

CW  
CARRIAGE WORKS  
SWINDON



# Outline

- Introduction
- Five Case Business Model
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- Conclusions

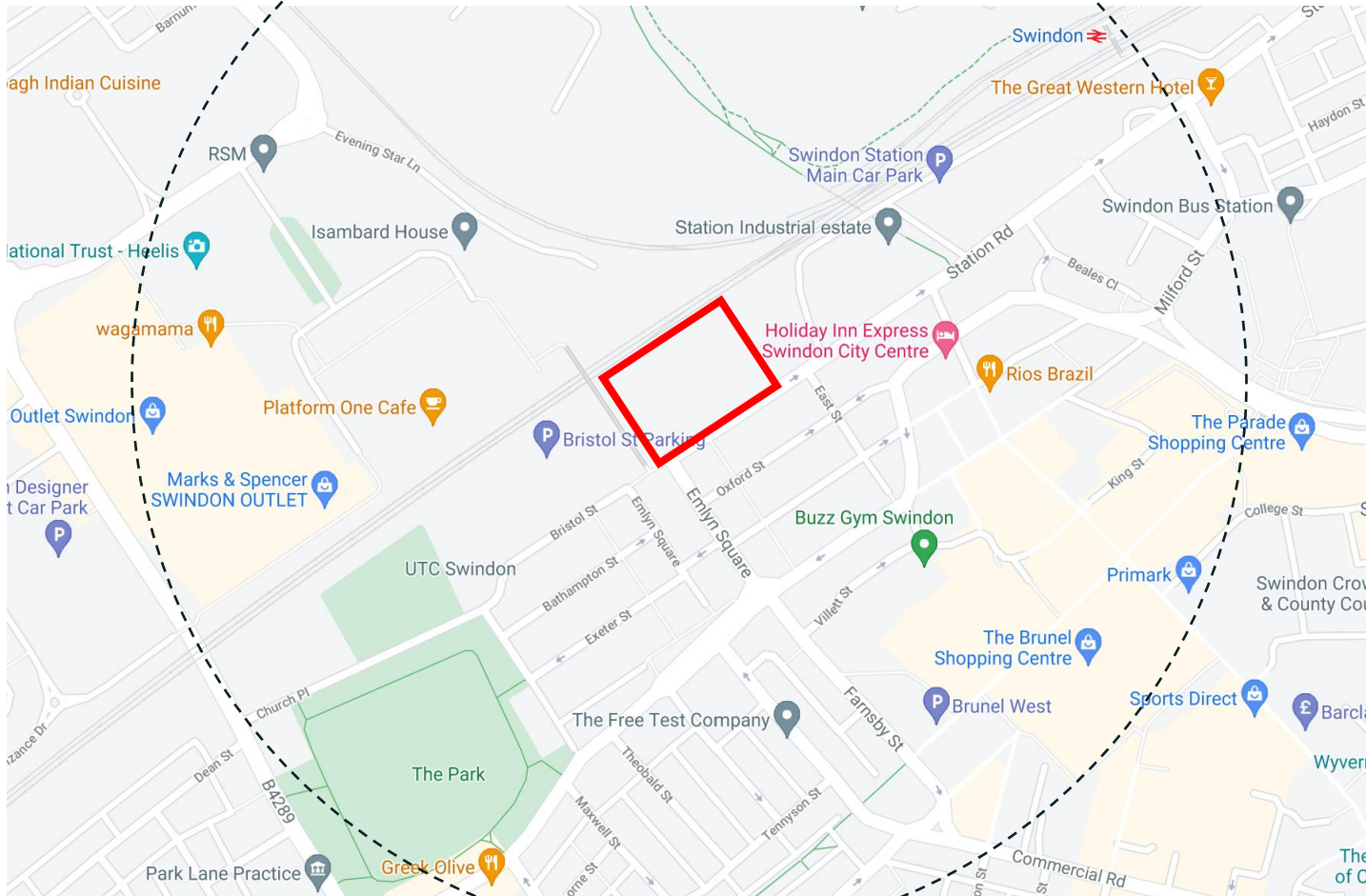
Carriage Works offers a superb opportunity for businesses to base themselves in Grade-II listed buildings close to Swindon's town Centre

Built around 1876, as part of Brunel's Great Western Works, these buildings were once the largest carriage works in the country, standing at the forefront of Victorian industrial innovation

