

Economy & Growth Committee

Date of Meeting:	14 th March 2023
Report Title:	Crewe Technical & Digital Innovation Centre (TADIC)
Report of:	Charles Jarvis, Head of Economic Development
Report Reference No:	EG/34/22-23
Ward(s) Affected:	Crewe Central

1. Purpose of Report

- 1.1. The report outlines the progress made to date on the proposal for a Technical & Digital Innovation Centre (TADIC) in Crewe Town Centre and proposes that the Committee agrees the appropriation of the Municipal Offices extension to deliver the project and delegates authority to the Executive Director Place.

2. Executive Summary

- 2.1. The Technology & Digital Innovation Campus (TADIC) is part of the Future High Streets Fund (FHSF) programme to revitalise Crewe funded in full by the Department for Levelling Up, Housing and Communities (DLUHC). It aims to provide a flexible workspace and co-working offer in Crewe focussed on supporting start-up and growing companies especially in the fast growing digital and creative sectors, and improvements to the heritage assets at Christ Church, a Closed Church which is no longer operational.
- 2.2. The project has undergone feasibility work and although the original concept considered the potential of using both the Chancel at Christ Church and the Municipal Buildings Extension for the project, detailed viability assessments have determined that the only financially and operationally viable approach is to use the Municipal Buildings Extension only. However, the project could still deliver heritage improvements to Christ Church alongside repurposing of the Municipal Offices Extension to a TADIC model.

- 2.3** The work to improve Christ Church is progressing, to be delivered by April 2024.
- 2.4** Financial modelling of the benefit of repurposing the Municipal Buildings Extension into a shared workspace has demonstrated that this would provide a better return to the Council than either disposal for a capital receipt or letting an unimproved building directly and provide more flexibility in future use.
- 2.5** The Council's return from TADIC is expected to be higher over 10 years compared to a counterfactual sale from reduced operational costs, rental income, and profit share once the centre becomes profitable. This is also more than renting the space ourselves, once assumed refurbishment costs have been included.
- 2.6** These benefits would be delivered from year 3 of the project, and allow for a rent-free period whilst occupancy increases, compared to a capital receipt which could happen more quickly.
- 2.7** In order to deliver to the Future High Streets deadline of March 2024, it is proposed that refurbishment work to the Municipal Offices starts as soon as possible, to the standard required to deliver a new commercial shared workspace and discharge the outputs of the funding.
- 2.8** This proposal will require careful coordination to ensure that the refurbishment can happen by the Future High Streets Fund grant expenditure deadline of March 2024, bearing in mind the relocation of services, the time to refurbish, and the practicalities of splitting the municipal buildings. The securing of an operator will be undertaken at an early stage to inform the refurbishment and ensure the benefits can be realised.
- 2.9** The proposal is subject to any approvals required with the Department for Levelling Up, Housing and Communities ('DLUHC Agreement') given that they are the sole funder of the project, and it is based upon the achievement of the agreed outputs.

3. Recommendations

That the Committee:

- 3.1.** Subject to DLUHC Agreement, approve the appropriation of the Municipal Buildings extension for the delivery of the TADIC project, by appropriation we mean the lease or procurement of the building to a third party operator, cease occupation of the building by the Council, and carry out a refurbishment of the building to meet FHSF outputs.
- 3.2.** Delegate authority to the Executive Director Place in consultation with the Chair of Economic & Growth Committee, Section 151 Officer, and Director of Governance and Compliance, to secure the DLUHC Agreement and,

subject to DLUHC Agreement, take all necessary actions to deliver the TADIC project, including and without limitation:

- Commencing staff engagement and consultation as necessary on the proposals, and relocation of the affected staff;
- Submission of necessary applications for planning, building regulations, etc and implement consent as appropriate;
- Procurement, contract award and/or execution of all necessary leases, agreements and documentation for both the refurbishment or modifications required at the Municipal Offices and other Council assets affected as consequence of relocated functions, and for the operational delivery of the project, including negotiation commercial terms with the operator/tenant including Council contributions to the fit-out of the premises; and
- To amend or stop the project in the event that any issues or risks emerge that would fundamentally affect the deliverability of the project, or impact on the Council's financial position.

3.3. Members to note that the historic Municipal Buildings fronting Earle Street is not part of this proposal and will be retained for civic use, including the Registrar function.

