
**BELASIS OFFICE ACCOMMODATION – APPROVAL TO RELEASE
PRELIMINARY PHASE FUNDING OF GROWING PLACES**

**Responsible Cabinet Member –
Councillor Chris McEwan, Economy and Regeneration Portfolio**

Responsible Director – Richard Alty, Director of Place

SUMMARY REPORT

Purpose of the Report

1. The purpose of this report is to seek Cabinet approval for the allocation of £188,000 of Growing Places Fund to fund the preliminary phase on the understanding that the risk is carried by the fund itself.

Summary

2. This report details the progress made in bringing forward a proposed speculative office accommodation development on Belasis Business Park in Stockton. It describes how the project will be managed and overseen through each phase of its development and how this will feed into any final decision making by the Tees Valley Local Authorities through their cabinets.
3. The budget envelope for the project is £3.6 million and is expected to be covered by a Growing Places (GPF) loan and an ERDF grant. However, there are costs associated with the preliminary phase of the development which will be incurred before funding is formally in place.
4. It is proposed that GPF be used to pay for all costs incurred in the preliminary phase of the development which are estimated to be no more than £188k. GPF funding is not ring-fenced and consequently there are no restrictions in how the fund is managed or spent other than those arrangements which are agreed locally.
5. Leaders and Mayors at the TVU Leadership Board meeting on 28th November 2012 agreed to support the project in principle; they also acknowledged that over the coming months, costs will be incurred which will have to be borne by the fund in advance of formal consideration at the LA Cabinet meetings. Without this happening it is highly unlikely the project will be able to make sufficient progress in order to secure full funding for both ERDF and GPF.

6. It was agreed at the Leadership Board meeting that, until formal consideration by each of the Tees Valley Local Authority Cabinets, the project would be carefully overseen and reviewed by the Chairman, the Managing Director of TVU and the Chief Executive of Stockton Borough Council to ensure that costs and risks are minimised over this period.
7. Consequently it is requested that Cabinet formally approves the allocation of £188k of GPF to fund the preliminary phase on the understanding that the risk is carried by the fund itself; this means that if the development does not progress to delivery stage the money would be lost for future investment into other potential GPF projects.

Recommendations

8. It is recommended that Cabinet:-
 - (a) Note the contents of the report.
 - (b) Formally approves the allocation of £188k of GPF to fund the preliminary phase of Belasis Business Accommodation on the understanding that the risk is carried by the fund itself.
 - (c) Note that if the development does not progress to delivery stage the money would be lost for future investment into other potential GPF projects.

Reasons

9. The recommendations are supported by the following reasons :-
 - (a) To enhance the environmental, social and economic well-being of the Tees Valley.
 - (b) To support actions to support the Tees Valley Enterprise one and delivery of the Tees Valley Statement of Ambition.

Richard Alty, Director of Place

Background Papers

No Background papers were used in the preparation of this report

John Simpson : Extension 2681

S17 Crime and Disorder	The project is located in the borough of Stockton-on-Tees and will not directly impact on Darlington crime and disorder
Health and Well Being	The project is located in the Borough of Stockton-on-Tees and has no direct impact on Darlington health and wellbeing
Carbon Impact	The project is located in the Borough of Stockton-on-Tees and has no direct impact on Darlington
Diversity	The project is located in the Borough of Stockton-on-Tees and has no direct impact on Darlington
Wards Affected	The project is located in the Borough of Stockton-on-Tees and has no direct impact on Darlington
Groups Affected	The project is located in the Borough of Stockton-on-Tees and has no direct impact on Darlington
Budget and Policy Framework	Funding will be from Growing Places Fund funding allocated to Tees Valley and has no direct impact on Council budgets
Key Decision	The project is not considered a key decision
Urgent Decision	No
One Darlington: Perfectly Placed	The project is located in the Borough of Stockton-on-Tees and has no direct impact on Darlington
Efficiency	The project is located in the Borough of Stockton-on-Tees and has no direct impact on Darlington

MAIN REPORT

Information and Analysis

10. Tees Valley Enterprise Zone is a key initiative that has been developed by Tees Valley Unlimited and the five Tees Valley local authorities to deliver Tees Valley's economic Statement of Ambition. The Enterprise Zone comprises "8 government funded" sites. Four of the sites are designated as Enhanced Capital Allowance (ECA) sites which are focused on creating the right environment for larger businesses to invest in major capital equipment. A further four sites are designated as Business Rates Relief (BRR) sites which are considered a being attractive to smaller to medium sized companies (SMEs) seeking to grow in the Tees Valley priority sectors. The business rates generated by new businesses that locate within the Enterprise Zone will create an income stream which is intended to create an Investment Pot from which Darlington and the other Tees Valley local authorities will benefit on the "locally funded" EZ sites.