Carriage Works aims to transform Brunel's legacy into the twenty-first century and beyond

**Bringing innovation  
back to where it  
belongs, where  
creative heritage  
comes to life.**

# Location



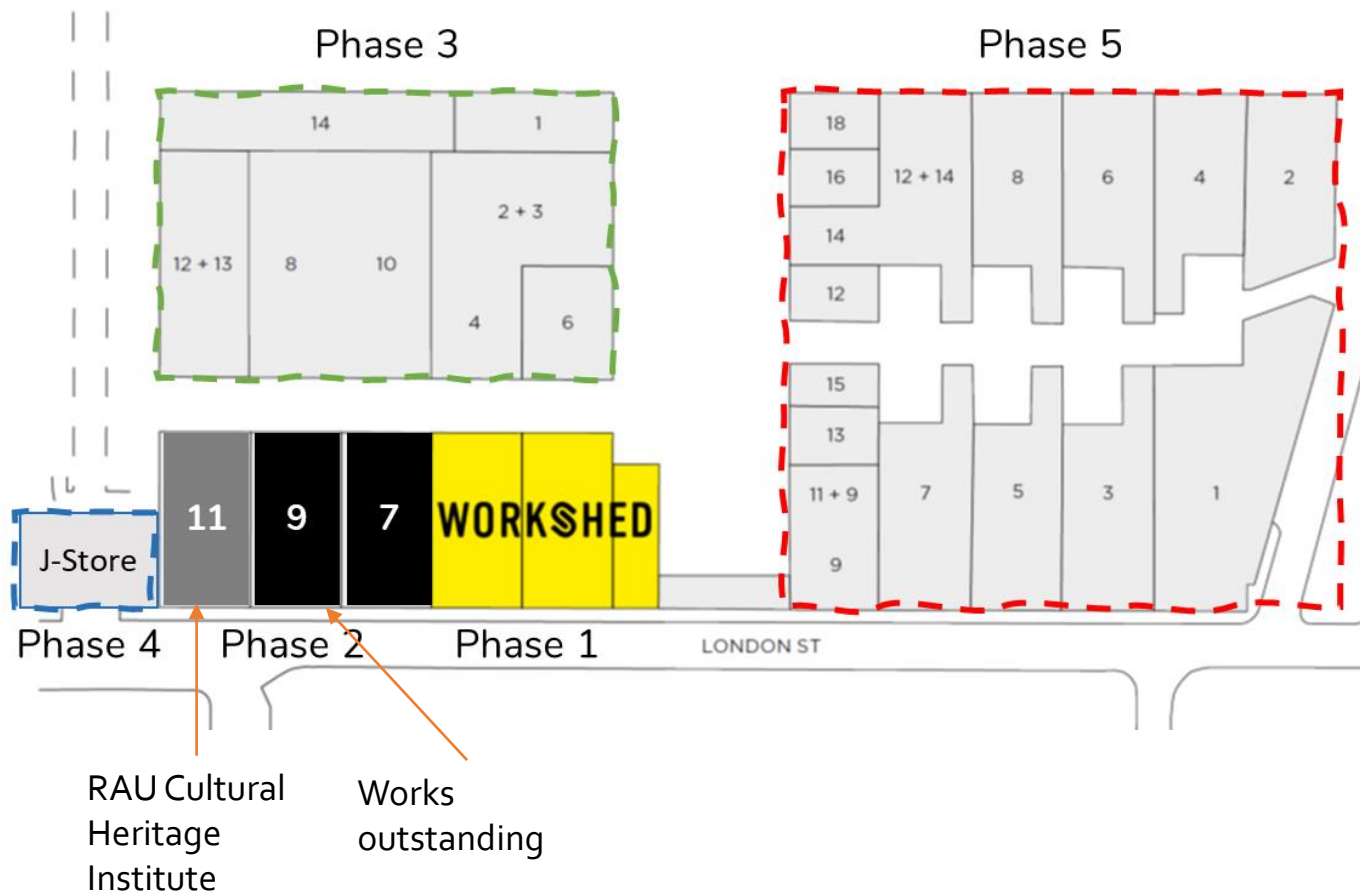
- Close to Swindon train station
- Heart of the Historic Railway Village
- Linked by pedestrian tunnel to the Designer Outlet
- Important link between main town centre and Designer Outlet
- Total development area c. 125K sqft plus Bristol St. Car Park
- Site owned by Swindon Borough Council







