



Derby City Council

**URGENT LEADER OF THE COUNCIL  
CABINET MEMBER MEETING  
6 December 2013**

# ITEM 4

Report of the Strategic Director of  
Neighbourhoods

## **Bike Park Project, 34 Full Street, Derby**

### **SUMMARY**

- 1.1 Bike Park project was reported to Council Cabinet on 12 June 2013 and will provide a bike park facility and cycle hub, including showers, bicycle maintenance, the sale of bicycles and bicycle equipment, a cafe and associated services, at 34 Full Street.
- 1.2 It is proposed that the council take a lease of the building and renovate, convert and fit it out for the Bike Park Project. The council will then grant an underlease to The Park Bikeworks CIC (PBW), who will provide those services listed above.
- 1.3 The Council Cabinet report dated 12 June 2013 stated that a commercial rent would be payable by PBW to DCC, and the Council Cabinet resolution was:  
  
*'To agree to the council taking a lease on premises in Full Street and that after significant building improvement works, to be carried out by the council, the premises would subsequently be leased out to Park Bikeworks Limited at a commercial rent'.*
- 1.4 Since June, lengthy and complex negotiations have taken place to agree a robust agreement with PBW. As result of these discussions officers are not in a position to put forward a lease which commands a commercial rent, rather a lease which is a commercial agreement. Onerous clauses contained within the lease favouring the Landlord (DCC), which will enable the project to be delivered and which will safeguard the council's position, have the effect of supressing the rent that the market would pay for the property under this lease.

### **RECOMMENDATION**

- 2.1 To agree to vary Council Cabinet decision 08/13 by approving that the premises at 34 Full Street be leased to Park Bikeworks Limited as a commercial agreement.

### **REASONS FOR RECOMMENDATION**

- 3.1 To enable the council to enter into a suitable contract for the lease of the building to

PBW.

<b>SUPPORTING INFORMATION</b>
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- 4.1 Please find attached the Cabinet Report of 12 June 2013 and relevant resolutions attached at Appendices 2 and 3.

<b>OTHER OPTIONS CONSIDERED</b>
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- 5.1 Not progressing with the project on the basis that a commercial rent could not be secured.

**This report has been approved by the following officers:**

<b>Legal officer</b>	n/a
<b>Financial officer</b>	n/a
<b>Human Resources officer</b>	n/a
<b>Estates/Property officer</b>	Joanna Rees
<b>Service Director(s)</b>	Christine Durrant
<b>Other(s)</b>	none

<b>For more information contact:</b>	Joanna Rees 01332 643329 joanna.rees@derby.gov.uk
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<b>Background papers:</b> <b>List of appendices:</b>	None 1 Implications 2 Cabinet Report of 12 June 2013 3 Extract from Minutes with the relevant resolutions
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<b>IMPLICATIONS</b>
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**Financial and Value for Money**

- 1.1 The lease to PBW represents value for money, but it is at a rent lower than was envisaged. The reasons for this are set out in the report at 1.4.

**Legal**

- 2.1 None directly arising from this report.

**Personnel**

- 3.1 None directly arising from this report.

**Equalities Impact**

- 4.1 None directly arising from this report.

**Health and Safety**

- 5.1 None directly arising from this report.

**Environmental Sustainability**

- 6.1 None directly arising from this report.

**Property and Asset Management**

- 7.1 None directly arising from this report.

**Risk Management**

- 8.1 None directly arising from this report.

**Corporate objectives and priorities for change**

- 9.1 None directly arising from this report.

## **Extract from Cabinet Report of 12 June 2013**

### **The Establishment of a City Centre Bikepark and Community Cycle Hub**

#### **SUMMARY**

- 1.1 To establish a city centre bikepark and community cycle hub in line with the administrations manifesto commitments to sustainable transport it is proposed to lease and invest in premises on Full Street. These premises would then be sublet to Park Bikeworks Limited, a community interest company, who would provide and manage a bikepark and other associated cycling activities and services for people in Derby (the "Project").

#### **RECOMMENDATION**

- 2.1 To agree to the Council taking a lease on premises in Full Street and that after significant building improvement works, to be carried out by the Council, the premises will subsequently be leased out to Park Bikeworks Limited at a commercial rent.
- To delegate authority to the Strategic Director for Neighbourhoods to determine the most appropriate governance arrangements for the Project in conjunction with the Cabinet Member for Planning, Environment and Public Protection.
- 2.2 To note the proposed project funding of £497,000 from the Local Sustainable Transport Fund and grant funding of €200,000 (£170,000) from the Derby Enterprise Growth Fund which is conditional on a due diligence audit of the business proposals.

