



Derby City Council

Report sponsor: Christine Durrant, Strategic
Director for Communities and Place

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Regeneration Manager

ITEM 11

Project Mulberry – Investment in a high quality warehouse and office to support the transport engineering supply chain at Infinity Park Derby

Purpose

- 1.1 This report is seeking approval to enter into a forward funding investment in a new high quality warehouse and office to support the transport engineering supply chain at Infinity Park Derby (IPD). The proposal, known as Project Mulberry, will deliver the Council's aspirations for development at Infinity Park Derby and is self-financing.
- 1.2 Infinity Park Derby is a strategic employment site adjacent to the A50 and the Rolls-Royce aerospace campus. The Council has taken a proactive approach to realising the potential of this site through entering a partnership agreement with the developers and landowners. This has enabled the delivery of essential infrastructure works, financed through a combination of Regional Growth Fund (RGF), Local Growth Fund (LGF), private funding and DCC funding. The first building on IPD is the iHub which is now over 94% occupied.
- 1.3 In order to stimulate additional growth, support job retention and business growth in the transport engineering supply chain; an opportunity has been identified for direct investment by the Council. The proposal is to purchase an investment property through a forward funding agreement with the developers and landowners (Infinity Park Derby LLP). The developer will construct a building comprising an 80,000 ft² warehouse and 15,000 ft² HQ office with a further 30,000ft² of mezzanine offices within the warehouse; which will be leased on completion to a Derby based transport engineering supply chain company.
- 1.4 The development requires an investment of £19.3million by the Council, which is to be serviced by Council borrowing and in turn will be supported through a pre-let to a third party.

Recommendations

- 2.1 To approve the terms of the project the details of which are set out within the Confidential report submitted to this Cabinet.

Reasons

- 3.1 To enable development to commence at Infinity Park Derby and act as a catalyst for

future development at Infinity Park Derby.

- 3.2 To contribute to the job creation objectives as part of the LGF funding to support the delivery of infrastructure at Infinity Park Derby.
- 3.3 To enable the delivery of the project the repayments from the IPD developer loan should contribute towards the project costs.
- 3.4 Over time, this is a self-financing project and the pre-let de-risks the Council's investment purchase.

Supporting information

Background

- 4.1 Infinity Park Derby (IPD) is a priority strategic employment site as detailed within the Local Plan. It sits immediately adjacent to Rolls-Royce's global aerospace HQ campus and close to the A50. The site has the capacity to accommodate high-quality advanced manufacturing jobs, supporting the key aerospace, rail and automotive supply chains and is critical to Derby's economy. The site was granted Enterprise Zone status in 2015.
- 4.2 Following intervention from the Council, an Infrastructure Delivery Agreement (IDA) was entered into in September 2014 between the Council, the Landowners (Harpur Crewe Estate and Rolls Royce) and the Developer (Infinity Park Derby LLP – a consortium of Wilson Bowden Limited, Cedar House Investments and Peveril Securities). The IDA committed the Council to the delivery of key infrastructure including the T12 link road connecting Wilmore Road in Sinfin and Homeleigh Way in Chellaston.
- 4.3 Using a combination of Regional Growth Funding (RGF), Local Growth Fund (LGF), Council investment and private investment the Council took the lead in driving forward development at IPD through the delivery of infrastructure. The first major development on the park has been the iHub, a state-of-the-art innovation centre which is now 94% occupied. The Council secured the RGF and LGF funding on the basis of significant job creation at IPD.

Project Description

- 4.4 The Council has been working proactively with the Developer (IPD LLP) and a prospective occupier and Derby based transport engineering supply chain employer to stimulate further development by providing new accommodation necessary to retain and facilitate their long-term expansion.
- 4.5 The proposal is for the Council to acquire the investment by way of a forward funding agreement. The Council will enter into a sale and purchase agreement whereby it acquires the land from the Developer with an agreement from the Developer to construct the building. The Council will fund the cost of constructing the building through a series of payments during the construction process.