3.4. Members to also note that the Christ Church Chancel building will not be used for the project, but that heritage improvements to Christ Church are planned to be delivered as part of this project.

4. Reasons for Recommendations

4.1. The proposal supports the regeneration of Crewe and aligns to the Corporate Plan's Aim of 'Creating a thriving and sustainable place' and the associated key priorities of creating:

- A great place for people to live, work and visit; and
- Thriving urban and rural economies with opportunities for all.

4.2. In order to discharge the timescale of the Future High Streets Funding the Municipal Buildings element will need to be progressed as a matter of urgency due to the funding expenditure deadline of 31st March 2024.

4.3. The delivery of the proposal provides better medium-term value for money for the Council's assets compared to operating a flexible workspace ourselves or disposal.

5. Other Options Considered

5.1. The Municipal Offices extension could be sold. This would deliver facilities management savings and a capital receipt. Utilising the same facilities savings identified in the Estates and IT Review, TADIC contracted on a Full Repairing and Insuring (FRI) basis would deliver additionality through rent and profit share. The model however relies upon a rent free period to enable

occupancy to increase so that the operator is financially sustainable. The sale of the Municipal Offices extension could therefore deliver non-facilities management savings more quickly, but over the medium term the project provides better value for money.

- 5.2.** Contracting the Municipal Offices extension through TADIC also provides for greater flexibility for the Council in the long-term if the space is later required for civic use.
- 5.3.** An option for the Council to rent the Municipal Offices Extension itself has also been modelled. If the Council ran a similar serviced office solution at the site, we could gain a higher rental value. However, this would result in increased facilities management costs through requiring dedicated management staff. On the basis that we would need to also invest to improve the space to make it desirable, then this would still provide a benefit over 10 years compared to a sale. However, this would not be as beneficial as a TADIC model and would increase the risk to the Council.
- 5.4.** A further option for a non-serviced rental option would result in immediate facilities management savings, if an occupier at 80% is found. However, the lower rental value of this option, and the refurbishment costs needed, means that it would only a similar benefit to a serviced offer over 10 years.
- 5.5.** An option also exists to refurbish the Municipal Offices extension and then sell. This could not use FHSF funding so would require additional borrowing and time to deliver. Given that this is unlikely to increase the value of the building substantially above the borrowing needed, this option has been discarded.
- 5.6.** From a TADIC project delivery perspective, not appropriating the Municipal Offices extension to the TADIC project will likely result in a significant proportion of the project funding being returned. It should be noted that the options analysis for the project has concluded that only the Municipal Offices is the only Council asset that can deliver the economic benefits of a co-working innovation centre within Crewe Town Centre.

6. Background

- 6.1.** The Council has secured full funding for the Technology & Digital Innovation Campus (TADIC) project from central government. It is one of the ten Crewe town centre regeneration projects that are being progressed following the council's successful £14.1m bid for funding from the Government's Future High Streets Fund through the Department for Levelling Up, Housing & Communities (DLUHC), approved in the Medium Term Financial Strategy.
- 6.2.** The project aims to provide a new flexible workspace offer in Crewe, enabling tailored business support for new/early-stage businesses that will bring new types of growing businesses into in an area that is being regenerated with investment in high quality public realm and new cultural

and entertainment assets. This will create good quality employment in the town centre, increasing footfall and expenditure for other retail and hospitality businesses. It will be operated by a specialist workspace operator to manage the space and services provided to create a highly visible focal point for innovative SME growth (and support provision) in the town centre.

