

Bolsover District Council

Meeting of the Executive on 11th September 2023

Lease agreement for Vision West Notts College at Pleasley Vale Business Park

Report of the Portfolio Holder for Growth / Economic Development

Classification	Open
Contact Officer	Sally Lovell Business Estates Manager Dragonfly Development Ltd

PURPOSE/SUMMARY OF REPORT

- To seek Members approval to accept £500,000 of funding from D2N2 (the Local Enterprise Partnership) to invest in Pleasley Vale Business Park and facilitate a lease agreement with Vision West Notts College.
- To seek Members approval for a ten-year lease with Vision West Notts College for vacant space at Pleasley Vale Business Park.
- The value of the income generated over the term of the lease also exceeds the key decision threshold and therefore approval of Executive is required to enable the formal heads of terms to be prepared, for Legal to be instructed on the preparation of the lease and to issue the lease to the tenant for signing.

REPORT DETAILS

1. Background

- 1.1 In December 2021, the Council submitted an application to D2N2 seeking funding for creating a Future Skills Hub within a new commercial building on Council-owned land off Portland Drive in Shirebrook.
- 1.2 Funding of £500,000 for this project was awarded by D2N2 in January 2022 subject to submission of a full business case and a timeline that indicated construction of the new building would take place in the latter part of 2022 and the Future Skills Hub would be open in January 2023.
- 1.3 Since January 2022, inflationary pressures affecting the construction industry have been well documented and combined with recent regulatory changes to flood risk constraints and habitat requirements, these pressures mean that the new building proposed on Portland Drive is no longer viable either as a fully commercial proposition with all units let at market rent or with the additional funding from the LEP and the introduction of a skills hub.

- 1.4 Therefore, alternative options were looked at including the potential to convert an existing commercial building in the Council's ownership on Vernon Street in Shirebrook. D2N2 were supportive of this proposal but the interest from a private training supplier in partnering with the Council on this project fell away.
- 1.5 One of the key issues faced by this organisation and any other private training supplier is a shortage of qualified trainers. Therefore, it has been necessary to reconsider a further alternative, which involves Vision West Notts College delivering a green skills training and assessment centre at Pleasley Mills Business Park.

2. Details of Proposal

Training and Assessment Centre

- 2.1 £390,000 of the funding from D2N2 will pay for the creation of an 800m² training and assessment centre at Pleasley Mill Business Park including a capital investment of £150,000 in the building and a further £240,000 investment in Heat Pump training equipment and associated technology.
- 2.2 The remaining £110,000 will be invested in a mobile construction skills centre to allow on-site training for green skills including installation of heat pumps and other renewable energy technologies.
- 2.3 This investment will result in the following outcomes:
 - creation of an 800m² training and assessment centre at Pleasley Mill Business Park, supporting key underpinning skills in the installation of Heat Pumps e.g., competency in refrigerants, electrical, plumbing, heating design, thermal efficiency, and other aspects of retro fit;
 - the centre will be used as a practical base to apply skills in reviewing improvements to the energy efficiency of Pleasley Mill. For example, creating a demonstration of small-scale hydroelectricity generation, and thermal energy efficiency improvements in the training centre;
 - students from Nottingham Trent University and West Nottinghamshire College will support the development of electricity generation and the improvement of the thermal efficiency of the building;
 - creation of a mobile on-site construction training facility for WNC students to undertake practical application of new low-carbon build methods and retro fit of buildings with low-carbon systems. This will provide practical experience in the installation of both low and high-thermal heat pumps, using a mix of hot water heat distribution via underfloor and radiators and air-based systems. The project sites will also make use of control technology to help power heat pumps efficiently. e.g. monitoring the level of solar electricity generation and storing energy through hot water storage and timing the application of heat; and
 - the college will work with Bolsover District Council to secure retro fit and new build sites to put skills into practice. Through this innovative partnership

approach the sites which are not economically viable under normal construction contracts; will provide additional homes for affordable / social housing which are highly energy efficient.

The Lease

- 2.4 Officers have negotiated outline heads of terms for a 10-year lease agreement for 10,684 square feet of vacant space on the 3rd floor of Mill 3, Pleasley Vale Business Park.
- 2.4 The agreed rent will be £20,000 p/a amounting to £200,000 over the ten-year lease. The Council's Valuer has advised that an annual rent of £35,000 would be a reasonable rent based on the current condition of the unit..
- 2.5 The Council is able to grant a lease at less than market value where the Council consider that the lease will contribute to the promotion or improvement of the economic, social or environmental well-being of its area and the extent of the undervalue does not exceed £2 million.
- 2.6 The lease of units will contribute to the promotion or improvement of all 3 factors
- Economic- the lease will result in grant funding of £500,000 of which £150,000 will be invested in the building;
 - Social- it will provide a skills hub for local people;
 - Environmental well-being- these benefits are set out in clause 2.3 above

Future Regeneration of Pleasley Mills

- 2.7 The heads of terms, and subsequent lease agreement, will make suitable provisions to protect the landlord in the event of a redevelopment proposal being brought forward for the Business Park that can be commenced before the end of the ten-year lease.
- 2.8 The nature of the proposal means that any 'break clause' to end the lease before ten years has expired will need to include some degree of compensation, which may include a depreciating clawback on the funding received from D2N2 and the reasonable cost of relocating the facilities installed with that funding.
- 2.9 Taking into account that a relatively small amount of the funding will be invested in the building itself and that a significant amount of the investment will be assets that are inherently mobile, it is considered the financial risk to the Council from exercising a break clause in the contract prior to the end of the ten years lease will be no more than £200,000 at an early stage of the lease.
- 2.10 Over time this cost depreciates, so this risk can be managed by careful phasing of any redevelopment programme, but this risk also has to be viewed in the context that any redevelopment scheme will require a multi-million pound investment and some of this investment will need to go towards a much bigger compensatory package for the full range of tenants at Pleasley Mills with leases that extend over the same period of time or where they have security of tenure.

