

Report sponsor: Rachel North- Strategic  
Director of Communities and Place  
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## **Padley Centre Relocation**

### **Purpose**

- 1.1 Approval was granted at the July 2020 Council Cabinet, to acquire the Padley Group's assets (Padley House in leasehold ownership and associated storage facility in freehold ownership) as part of the Becketwell Performance Venue area site assembly. A further report was approved at Cabinet in March 2021 for a capital grant and secured loan to the Padley Group to fund the acquisition of a replacement community hub and warehouse premises and associated costs.
- 1.2 This report provides an update on progress and sets out the rationale for the proposed increased level of financial support that will be given to the Padley Group for the reprovisioning. The report seeks approval of the revised funding package to the Padley Group towards their reprovisioning costs and the required changes to the capital programme.

### **Recommendations**

- 2.1 To approve the withdrawal of the loan funded element of the Padley Group relocation offer to Padley Trust and replace with additional capital grant.
- 2.2 To note that subject to recommendation 2.1, the Council will then be foregoing future capital loan repayments income which would have reduced the overall net cost of the scheme to the Council from the approved budget as was set out in the March 2021 Cabinet report, and the security charge will no longer be required.
- 2.3 To approve a capital grant increase to the Padley Group to replace the loan and cover the balance of other relocation cost increases after the Padley Trust have contributed towards revenue and capital relocation costs and to make a conditional advanced payment of 25% of the grant to the Padley Group as detailed in paragraph 4.12
- 2.4 To approve the transfer of budget from the 2021/22 City Centre Masterplan capital budget on the approved capital programme to the Padley Centre Relocation capital budget 2022/23, and the changes to the scheme budget on the capital programme.
- 2.5 To approve that the balance of the 2021/22 City Centre Masterplan capital budget is repurposed and held on the 2022/23 capital programme as a Becketwell Area Regeneration capital contingency budget.

- 2.6 Subject to recommendation 2.5, to delegate authority to the Strategic Director of Communities and Place, following consultation with the Strategic Director of Corporate Resources, to agree any subsequent use of the Becketwell Area Regeneration capital contingency.

## **Reasons**

- 3.1 The acquisitions of the Padley Group's interests on Becket Street and relocation of the Padley Group to alternative premises will support the land assembly required for the Becketwell Performance Venue and also allows the Padley Group to realign their delivery model to support the Homelessness and Rough Sleeping Strategy for the city.
- 3.2 Estimated costs for the adaptations and improvements required to the alternative premises are higher than was previously anticipated and included in the budget as reported to Cabinet in March 2021.

## **Supporting information**

- 4.1 Facilitating the relocation of the Padley Group's service facility is a key obligation for Derby City Council in the overall contractual arrangements associated with the delivery of the new venue and within the planning permission granted for its delivery:

*"Works for the demolition of Padley House forming part of the hereby approved development shall not be commenced until a programme and strategy plan for the relocation of the Padley Group Community Hub and its associated storage has been submitted to and approved in writing by the Local Planning Authority".*

- 4.2 To facilitate delivery of the Padley Group's new delivery model and site assembly in Becketwell, Cabinet previously approved the allocation of grant funding and a secured loan for the acquisition of alternative community and warehousing facilities. The original purpose of the loan facility was to provide the Padley Group with the funds for the estimated relocation property adaptation and improvement works and relocation costs that they would need to incur prior to their receipt of monies from Derby City Council on the freehold and leasehold asset disposals to us, to be repaid on receipt of such monies.
- 4.3 A property was identified that has the potential to be suitable for the Padley Group to relocate to ("Relocation Property") and an offer was accepted by the vendors. Prior to, and since the Cabinet approval in March 2021, work has been ongoing to establish the overall costs associated with the relocation to these premises, but the estimated costs for the adaptations and improvements required are significantly higher than originally anticipated. Additional works were identified as part of more specialist condition, structural and mechanical and electrical surveys. The process of Padley Group being able to acquire this property has also become more complicated requiring a greater input and legal advice from both vendors and purchaser's solicitors.
- 4.4 The original cost estimate for these adaptation and improvement works was based on an initial condition survey. As design work progressed on the changes needed to the layout and further specialists carried out more detailed survey work the extent of work required increased which has resulted in a works cost increase. In addition the cost

estimate was based on costs at that time and they have since escalated across the industry due to Covid, labour and material cost increases. Although a relocation costs contingency was included in the budget approved at March 2021 for the known cost risk at the time, it cannot cover the increase in the latest cost estimates.