- 6.3.** A demand assessment has been completed which suggests that there is a lack of provision of this type of office space in Crewe and evidence of demand locally. The market assessment suggests that this type of space (when brought forward) has been filled quickly, especially when it offers an attractive proposition to local businesses.
- 6.4.** In addition to provision of co-working space, the project was designed to improve the heritage assets within the civic quarter of Crewe town centre, through renovating Christ Church.
- 6.5.** The initial concept was to refurbish both the Municipal Buildings extension and Christ Church's Chancel to provide the space required for the TADIC project. However, through initial feasibility and market testing it became apparent that both were unaffordable and that the space required for a sustainable project is only available in the Municipal Buildings.
- 6.6.** The project has therefore focussed on delivering;
- The heritage outputs through targeted support to Christ Church to restore and renovate the site, enabling potential for future uses.
 - Re-purposing the Municipal Buildings extension into the TADIC co-working and innovation space.
- 6.7.** The work to improve Christ Church is progressing at pace, with surveys undertaken and a scope of works to be agreed with partners.
- 6.8.** The proposal would achieve most of the outputs required to discharge the funding agreement with DLUHC, so the changes would be subject to 'DLUHC Agreement'. It would achieve:
- 1,877m² of Office Space Renovated (originally 1,848m²)
 - 1 Heritage Building renovated/restored (achieved through Christ Church repairs as originally proposed)
- However, it would not achieve the following
- 1 Derelict building refurbished (originally the Chancel, although there will be some improvement to the Tower and Baptistry)
 - 195m² of new office space (originally the Chancel)
- 6.9.** There are a number of practicalities which will need to be carefully managed through the project delivery to March 2024. The services currently located

at the Municipal Offices Extension will require relocating to another suitable Council asset, including the post-room and IT. The utilities will also need to be split, and disabled access assured for the Municipal Buildings. This will be done in careful coordination with the facilities management team and IT, and budgeted from the TADIC funding.

- 6.10.** The proposal relies upon securing an operator and their financial sustainability. The previous Prior Information Notice has assured us that there would be market interest, with a two-year rent-free period to overcome initial cashflow challenges as occupancy increases. However, the market may have changed, so the procurement of, or competitive lease to, an operator is a priority to ensure that the benefits can be realised and to inform the refurbishment process.

7. Financial Position

- 7.1.** The overall investment into TADIC will be a maximum of £3.1m from the Future High Streets Fund. This will include investment to refurbish the Municipal Buildings Extension, full fit-out of the TADIC Centre, and repairs to Christ Church. This includes contingency for cost inflation and it likely to be reduced to reflect the reduction in outputs to ensure that the original value-for-money assessment (BCR) remains the same.
- 7.2.** The delivery of TADIC at the Municipal Office extension would provide a financial benefit to the authority. An estimated cashflow forecast has been developed, with key points being;
- Saving from year one on facilities management of the building.
 - Deriving an additional income in rent.
 - An increasing profit share anticipated from year 4.
- 7.3.** These benefits do not factor in the wider economic benefits of the TADIC project to the town centre and in business creation and expansion. This forecast is based upon realistic projections on cost, charges and uptake of the space. It also factors in a reasonable assumption on access to other grant funds to run events and business support within the centre, which will help financial sustainability.
- 7.4.** The timescale for delivery would require an operator to be secured and exit strategy for the building finalised by mid-2023, if an operator is not secured at the anticipated benefit or funding timescales cannot be met, then the project will cease.

8. Consultation and Engagement

- 8.1.** The project has consulted all relevant stakeholders through the development of the project. In addition, staff will be consulted as part of the development of the exit strategy.

9. Implications

9.1. Legal

- 9.1.1.** Contracts & Procurement Implications. As set out in the body of the report, the grant funder, DLUHC, will need to approve the proposed changes to the TADIC project (and its outputs) in order for the project to progress and authority to be delegated to the Executive Director Place to take all necessary actions to deliver the TADIC project (as set out in the Recommendations). The project and delegated authority to the Executive Director Place to deliver it are therefore both conditional on DLUHC's agreement which may not be forthcoming or differ from the proposals set out in this report. If the proposed changes are agreed by DLUHC, the main funding risk will be the funding being withheld, suspended, repaid or recovered in the event of non-compliance or a failure to achieve the specific outputs. It is therefore recommended that monitoring of compliance is undertaken to minimise this risk and that adequate management and reporting mechanisms are put in place and adhered to. Any procurement required as part of the proposed TADIC project will need to be compliant with the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules. Ongoing support from Procurement and Legal will be therefore be required throughout the project's commissioning phase.
- 9.1.2.** Employment implications. A review of the contract and any work base terms for affected staff will be required to assess consultation requirements regarding any proposed change in work base. It is assumed for these purposes that any potential relocation of work base would be within the Crewe area and within a short distance of the existing office base. Subject to contract terms, it is usual for employers to have some flexibility to move staff between office bases within the same area. Such flexibility would need to be exercised reasonably and take into consideration any personal circumstances. The Council's relocation procedure may also apply to any change in work base and requires a minimum consultation period of between 4 and 8 weeks with staff and unions to allow individual concerns to be raised.
- 9.1.3.** Property Implications. The Council always has a fiduciary duty to the taxpayers and must fulfil this duty in a way that is accountable to the local people. In accordance with section 123 of the Local Government Act 1972 the Council is under an obligation to obtain the best consideration reasonably obtainable upon the disposal of its Property. There will be requirement to review the terms of the lease when it is prepared to ensure

