the nature and scale of the project. Given that capital projects historically tend to have higher outturn costs than budgeted the contingency was deemed to be sufficient given the information provided and the basis of the costings.
- 5.4. Cost escalation remains a significant risk requiring the highest management. Reassuringly, costings for both capital and revenue are understandable and reasonable, with revenue costings developed in house based on existing knowledge and capital costings provided by the external project manager based on experience of similar projects and timescales.
- 5.5. The panel considered the project management (including contract management) costs and whether this could be delivered by an in-house team rather than the proposal to outsource the majority of this. However due to the scale and nature of the project the panel were satisfied that the external project manager's expertise is required but the panel agreed that the contract relationship with the external project managers needs to be managed effectively to ensure Value for Money for the whole project.

- 5.6. The panel did identify several tax and legal issues which had to be addressed, however, the panel agreed upon advice that there were no legal obstacles to this project going through CIF at this stage, but there are some areas that should be on the collective radar and resolved in due course particularly on the legal implications for income generation and state aid.
- 5.7. VAT issues have been considered and advice provided by Finance to the service. Some queries on VAT implications depend on whether WCC owns elements of the site and on whether VAT will take effect if a Compulsory Purchase Order was used to secure the site together with the resulting Stamp Duty Land Tax. There were also queries over the possibility of a land swap and the possible VAT implications surrounding this arrangement. VAT on income issues relating to income on the library, café and business centre have been raised with the service together with advice provided on the options available to WCC to mitigate these risks. The service has been working closely with Finance to mitigate any risks arising from the tax position and should continue to do so throughout the project.

## 6. Financial Implications – Capital

- 6.1. The budgeted construction cost is £19,922,732 – this is a fully inclusive cost including demolition, furniture, fixtures and equipment, ICT and all fees. £500,000 of demolition cost is covered by the LEP Growth Fund already secured. This will continue to be accounted for within the existing project in the capital programme (Transforming Nuneaton, project number 11611000) to ensure a clear auditable trail for the LEP funds. The net CIF requirement is therefore £19,422,732.

	2019/20 £	2020/21 £	2021/22 & later £	Total £
Construction including demolition		500,000	14,381,427	14,881,427
Inflation (Q1 2022)			818,479	818,479
Project / Design fees	231,061	771,314	1,152,750	2,155,125
Other development / project costs			1,119,000	1,119,000
Client contingency			948,701	948,701
<b>Total Capital Cost</b>	<b>231,061</b>	<b>1,271,314</b>	<b>18,420,357</b>	<b>19,922,732</b>
Less: external funding secured: LEP funding		500,000		
<b>Capital Investment Fund requirement</b>	<b>231,061</b>	<b>771,314</b>	<b>18,420,357</b>	<b>19,422,732</b>

6.2. This budgeted cost is comparable to the construction cost of Southwater One, Telford & Wrekin Council's flagship Library and office building, also including a café.

6.3. The current cost plan provides for:

Client contingency	£948,701
Main contractors risk budget	£277,893
<u>Design Development Risk</u>	<u>£708,628</u>
Total contingency	£1,933,097

This equates to approximately 10% contingency.

6.4. Advice had been sought on the VAT implications of the project. An initial appraisal has taken place and it is anticipated that all VAT on the build costs should be reclaimable as long as this is closely monitored as the scheme progresses and any material changes will be considered within the context of this.

## 7. Financial Implications – Revenue

7.1. The Business Centre aims to generate enough income to cover all operational / revenue overheads and surplus income for WCC. Figures below show calculations for annual figures based on an 85% occupancy rate. It is anticipated that this level of occupancy could be reached within 5 years based on other WCC facilities.

Rental income	£	448,290
Broadband recharge	£	20,000
<b>Total income</b>	<b>£</b>	<b>468,290</b>
Estimated operating costs	- £	250,000
<b>Potential surplus income</b>	<b>£</b>	<b>218,290</b>

7.2. It is estimated that a café operator could generate a further £20,000 - £30,000 p.a. depending on the final design / size of the café area.

7.3. The library service will be accommodated in a facility which is the equivalent size of the existing library. It is therefore not anticipated that on-going revenue costs are more than current, and it is highly likely that they will reduce based on a new building having significantly lower maintenance costs and being much more energy efficient. A full analysis will be completed at RIBA stage 3 when the running costs of the new building will be calculated based on final technical details including heating / ventilation systems and building materials.

7.4. Revenue costs will be incurred for the moving of the library from the old library to new; these costs have been estimated within the project cost plan and will require further refinement as the project details are confirmed. It is recommended that the first call on the revenue income generated (described above) is therefore used to

re-pay reserves that may be needed to temporarily meet these upfront project costs.

## 8. Timescales associated with the decision and next steps

The high-level delivery programme is:

<b>Milestone</b>	<b>Date</b>
Funding Package Approved	December 2019
Commission MACE for next stage	January 2020
RIBA Stage 3 (developed design) Complete	April 2020
Land assembly complete (without CPO)	June 2020
Land Assembly complete (with CPO)	January 2021
RIBA Stage 4 (technical design, planning and procurement) complete	January 2021
<b><i>The following stages could be delayed if CPO is needed</i></b>	
RIBA Stage 5 (Construction) Start	January/February 2021
RIBA Stage 5 (Construction) Complete	April 2022
RIBA Stage 6 (Handover and Close Out)	June 2022
Library Opens	Autumn 2022
Business Centre Opens	Autumn 2022

## Background papers

None

Appendix: MACE New Build Presentation Slides

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The report was circulated to the following members prior to publication:

Local Member: Councillor Olnor

Other members: Councillors Warwick, Boad, Chattaway, Chilvers, O'Rourke, Seccombe, Singh Birdi