- 4.5 The current owners of the Relocation Property have agreed that vacant possession will not be conditional on them finding suitable alternative permanent accommodation. They will relocate into temporary premises if necessary.
- 4.6 The Padley Group have agreed to proceed with the sale of their assets on Becket Street to the City Council in November 2021 and provide vacant possession. As a result the secured loan will no longer be required as Padley Group will have their receipts from disposal of their assets to Derby City Council to contribute directly to funding up front a share of the relocation costs. They have also committed further funding towards these costs.
- 4.7 However, against the approved scheme budget, this still leaves a net cost increase which the Padley Group cannot fund and therefore additional budget to fund this has been identified from within the approved capital programme. As a result of this revised position, the capital grant to the Padley Group would need to be increased to replace the loan and cover the balance of other relocation costs This is set out in the revised budget and funding package being proposed at paragraph 7.1 to 7.5. and recommendations 2.1 to 2.4.
- 4.8 There is a potential opportunity for Padley Group to apply for and access Additional Restrictions Grant (ARG) monies via an application to Derby City Council. This will be explored further to potentially reduce the overall capital grant required from the Council. The City Council will work with the Padley Group to optimise use of ARG for any eligible costs incurred by 31 March 2022 which is the deadline for ARG funding.
- 4.9 Subject to approval to the grant increase, it should be noted that the grant agreement will commit the City Council to the overall capped capital grant amount. A key condition of the grant support will be that the Padley Group has to demonstrate achieving best value for money by sharing quotes received from suppliers, contractors, etc and claims for the grant support will only be paid against evidence of appropriate expenditure up to the capped amount including any call on the contingency elements included. The contingency will only be utilised for unforeseen essential works.
- 4.10 It is proposed to make a conditional advanced payment of 25% of the grant to the Padley Group which will eliminate any potential cash flow challenges associated with the relocation process, the works to be undertaken to the new premises and the claiming of the grant support from the City Council. Conditions will relate to appropriate use, evidenced expenditure, etc.
- 4.11 To enable the Padley Group to continue to undertake services for homeless people in Derby supporting the City Council's Homelessness and Rough Sleeping Strategy, they will relocate to temporary premises, and temporary access and use of the existing storage facility on Becket Street will be provided until June 2022 via a separate agreement between Padley Group and the City Council.
- 4.12 The entering into the grant agreement, contract of sale and agreement for access to

the storage facility by Padley Group will proceed when approved by their Board of Trustees on 17<sup>th</sup> November 2021.

- 4.13 In the event that the purchase of the identified Relocation Property does not proceed an alternative Relocation Property would be identified within the same financial parameters. A contingency element has been included in the estimated revenue costs to provide for abortive fees and other cost associated with such a scenario, to be funded from the Padley Group contribution

### **Stakeholder engagement**

- 5.1 Officers have engaged in dialogue with the Padley Group and the vendors of the proposed Relocation Property.

### **Other options**

- 6.1 The Council could determine not to increase the level of grant but this would severely restrict the relocation of the Padley Group which would in turn impact the Becketwell Performance Venue project.

### **Financial and value for money issues**

- 7.1 Cabinet, in March 2021, approved a budget for the Padley Centre Relocation scheme, together with a capital grant and a secured loan to the Padley Group for the relocation of The Padley Group's community facilities and warehouse. Due to the delays in securing relocation premises (see para 4.3) the loan is no longer required as the Padley Group will be with funds from the disposal of assets before they commence adaptation and improvement works on the relocation property. The costs of these works has increased from that estimated in March 2021 (see para 4.4). These estimated costs are supported by a professional Quantity Surveyor (QS) report.
- 7.2 The Padley Group have agreed to move into temporary accommodation which will incur some revenue costs. There may also be some abortive costs associated with this move to ensure the temporary property meets their needs. The contribution from the Padley Group (para 4.7) will first be applied against the estimated revenue costs. If the actual revenue costs are lower then the difference would be applied against capital costs and result in a reduction to the capital grant required.
- 7.3 The revised estimated costs for the delivery of the relocation property with the revised funding package being proposed takes into account the direct contribution from the Padley Group and the replacement of the loan with further capital grant. It also includes a reprofiling of the budget in response to the current position and likely timescales for completion of the relocation as outlined in para 4.3 for which slippage has been included in the Quarter 2 monitoring report on this agenda for approval.