11. The proposed development would see the construction of a 20,000 sq ft building to provide 17,500 sq ft of speculative office accommodation to meet future demand. Land that has been potentially earmarked is ready for immediate development and already has access roads, utilities and landscaping in place. Indeed, subject to completing the preliminary phase and having detailed evidence of a viable project and funding secured, it is expected that the project would be able to commence in June 2013 and be completed by June 2014; this would leave just under a year to secure the Enterprise Zone benefits on offer to both the businesses and to TVU in the form of securing additional business rate funds from government.
12. The budget envelope for the project is £3.6 million and will be funded through and ERDF grant and a GPF loan (which would be paid back through rental income and business rates uplift generated by the new building). So far the project has been supported in principle by TVU Leadership Board members for GPF and has been invited to submit a full business case to secure ERDF funding by February next year. This will ensure that the building will secure the necessary funding in time to build the development and have it ready for occupation before April 2015, allowing any new occupants to potentially benefit from business rate discount incentives available.
13. The detailed arrangements for management of this project have not yet been determined. It is possible that the building will be run as a shared asset of the five local authorities and managed by Stockton on behalf of the five local authorities, with all risks jointly shared. However, no decision is required on that at this stage and a further report will be brought to the TVU Leadership Board, and through relevant Council decision-making processes, after the preliminary phase is completed; it will set out the detailed proposals for how risks would be managed, shared and mitigated so that a decision can be taken at that stage on the best way forward.

Project Management

14. TVU is leading this development and has set up a Project Management Team to oversee the detailed development of this project. The team consists of TVU staff (including the Enterprise Zone Project Manager, a GPF advisor and an ERDF advisor), plus staff from Stockton Borough Council (which include finance, capital projects, estate management, quantity surveying and legal).
15. The Project Management Team will feed up monthly to both TVU Management Group and Tees Valley Chief Executives on project progress and developments. With the proposed scheme potentially being a shared asset these groups will ensure the proposal is steered in a way which ensures the final proposal will be acceptable to each Local Authority before final consideration and decision-making at Local Authority Cabinets in March and April next year.

Project Costs & Funding Approval for Preliminary Phase

16. The budget envelope for the project is £3.6 million. However, there are costs associated with the preliminary phase of the development (which consist of feasibility, planning and design costs) which will be incurred over the coming

months prior to the project being formally approved for ERDF and GPF funding and therefore the project has a cash flow issue which needs to be addressed.

17. It is proposed that GPF is used to pay for all costs incurred in the preliminary phase of the development, up to a total of £188k. Leaders and Mayors at the TVU Leadership Board meeting on 28th November 2012 agreed to support the project in principle; they also acknowledged that over the coming months, costs will be incurred which will have to be borne by the fund in advance of formal consideration at the LA Cabinet meetings.
18. It was agreed that until formal consideration by the LA Cabinets in January 2013 the project would be carefully overseen and reviewed by the Chairman, the Managing Director of TVU and the Chief Executive of Stockton Borough Council to ensure that costs and risks are minimised over this period.
19. Consequently it is requested that the Cabinet formally approves the use of £188k of GPF to fund the preliminary phase on the understanding that the risk is carried by the fund itself; this means that if the development does not progress to delivery stage the money would be lost for future investment into other potential GPF projects. Without this agreement the project will not be able to progress to secure full funding for both ERDF and GPF.
20. Cabinet is asked to note that this arrangement has no impact on any other existing GPF project already selected for funding.
21. It should be noted that all preliminary costs will be considered under a due diligence exercise and must demonstrate value for money before the funding is released to undertake the preliminary phase work and consequently costs may reduce slightly.

Risks and Mitigating Action

22. There are a number of key risks associated with this project however the Project Management Team together with TVU Management Group and Chief Executives will closely monitor the risks and instigate mitigating action, where required. During the preliminary phase this will be overseen by the TVU Chairman and the Managing Director and the Chief Executive of Stockton Borough Council.
23. There are two key direct risks associated with the preliminary phase funding of £188k:
 - (a) Firstly, the timeframe for completing the preliminary phase in order to secure ERDF funding is extremely tight (by 28th February 2013). However a detailed project plan is being drawn up by the project team to identify what needs to be done and by when to ensure all key work is undertaken within the agreed timescales.
 - (b) Secondly the £188k will be used to assess the viability and deliverability of the project; therefore this funding will be used to scope out whether to invest further in the project, and the best way in which to do this. There is no

mitigation as such for this risk, except that the project team will closely monitor on how the project is developing and ensure spend is only incurred when required, and this will be overseen as a senior level.

- (c) Other risks are linked to the future delivery and management of the project and will be properly scoped out through the preliminary phase. As detailed under 1.3 the arrangements for delivering and managing this project will be determined in the preliminary phase and a report will be presented to the TVU Leadership Board, and through relevant Council decision-making processes. The report will set out the detailed proposals for how risks would be managed, shared and mitigated so that a decision can be taken at that stage on the best way forward.

Final Funding Approval for Project Delivery

- 24. Any further drawdown of GPF to deliver the building will be subject to approval at Local Authority cabinets throughout March and April, based on all evidence gathered through the preliminary phase which will need to demonstrate a viable and deliverable project which can be fully supported by ERDF and GPF funding.
- 25. All costs incurred to date by GPF for funding the preliminary phase will be incorporated into any future loan agreement for the project. It is also important to note that these costs must be shared with ERDF where eligible in order to ensure the GPF funding envelope is maintained.
- 26. It is therefore proposed that the project goes to all Local Authority cabinets for approval for GPF funding throughout March and April, with ERDF approval expected in May.