#### **REASONS FOR RECOMMENDATION**

- 3.1 To establish a new bikepark and cycle hub in the city centre acting as a catalyst for community cycle services which encourages economic growth and reduces carbon emissions.

#### **SUPPORTING INFORMATION**

- 4.1 The Council is working with the Park Bikeworks Limited to establish a

community cycle facility within the former Bennetts warehouse on Full Street. This would provide Derby with a unique cycle hub and bikepark and is a key component of the Council's successful £4.9m Local Sustainable Transport Fund bid to the Department for Transport. The facility would generate new business opportunities, provide free secure cycle parking and create a hub for community cycle activities. This supports the Council's ambition to reduce carbon emissions, generate economic growth and improve physical activity.

- 4.2 Our Local Sustainable Transport Fund programme aims to improve sustainable transport options for commuters and businesses. The lack of secure cycle facilities has been identified as a significant barrier for commuters cycling to work and the creation of a new city centre bikepark providing secure cycle parking, showers and changing facilities was a key element of our bid. The Park Bikeworks community cycle facility would act as a one stop shop for cyclists, commuters, shoppers and families, working closely with Cycle Derby to provide cycle advice and information and a location for community cycle events, meetings and forums. The facility would be sustained through funding generated from cycle sales, including bikes designed and made in Derby, repairs and servicing, refreshments and physiotherapy services. It will create 12 full time jobs and act as destination venue for current cyclists and more importantly create an environment conducive for people wishing to get on their bikes. Recently Leicester, Leeds and Manchester have invested between £1.8m and £32m on cycle hubs to improve the cycle offer in their area and encourage more people to cycle. The cycle hub would have direct links to the national cycle network connecting to the Multi Use Sports Arena and Aquatic Centre and there is potential for further activity linked to these venues.
- 4.3 As part of the Cabinet approved Local Sustainable Transport Fund programme, £497,000 capital funding has been allocated in support of a city centre bikepark. Park Bikeworks has also sought additional grant funding from the Derby Enterprise Growth Fund to support new jobs and business growth. This is likely to be capped at €200,000 (approximately £170,000) with opportunity to seek a loan of up to £100,000 at commercial terms, to comply with European State Aid limitations.
- 4.4 A number of delivery options have been considered for the project. In order to secure any investment it is considered most appropriate for the Council to lease the former Bennetts warehouse and then upgrade the premises. The building would then be sublet to the Park Bikeworks at a commercial rent. This would enable the Council to complete necessary building improvements, minimising project costs and safeguarding the Council's investment over the longer term, whilst allowing compliance with State Aid rules. The lease is likely to be for a minimum of 15 years with an opportunity to surrender the lease in the event that the Park Bikeworks fails.

Further claw back opportunities are being explored with Bennetts to further safeguard the Council's position. This would minimise potential future liabilities.

- 4.5 The Council cannot use a grant from the Derby Enterprise Growth Fund to refurbish the warehouse directly. It is therefore proposed to fund the works wholly from the Local Sustainable Transport Fund allocation. The Park Bikeworks can, if successful in its application, use any Derby Enterprise Growth Fund grant/loan to support staff fees, overheads and start-up costs to enable the business to become fully sustainable after three years. A robust due diligence audit is being undertaken by independent accountants to ensure the future sustainable of the business prior to releasing the grant funding.

The Park Bikeworks would act as a social enterprise. The Council has advised the current shareholder that the Park Bikeworks should be converted into a community interest company (CIC). A CIC is a limited liability company with the specific aim of providing a benefit to a community and must use its income, assets and profits for the community it is formed to serve. This would provide further security as the CIC would be required to protect any assets for the benefit of the community rather than company members or directors.

- 4.7 As landlord the Council will have a formal landlord/tenant relationship with Park Bikeworks, through which the Council will be able to exercise control over the Park Bikeworks use of the building and the activities it undertakes there. In addition it is proposed to form a steering group for the overall Project made up of appropriate interested parties, members and officers to provide strategic direction and support. As an alternative, consideration has been given to taking a directorship of the Park Bikeworks. However as this could result in significant financial risk, both personally and for the Council, and could create conflict of interest it is not recommended. It is proposed to delegate authority to the Strategic Director for Neighbourhoods to determine the most appropriate governance arrangements for the Project in conjunction with the Cabinet Member for Planning, Environment and Public Protection.