- 2.11 In addition, this risk has to be considered in terms of securing investment in the District and all the associated benefits to the District that will result from accepting the funding from D2N2 that would not otherwise be achieved and can continue over the full ten years even if the lease were to be ended.
- 2.12 It is therefore considered the socio-economic and environmental benefits that will be achieved by the Council from accepting the funding from D2N2 and agreeing the ten-year lease will significantly and demonstrably outweigh the adverse financial implications of ending the lease early and this risk can be further mitigated by careful consideration of the phasing of the any redevelopment proposals.
- 2.13 Consequently, it is also considered accepting these proposals will not meaningfully compromise redevelopment of Pleasley Mills but may lead to further opportunities for redevelopment including the creation of a technological campus that brings further investment into the District and offers a different opportunity to maximise income generation and job creation over the next 25 years.

3. Reasons for Recommendation

- 3.1 The office accommodation which West Notts College are interested in has been vacant for a number of years with no other interested parties wanting to let the space. It is a large office space, with no demand from the market for such a size / use /class.
- 3.2 The investment would significantly improve the premises which are currently in a poor state of repair.
- 3.3 The rental income generated would be secured for the 10-year term of the lease. In addition, the business rate liability, approximately £14,870 per annum, would be paid by the tenant. This is currently being paid by the Council.
- 3.4 The provision of a Future Skills Hub at Pleasley Vale Business Park will enhance the post-16 provision in the District, the letting is strategically important to meeting the growth ambitions of the Council. It opens up new spin off commercial ventures by working in collaboration with existing tenants, for example Napit, to develop a technology campus which would further boost the vocational and technological skills for young people and upskilling the existing workforce.
- 3.5 Accepting these proposals will not meaningfully compromise redevelopment of Pleasley Mills.

4 Alternative Options and Reasons for Rejection

- 4.1 To advise D2N2 the grant funding is no longer required was rejected because this would mean losing an investment of £500,000 into the District and subsequently, not realising the benefits of the creation of a Future Skills Hub when this District is already at risk of falling behind in green skills.
- 4.2 Not to proceed with the tenancy and leave the space vacant awaiting further interest. This option was rejected as the space has been vacant for a number of

years and there are currently no other interested parties. The business rate liability would also remain with the Council at a cost to the Council of around £14,870 per annum. This would also result in a loss of grant funding investment into the district by the LEP, to support the provision of post-16 education.

- 4.3 To offer a standard 3-year tenancy to the interested party. This option was discounted as the tenant needs a longer-term lease to make their investment in the premises viable.

RECOMMENDATION(S)

1. Executive approve the letting of the space on the 3rd floor of Mill 3, Pleasley Vale Business Park to West Notts College on the terms set out in this report.
2. To delegate negotiation of the break clause and the associated clawback and compensation clauses to Director of Development of Dragonfly Development Limited in consultation with the Council's Chief Executive Officer
3. To note that the lease will contribute to the promotion or improvement of the economic, social and environmental well-being of the area
4. That the Council enter into a funding agreement with the LEP-D2N2- for the grant funding to deliver the Future Skills Hub at Pleasley Vale Business Park on terms to be agreed by the Chief Executive Officer

Approved by Councillor John Richie, Executive Member for Growth / Economic Development

IMPLICATIONS.

Finance and Risk: Yes No

Details: The combined annual benefit to the Council and its Medium-Term Financial Plan of the rental income and reduced business rates liability would be £34,780 amounting to a minimum of £0.345m over the ten-year period of the lease.

On behalf of the Section 151 Officer

Legal (including Data Protection): Yes No

Details: When granting long leases Section 123 of the Local Government Act 1972 requires the Council to obtain the best consideration which is reasonably obtainable. The Council can accept less than market value if it consider that the lease will contribute to the promotion or improvement of the economic, social or environmental well-being of its area and the extent of the undervalue does not exceed £2 million.

On behalf of the Solicitor to the Council

Environment:

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

Details: The post 16 provision delivered through the future skills hub will significantly contribute to the skills needed to adopt renewable technologies.

Staffing: Yes No

Details:

There are no staffing implications as a result of this report.

On behalf of the Head of Paid Service

DECISION INFORMATION

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: Revenue - £75,000 <input checked="" type="checkbox"/> Capital - £150,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies.</i>	Yes
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	Yes

District Wards Significantly Affected	Pleasley wards
Consultation: Leader / Deputy Leader <input type="checkbox"/> Executive <input type="checkbox"/> SLT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	No Details:

Links to Council Ambition: Customers, Economy and Environment.

This letting contributes to the Economic priorities of: Making the best use of our assets; and ensuring financial sustainability and increasing revenue streams.

DOCUMENT INFORMATION

Appendix No	Title

Background Papers

(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive, you must provide copies of the background papers).

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