- 4.6 The project will deliver the following objectives:-
- new flagship occupier for Infinity Park Derby;
 - development of 80,000 ft² of warehouse and 15,000 ft² HQ office with a further 30,000ft² of mezzanine offices within the warehouse on a 3.7 hectare site;
 - the project will consolidate the company into a single site within the City and create opportunities for job growth once the facility is fully operational;
 - act as a catalyst for continued investment at IPD and highlight the quality of the location;
 - contribute to the job creation outputs required by the terms of the LGF funding utilised by the Council to fund the infrastructure at IPD; and
 - generate business rates which will be paid to the Local Enterprise Partnership (D2N2) under the Government's Enterprise Zone business rates scheme.
- 4.7 Upon completion of the construction, the new building will be let on a new lease, The Lessee will bear all the costs for operation of the property, maintenance, repairs, insurance and business rates payments.

Strategic Fit

- 4.8 Infinity Park Derby is allocated as a strategic employment site within the Local Plan and has been subject to LGF and RGF funding in order to deliver the infrastructure at the site. At a local level the Project Mulberry proposal meets the objectives of Economic Growth Strategy for Derby through job creation and support to the transport engineering supply chain. At a regional level it meets the objectives of D2N2 Strategic Economic Plan; the 'Midlands Engine' Vision for Growth and at a national level HM Government's Industrial Strategy: Building a Britain fit for the future.

Project Rationale and benefits

- 4.9 Infinity Park Derby is a key priority for the provision of land for the Council's strategic employment growth. Infinity Park Derby is strategically located adjacent to Rolls Royce and the A50 dual carriageway. The opportunity to secure a major new development within the transport engineering supply chain sector at Infinity Park Derby will meet the Council's aspirations for growth at this location and act as a catalyst for further development at Infinity Park Derby and through the commencement of construction activity.
- 4.10 Transport engineering manufacturing is widely recognised as a sectoral of strength within the City with established global companies (Rolls Royce and Bombardier) and a large local supply chain. The project will enable support to the transport engineering supply chain, protecting jobs and creating opportunities for efficiencies.
- 4.11 Project Mulberry will create jobs at IPD contributing towards the outputs target associated with the LGF funding for the delivery of infrastructure. Job creation is the key performance measure for LGF, Project Mulberry will make a significant contribution to achieving this output both in terms of the new jobs created and as a catalyst for further development at IPD. The creation of jobs will help to mitigate the worst case scenario risk to the Council of clawback of LGF.

Financial Model

- 4.12 An investment appraisal for the project is contained within the Business Case at Appendix 1 of the Confidential Report.

Project Management

- 4.13 The project will be managed within the Regeneration and Major Projects service and will have a dedicated Project Manager. A Project Team has been established involving officers from Finance, Legal, Strategic Asset Management and Estates.
- 4.14 An indicative high level delivery programme is summarised below:-

Q4 18/19	Q1 19/20	Q3 19/20	Q3 20/21
Cabinet Approval LEP funding approval	Planning submission Contractual completion	Planning consent secured Construction Commences	Construction completes. Handover

Public/stakeholder engagement

- 5.1 The proposal has been subject to internal engagement with finance, legal and Strategic Asset Management and Estates and members to keep them updated of the progress of the project.
- 5.2 Periodic meetings and updates are held with the Developer, the occupier and the Council and their relevant advisors and will escalate as the project progresses.
- 5.3 One of the occupier's key customers is aware of and supportive to the proposal.

Other options

- 6.1 Do Nothing – this option has been discounted as it risks missing the opportunity for securing investment in IPD, which it is hoped will act as a catalyst for further development. Further, doing nothing risks the Lessee not being able to secure an alternative solution for accommodation within the City, which could limit the Lessees options for growth or result in the business deciding to leave the City.

Financial and value for money issues

- 7.1 The financial implications in respect of this report are set out within the confidential version of this report which is being considered at this Cabinet meeting.

Legal implications

- 8.1 The legal implications of this report are contained within the confidential version of this report which is being considered at this Cabinet Meeting.

Other significant implications

Property and Asset Management

- 9.1 The property and asset management implications are contained within the confidential version of this report which is being considered at this Cabinet Meeting.

Risk Management

- 9.2 The risk implications of this report are considered within the confidential version of this report which is being considered at this Cabinet Meeting.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Emily Feenan	30.11.18
Finance	Don McLure	03.12.18
Service Director(s)	Greg Jennings	22.11.18
Report sponsor	Christine Durrant	12.11.18
Other(s)	Jayne Sowerby-Warrington	26.10.18