

Committee:	Council	Date:	
Title:	Chesterford Research Park (CRP) Future Funding	Thursday, 8 October 2020	
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Summary

1. This report sets out the current position on additional funding at Chesterford Research Park (CRP) and proposes a revised approach to authorising the release of funding.
2. The report is not asking for any new funding; members have already given approval to the levels of funding outlined in this report.

Recommendations

3. That Members approve the allocation of the sum of £17.4 million for future loans to Aspire (CRP) Ltd to be drawn down as required; and
4. That each loan shall be at market rates applicable at the time; and
5. The authorisation of the loan(s) is delegated to the Chief Executive in consultation with the Leader, Portfolio Holder for Finance and Budget and the Portfolio Holder for the Economy and Investment.

Financial Implications

6. The sum of £20 million is included in the already approved 2020-2024 Commercial Strategy and would be borrowed as and when required. £2.6 million was allocated by Council in June 2020 and drawn down by Aspire (CRP) Limited in July 2020.

Background Papers

7. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

The CRP files along with emails and reports from Cushman and Wakefield, Aviva Investors and Hogan Lovells Solicitors.

Situation

8. In 2017, the Council acquired a 50% share in Chesterford Research Park through its wholly owned subsidiary Aspire (CRP) Ltd.

9. As development opportunities arise at CRP the joint venture (JV) partners (Aspire and Aviva) equally fund the projects.
10. The current Commercial Strategy has provisionally allocated the sum of £20 million towards future development at the Park of which £2.6 million was approved in June 2020.
11. At present, each time a development opportunity arises a report is prepared and taken through the Investment Board, Cabinet (Leader's Decision) and Full Council. This often results in special meetings with a single item agenda being called.
12. Whilst every effort is made to request the correct sum each time, there are inevitably events that are unknown at the time, which can result in additional cost. Under the current arrangements, there is no option but to go through the process set out in paragraph 11 again to obtain the additional funding.
13. A recent example of this is Building 60 where a tenant signed during the refurbishment and requested additional landlord work in return for a longer lease. This was financially beneficial to the Council. However, a separate Council meeting had to be called to seek funding.
14. At the Investment Board, our Independent Members questioned why the Board was considering these requests. This was on the basis that the decision to acquire CRP had been made knowing that future investment would be required, so it did not need further approval by an Investment Board.
15. The current decision making process is very slow compared to that of our JV partners Aviva.
16. Taking all of the above into account it is proposed that Council approves the allocation of the remaining sum of £17.4 million as loans to Aspire (CRP) Ltd to be drawn down as required. To ensure transparency and proper governance the formal authorisation will be given to the Chief Executive in consultation with the Leader, Portfolio Holder for Finance and Budget and the Portfolio Holder for the Economy and Investment. In addition, the Investment Board will continue to monitor the CRP investment and will receive reports on monies loaned.
17. The individual drawdowns will be loaned to Aspire (CRP) Ltd on an interest only basis at a market rate (currently 4.5%) over the remaining term of the original loan (37 years remaining).
18. Current projects for which the funding will likely be used include
 - a. Building 300 refurbishment – turning the 40,000 sq ft building into 4 x 10,000 sq ft units at a cost to each funder of circa £4 million. For information, there is already an expression of interest from a Park business in taking two of these units.
 - b. An onsite 7,200 panel PV farm to provide electricity to a significant number of the businesses on the Park.

- c. A new building known as Building 800, which would provide accommodation larger than the current 3,000 sq ft start-up units on the Park. This new building will likely house 16 x 5,000 sq ft units that can be individually or multi-let. It is important to keep fledgling businesses on the Park; currently tenants in the start-up village have to move from the 3,000 sq ft units into 10,000 sq ft units, which is a large and sometimes unaffordable move, or leave the Park. This interim stage will add to the strength of the Park in developing, growing and retaining businesses.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
The Park loses potential tenants due to the inability of the Aspire (CRP) Ltd directors to obtain the necessary funding in a timely manner	3 – Interest from companies wanting to move to the Park is increasing. There is competing space at several other parks in the South Cambridge Cluster	3 – Where there is an existing building, it may remain empty for a period of time earning no income but costing money to maintain	This report sets out a process whereby the Council can move to fund the Park at the same pace as our JV partners Aviva

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.