

Report to:	CABINET
Date:	18TH SEPTEMBER 2023
Heading:	APPROVAL TO PURCHASE A SITE AT LOWMOOR ROAD FROM NOTTINGHAMSHIRE COUNTY COUNCIL (NCC) BY ASHFIELD DISTRICT COUNCIL (ADC)
Executive Lead Member:	CLLR RACHEL MADDEN, EXECUTIVE LEAD MEMBER FOR FINANCE, REVENUES AND BENEFITS
Ward/s:	ALL
Key decision:	YES
Subject to call-in:	YES

Purpose of report

To seek the support of the Cabinet to the proposed Heads of Terms (HOTs) for the purchase of the Lowmoor Road site for the development of the Ashfield Innovation & Technology Park (AITP) and within it, the Automated Distribution & Manufacturing Centre (ADMC).

Recommendation(s)

- I. Support be granted to progress the purchase of the Lowmoor Road site from NCC, in accordance with draft Heads of Terms (HOTs).
- II. Delegated authority be granted to Executive Director Place, in consultation with the Executive Director Governance, Corporate Resources Director and Executive Lead Member for Finance, Revenue and Benefits to complete the purchase of the Lowmoor Road site from NCC in accordance with the draft HOTs set out in the report.
- III. This report be referred to the next meeting of the Full Council for funding approval on 25th September 2023.

Reasons for Recommendation(s)

Two sites were identified for the potential construction of the ADMC. Site A is on Lowmoor Road, opposite Sutton Parkway, and site B is southeast of Oakham Business Park.

Site A is the preferred location for the development of ADMC, and as well as a regional Innovation and Technology Park because of its size, strategic location, transport links, proximity to Vision West Notts. College and neighbouring industrial clusters. It is proposed that the latter development is named, Ashfield Innovation & Technology Park, (AITP for short), for the purpose of consulting Council's strategic partners on its branding.

Site A is owned by NCC, and ADC has been in negotiations to purchase this site both for the AITP and ADMC. This has culminated in HOTs being offered following detailed negotiations between the two Councils. As this information is commercially sensitive, this is included in the Exempt Appendix A, along with a summary of the basis on which the terms are considered acceptable to ADC.

Also shown in the Exempt Appendix B are cashflow projections.

(Exempt Appendices)

Alternative Options Considered

Site B was considered, and it has been discounted for the reasons set out in the report.

Detailed Information

The construction of ADMC is a flagship Towns Fund project to support the adoption, integration, and expansion of modern technologies amongst local regional businesses to improve productivity and competitiveness.

£20 million has been secured from Ashfield's Town Fund Deal, as a part of a £30 million investment to create a nationally and potentially internationally recognised centre, mirroring the UK's existing Catapult Centres. The centre has the support of Innovate UK, D2N2, LEO, Make UK and the MTC.

The ADMC is a circa 4000m² purpose built, multi-function centre, with space allocated for:

- research and development
- new product development and testing
- education and skills development
- technology showcasing
- networking, collaboration, and event hosting

It will encompass researchers, engineers, technical experts from a range of partners, stakeholders, and entrepreneurs.

The construction of ADMC is due to start in 2024.

Site A being larger than site B lends itself to be developed as the AITP and become an investment destination for high-tech industrial clusters in sectors such as, aeronautics, robotics, biosciences, engineering, and manufacturing into the area.

It has the potential to become a renowned destination for inward investment, bringing economic prosperity and well-paid jobs to the area, and thus become a centre of excellence, both nationally and potentially internationally. The whole site will be a £100 million plus development, attract inward investment and create higher economic growth opportunities for residents of Ashfield.

Cashflow Projections

A cashflow of the forecast project developments is summarised below.

The Towns Fund Income has the following profile:

2023/24	£30.6million
2024/25	£15.0million
2025/26	£3.8million

For this exercise, it has been assumed that the required level of spend will be a maximum of 80% of the Towns Fund income above can be achieved for each of the 3 years. This leaves a residual 20% amount of Towns Funding available to fund the initial land and phase 1 infrastructure costs in the short term. The cashflow model also assumes forward land sales of plot 2 (including the acquirer meeting infrastructure costs) and a capital receipt of £900k from a land sale outside of this development specifically earmarked in the short term to mitigate borrowing costs.

The above results in estimated short-term borrowing costs being incurred for the 3-year period 2023/24 to 2025/26 of £249K. This is a conservative estimate, as it could be the actual spend on the programme is lower, which would reduce the overall level of temporary borrowing required. This is possible because of the exceptional funding ADC has been able to secure from the Government to improve economic prosperity for residents of Ashfield.

From year 3 onwards the ADCM is expected to yield annual income of £302K; and £2.279 million cumulatively by year 10.

Risks and Mitigation

Risk	Mitigation
Like any construction project, there may well be increased infrastructure costs or lower income from ADCM.	Fixed price/target cost contracts, allowance for contingency, and with built-in value engineering, control over contract variations, and specifications as required.
The funding strategy for Phase 2 Infrastructure costs are contingent on forward sales, and/or rental income.	There is high demand for sites like Lowmoor. A local company has already expressed a strong interest in this site and once the site is secured, then the opportunities for sale of units of land can be actively pursued. If there is insufficient demand or a delay in demand this will require additional short-term borrowing to be incurred.
Shortfall in income	ADCM will be underpinned by research-based data of demand and supply to maximise effectiveness of the marketing strategy. Market research indicates there is a high level of commercial interest in the development.

Landbank	Given the rising interest rates and how long it may persist there may well be a delay in forward sales of units on the wider AITP. However, the cost of landholding should be covered by ADMC, and increase in the value of commercial land. (It should be noted that any growth in land value above that agreed in the HOTs would be split equally between ADC and NCC).
----------	---

Implications

Corporate Plan:

The development of the AITP and ADMC will play a key role in bringing economic growth and new investment opportunities that will benefit businesses and residents of Ashfield, create higher paid jobs and education and learning opportunities. These developments will be central to achieving the Council's ambition of making Ashfield a destination of choice for business and visitors, and a desirable place to live for all residents.

Legal:

Legal support and advice will be provided in relation to the proposed acquisition. The County Council's title has not been reviewed yet. [RLD 11/08/2023]

Finance: As set out in the body of the report and the table below. [PH 15/08/2023].

Budget Area	Implication
General Fund – Revenue Budget	<p>ADMC specific project - £1m Towns Fund revenue to support revenue costs of this project prior to opening.</p> <p>Wider AITP scheme - Estimated short-term borrowing costs of £249k for the 3-year period 2023/24 to 2025/26.</p>
General Fund – Capital Programme	<p>ADMC specific project - £19,483,141 funded by £19,483,141 Towns Fund Capital funding.</p> <p>Wider AITP scheme - £13.222m – to be funded from 2023/24 to 2025/26 by internal borrowing. Residual borrowing for this period would be £4.288m incurring the £249k revenue costs above.</p>
Housing Revenue Account – Revenue Budget	N/A

Housing Revenue Account – Capital Programme	N/A
--	-----

Human Resources

No HR implications [KB04/09/2023]

Equalities:

Not applicable.

Reason(s) for urgency

Not applicable.

Background Papers

Not applicable

Report Author and Contact Officer

Jas Hundal
INTERIM EXECUTIVE DIRECTOR, PLACE

jas.hundal@ashfield.gov.uk