## **OTHER OPTIONS CONSIDERED**

- 5.1 None

## **IMPLICATIONS**

### **1. Financial and Value for Money**

- 1.2 The total building refurbishment costs are estimated at £497,000 and funding

has been approved from the Local Sustainable Transport Fund. The Derby Enterprise Growth Fund would support the Park Bikeworks operational costs for the first three years whilst it becomes established. Funding is likely to be capped at €200,000 (approximately £170,000) to meet European State Aid limitations, with an additional loan facility of £100,000 on commercial terms. The release of funding would be subject to a due diligence audit to ensure the sustainability of the business. The Project would create a unique cycle facility for Derby, generate several new jobs and is a key project within the Local Sustainable Transport Fund programme. In the event that the business fails the Council would have an option to surrender the lease to minimise future financial liability but would lose the benefit of its investment in the premises. Alternatively the Council could choose to make alternative use of the premises but would then be liable to on-going revenue costs.

## 2. Legal

- 2.1 The Park Bikeworks would act as a social enterprise. The Council has advised the current shareholder that the Park Bikeworks should be converted into a community interest company. This would ensure that the Park Bikeworks would benefit the community it is formed to serve and provide further security for the Council's investment.
- 2.2 There is no requirement to conduct a procurement exercise in respect of:
  - (i) the proposed lease of the premises from Bennetts to the Council as contracts for the acquisition of interests in land are exempt from procurement legislation; or
  - (ii) the proposed sub-lease of the premises from the Council to the CIC, for the same reasons above.

The contract for the works necessary to renovate the premises will be the subject of a procurement exercise in accordance with the Council's Contract Procedure Rules.

No contract will be entered into with the CIC for the operation of services from the

premises, therefore there is no requirement for a procurement exercise in this respect; the CIC's use of the premises as a cycle hub will be governed by the user clause of the proposed sub-lease. The selection of the CIC as the sub-lessee does

not require a procurement exercise for the reasons set out in (ii) above and additionally because the Council's aspiration to deliver a cycle hub in the City (and

the associated opportunity for a willing partner to operate such hub) was set



out in the LSTF bid document, which was widely publicised by the Council.

## **Personnel**

3.1 None.

## **Equalities Impact**

4.1 None.

## **Health and Safety**

5.1 The building improvements would be managed in line with the Council's health and safety guidelines and regulations.

## **Environmental Sustainability**

6.1 The proposed bikepark and cycle hub will help to promote cycling in Derby, reduce carbon emissions and support our ambition to be the most physically active city in England.

## **Property and Asset Management**

7.1 In this instance the Council does not have any suitable premises which could be used for this purpose therefore taking of a lease in this instance is justified. The provision of a surrender clause in the lease and the ability for the Council to pass on any liabilities from its head lease on to Park Bikeworks Limited allows the Council to reduce and manage the revenue costs associated with the taking of a lease.

## **Risk Management**

8.1 The project will be delivered using Prince 2 project management principles and monitored quarterly as part of the wider Local Sustainable Transport Fund Programme.

## **Corporate objectives and priorities for change**

9.1 The proposal supports the Council's objectives and priorities for change.

## **Extract from Minutes with the relevant resolutions**

**08/13**

### **The Establishment of City Centre Bikepark and Community Cycle Hub**

The Council Cabinet considered a report on the Establishment of City Centre Bikepark and Community Cycle Hub. To establish a city centre bikepark and community cycle hub in line with the administrations manifesto commitments to sustainable transport it was proposed to lease and invest in premises on Full Street. These premises would then be sublet to Park Bikeworks Limited, a community interest company, who would provide and manage a bikepark and other associated cycling activities and services for people in Derby (the “Project”).

#### **Options Considered**

None

#### **Decision**

To agree to the Council taking a lease on premises in Full Street and that after significant building improvement works, to be carried out by the Council, the premises would subsequently be leased out to Park Bikeworks Limited at a commercial rent.

To delegate authority to the Strategic Director for Neighbourhoods following consultation with the Cabinet Member for Planning, Environment and public Protection to determine the most appropriate governance arrangements for the Project.

To note the proposed project funding of £497,000 from the Local Sustainable Transport Fund and grant funding of €200,000 (£170,000) from the Derby Enterprise Growth Fund which was conditional on a due diligence audit of the business proposals.

#### **Reasons**

To establish a new bikepark and cycle hub in the city centre acting as a catalyst for community cycle services which encourages economic growth and reduces carbon emissions.