- 7.4 As a result of this revised position, Cabinet is asked to approve a capital grant increase to the Padley Group to replace the loan and cover the balance of other relocation costs. This is a capped maximum grant amount and would be reduced if actual revenue or capital costs evidenced were lower than estimated here or any ARG funding was secured and defrayed by 31 March 2022. Any relocation costs above those provided for above would have to be met by the Padley Group.
- 7.5 Against the approved budget, the changes result in a budget gap of for which it is proposed to provide additional budget by way of a transfer from the budget currently held on the approved capital programme for City Centre Masterplan for which no specific capital spend proposals have been identified against its original intended use.
- 7.6 It is prudent to then repurpose the balance of the City Centre Masterplan budget as a Becketwell Area Regeneration capital contingency budget and Cabinet approval is sought to make this change on the capital programme and to delegate authority to the Strategic Director of Communities and Place, following consultation with the Strategic Director of Corporate Resources, to agree any subsequent use if required. Any such use would be reported to the Becketwell Regeneration Board.
- 7.7 In replacing the loan with further capital grant to the Padley Group, the Council will then be foregoing future capital loan repayment income which, if it had been received, would have reduced the overall net cost of the scheme to the Council from the approved capital programme as was set out in the March 2021 Cabinet report. This future capital income has not been committed within the current approved capital programme.
- 7.8 There may be some minor revenue costs that fall to the Council relating to the vacant Padley Centre building before the redevelopment of the site commences, which will be absorbed by the housing general fund revenue budget.
- 7.9 If this scheme does not proceed then the abortive costs will include the professional fees incurred to that point by the Council and the Padley Group including any deposits. There is no revenue budget provision for potential abortive costs. Any such abortive costs would have to be addressed as part of in-year revenue budget monitoring and in the first instance from within Communities and Place Directorate.

## **Legal implications**

- 8.1 Securing the Padley Group properties will be subject to the Council's standard due diligence. Geldards LLP have been engaged to act for the Council in relation to the acquisition.

- 8.2 The grant to the Padley Group will be templated on the Council's standard conditions of grant. Due consideration has been given as to whether the grant amounts to a subsidy governed by the UK's international commitments on subsidy control. Although the aid is given by a public authority, the Padley Group is not considered to be an "enterprise" as it is not acting commercially in putting goods or services on a market; furthermore the aid will not affect trade with another country. The aid does not therefore meet the test of being a subsidy and is permitted.

### **Climate implications**

- 9.1 Improvements will be made to the energy efficiency of the Relocation Property and the existing heating system will be upgraded.

### **Other significant implications**

- 10.1 Relocating the Padley Group to new premises contributes to the expansion of homelessness services within the City.
- 10.2 Securing the Padley Group properties and relocating the Padley Group to new premises contributes to the land assembly required for the Becketwell Performance Venue development.
- 10.3 The key risks associated with this project are outlined in the confidential report also being considered by Cabinet.

### **This report has been approved by the following people:**

<b>Role</b>	<b>Name</b>	<b>Date of sign-off</b>
<b>Legal</b>	Emily Feenan	21 <sup>st</sup> October 2021
<b>Finance</b>	Simon Riley	27 <sup>th</sup> October 2021
<b>Service Director</b>	David Fletcher	21 <sup>st</sup> October 2021
<b>Strategic Director</b>	Rachel North	27 <sup>th</sup> October 2021
<b>Head of Strategic Housing</b>	Ian Fullagar	21 <sup>st</sup> October 2021
<b>Head of Regeneration</b>	Catherine Williams	27 <sup>th</sup> October 2021