that any issues regarding best value, procurement and / or subsidy control are resolved. Currently it is unknown if the property is subject to any restrictive covenants, rights, wayleaves, or easements that may prevent the proposed use. This will need to be investigated. Work is currently underway to investigate if the property is subject to any restrictive covenants, rights, wayleaves, or easements that may prevent the proposed use, and this will inform our approach. The building currently houses IT equipment required by the Council, this will need to be removed or appropriate reservations made for it to remain in the documentation.

9.2. Finance

- 9.2.1.** TADIC is a key component of the successful Future High Streets Fund bid for Crewe. The funding and outputs need to be delivered by March 2024. Failure to deliver TADIC will lead to funds being returned to government.
- 9.2.2.** The budget for the works to deliver TADIC are currently within the approved Capital Programme in the MTFs. Prior approval would be required from DLUHC in the form of a Project Change Request.
- 9.2.3.** The Business Case for TADIC was based upon the findings of a Prior Information Notice (PIN) and whilst they were deemed reasonable at the time market conditions and the flexible use of office space may have changed somewhat. Therefore, Finance would not be able to comment on the likely benefits that may accrue to the Authority until an operator has been secured and contracted to meet facility costs and pay a rental for the building.

9.3. Policy

- 9.3.1.** The project is consistent with the Corporate Plan in delivering our economic development objectives.

9.4. Equality

- 9.4.1.** The project has not carried out an assessment to date, due to the equality impact revolving around the relocation of staff from the Municipal Offices. The exact nature of the relocation is not currently known and there the EIA will be done as part of the exit strategy for the building.

9.5. Human Resources

- 9.5.1.** Following an approval of the recommendations, there will need to be a formal period of consultation with the identified affected staff group in relation to the proposals to change their work location from the Municipal buildings to another location. This will need to be undertaken with CEC's recognised trade unions, the staff groups in terms of the rationale and overview of the proposals as well as individual consultation (undertaken at service/team level) in respect of the impact on individuals of the change of proposed work base.

- 9.5.2.** The Council's relocation procedure may also apply to any change in work base and requires a minimum consultation period of between 4 and 8 weeks with staff and unions to allow individual concerns to be raised. The length of this consultation may need to be extended if its timing and potential phasing coincided with the wider Estates and ICT review.
- 9.5.3.** The detail of the consultation plan will be developed setting out the key stages of the consultation. It will be important to provide a clarity of in terms of the proposed location of staff, numbers and capacity to inform any framework / level of detail around expectations for the use of office space for the consultation process.
- 9.5.4.** The relocation and excess mileage policy will enable staff to be supported with excess travel allowances where their base is changed because of organisational change and where the distance between their new base is greater than the distance between home and their old base. This is for a maximum of two years.
- 9.6. Risk Management**
- 9.6.1.** The project utilises the Council's approach to risk management and risk logs are maintained in line with best practice from the Programme Management Office. The project will be overseen by a specific working group and the Future High Streets Programme Board.
- 9.7. Rural Communities**
- 9.7.1.** The project will not make a significant direct impact on rural communities.
- 9.8. Children and Young People/Cared for Children**
- 9.8.1.** The project will not make a significant direct impact on future generations.
- 9.9. Public Health**
- 9.9.1.** The Council's public health team have been consulted and the project could have a positive benefit on public health through increasing access to employment opportunities in Crewe (including the most deprived wards in Cheshire East) and through the promotion of active travel by occupants. Efforts should be made to maximise health gains through access to healthy food and drink options and by attracting businesses that do not have a negative impact on population health. The project should seek to minimise any health and carbon impacts in the relocation of staff.
- 9.10. Climate Change**
- 9.10.1.** The project will not make a significant direct impact on wider climate change. Any changes in the direct carbon emissions of the Council through reduced energy use in buildings are to be factored into the wider Estates Review and not double counted here.

Access to Information	
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Appendices:	None
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Background Papers:	Technical information is available on demand.
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