Committee:	Investment Board	**Date:**
Title:	Little Canfield Business Park	Tuesday, 27 July 2021
Portfolio Holder:	Portfolio Holder for the Economy, Investment and Corporate Strategy	
Report Author:	Adrian Webb, Director - Finance and Corporate Services awebb@uttlesford.gov.uk Tel: 01799 510421	**Key decision:** Y

Summary

1. This report sets out the financial position for the Little Canfield Business Park and seeks funding to enable the commercial element to be rented out.

Recommendations

2. That Members of the Investment Board recommend to Cabinet that

    a. The sum of £7,500,000 is allocated to the commercial element of the Little Canfield Business Park project from the £300million commercial fund; and

    b. The funding should be split on an 80% interest only and 20% repayment funding basis.

Financial Implications

3. Borrowing implications are built into the 2021/22 budget and modelled into the new Medium Term Financial Strategy (MTFS). Income will be ringfenced to meeting the loan repayments and improving this and other UDC assets.

Background Papers

4. 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 LCBP file along with emails and reports from Cushman and Wakefield and Hogan Lovells Solicitors

Situation

5. In November 2020 the Council completed the acquisition of the former Winfresh site at Little Canfield for £8.6 million.

6. Members will recall that at the time this was one of two options for a new depot and office space in the south of the district. The second option was ruled out as the build cost was estimated at £13.7 million with a two year delivery timescale.

7. The new depot facility will only occupy approximately 30% of the site, which leaves the remaining 70% as potential commercial space.

8. To allocate the area as commercial it is necessary to split the costs between the depot and the commercial elements.

	Depot	**Commercial**
Purchase Price	£2,350,000	£6,250,000
Upgrade works	£6,645,000	£590,000
Contingency	£455,000	£660,000
Total	**£9,450,000**	**£7,500,000**

9. The original budget for the depot was £9.1million however that has been supplemented by a predicted capital receipt of £350,000 for the future sale of the former Day Centre site at Takeley to the HRA.

10. Whilst the depot will be within budget there have been significant cost elements not originally planned. These include

    a. Workshop – the original plan had been to occupy the former vehicle workshop on site, however it became evident that the cost of remedial work meant it was better to demolish and build a new workshop. One advantage of this decision is the roof will have PV panels installed – cost £2 million

    b. Re-roofing – at the time of acquisition it was known that the original 1960s roof was asbestos. Surveys identified it had between 5 and 10 years of remaining useful life. Rather than encounter operational issues later it was decided to replace the roof whilst the building was empty and to enhance its insulation which will have a positive impact on the environmental impact – cost £950,000

    c. Meeting space – the cost of the meeting rooms is being funded from the depot budget rather than other reserves as was mentioned in the November 2020 acquisition report – cost £1.1 million

    d. Vehicle washdown – it was originally intended to purchase a standard washdown facility at a cost of around £150,000 However, to minimise water usage and waste, a state-of-the-art facility is being installed at a cost of £450,000

e. Fuel tanks – at present all fuel is purchased from Tesco and that had been the plan for this site. However, there is an option to run most of the fleet on HVO (hydrotreated vegetable oil) which is much more environmentally friendly than diesel. To be able to do this there is the need for large fuel tanks (to be economically viable when buying the HVO) on site – cost £45,000

11. The commercial space is highly sought after and discussions are taking place with a number of potential tenants. Initially our agents expected the space to generate a rental income of £350,000 per annum. However, the level of interest has now generated offers of rent approaching £500,000 per annum. Based on an investment of £7.5 million this gives a yield of between 4.7% and 6.7% per annum. The final tenant will be decided not on yield alone but after taking into account other factors, such as the impact on our neighbours.

12. The income from the tenant will be used to not only meet the running costs of the whole site, but also to further enhance the existing site and other assets the Council owns.

13. If agreed, the £7.5 million allocation will be part of the £300 million commercial allocation.

14. The cost of the borrowing will be

    a. £6,000,000 (80%) interest only borrowing. Initially this will be inter local authority borrowing but it will be necessary to fix this with longer term loans in due course. Current inter-authority rates are circa 0.30% for a 12 month loan.

    b. £1,500,000 (20%) fixed repayment loan for 40 years. Current rate is 2.86% fixed. It is anticipated that this rate can be bettered but 2.86% has been used for this modelling.

    The total cost of financing would be approximately £75,000 per annum.

15. Should Members decide not to recommend the borrowing and the retention of the commercial element as a rental income source, the only option would be to sell some of the units and receive a capital receipt.