# Regeneration site



- Phase 1 units 3&5 (WorkShed) completed 2017
- Phase 2 units 7/9/11 in progress
- 2a: unit 11 (now refurbished and let to Royal Agricultural University)
- 2b: units 7, 9 + undercroft (currently vacant)
- Phases 3+ for later development (currently a mix of vacant and industrial use)

# Before and after investment



# The proposal

- The current business case covers the whole of phase 2
- However, this is to be revised to focus on phase 2b (so excl. the now completed unit 11)
- The table opposite provides an overview of the development areas and costs
- £4m of GBF to deliver 2b
- With other contributions from Historic England and Swindon Borough Council

		Ft <sup>2</sup>	£m
Phase 2a	Unit 11 (RAU)	4,625	1.53
Phase 2b	Units 7/9 plus undercroft	15,375	4.82
Total		20,000	6.35



# Objectives

- Complete phase 2 of the Carriage Works regeneration scheme to deliver a total of 20,000 sqft new floorspace
- Refurbish units 7 and 9 plus undercroft to add a further 15,375 sqft to the 4,625 sqft already delivered – by the end of 2021/22
- Secure suitable tenants to occupy the space from 2022/23 and support 121 permanent gross direct jobs (= 42 net direct + indirect jobs)
- Deliver this on a financially sustainable basis
- Maximise the benefits for wider town centre regeneration

		Ft <sup>2</sup>	£m
Phase 2a	Unit 11 (RAU)	4,625	1.53
Phase 2b	Units 7/9 plus undercroft	15,375	4.82
Total		20,000	6.35

Use		Ft <sup>2</sup>
Phase 2a	D1 education	4625
Phase 2b	B1 office	11425
	A1/A3	3950
Total		20,000



# Strategic case (1)

The proposal responds to the economic needs and strategic priorities of the LEP area:

## Strategic Economic Plan

- skills and talent
- digital capability
- transport
- place shaping
- business development

## Emerging industrial strategy

- business innovation
- advanced manufacturing
- sustainable technologies



## Strategic case (2)

The scheme is well supported by the Council, potential tenants and other stakeholders:

- Royal Agricultural University (took occupation of unit 11 in Sept 2020)
- University of Bath (unit 9 is their preferred location for iCAST)
- Create Studios (strong interest in unit 7)
- Other potential tenants
- Historic England

We have letters of support from the above

### Innovation Centre for Applied Sustainable Technologies (iCAST):

- Part of the SWLEP-led Campus for the Circular Economy (ICCE)
- Will provide emerging technology businesses with a gateway to leading researchers and commercialisation
- Subject to Research England funding and 3 years' rent- free period

# Economic case (1)

## Options appraisal:

- The preferred option (phase 2 development) is a combination of the top 3 uses
- Higher education and offices at upper ground floor
- Mix of offices and complementary uses at lower ground floor (important to activate the street scene and provide public access)
- The preferred option has been compared to a 'do nothing' and 'do minimum'
- These alternatives would not meet the objectives. A missed opportunity.

	(1) Residential	(2) Gallery / museum	(3) Higher education including R&D	(4) Business / office	(5) Other commercial and community uses
1) Sensitive to the building's heritage, historic significance and wider conservation area	1	4	4	3	3
2) Contribution to local community and social impact	1	5	4	3	4
3) Contribution to wider economic regeneration	2	2	5	4	3
4) Viability	5	1	3	4	3
<b>Total</b>	<b>9</b>	<b>12</b>	<b>16</b>	<b>14</b>	<b>13</b>
<b>Rank</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>2</b>	<b>3</b>



# Economic case (2)

There is a strong rationale for intervention:

Market failures include:

- Public good
- Externalities
- Imperfect information
- Moral hazard

These market failures result in under-investment in the building without public intervention.

Cost-benefit analysis suggests good Value for Money

Current estimates:

- Benefit-cost ratio (BCR) is around **2.5**
- Or 2.7 incl. construction activity

The 2.5 reflects the full cost of phase 2 i.e. £6.35m plus 10% Optimism Bias.

However, unit 11 has not been included in the benefits (considered 'deadweight').

The BCR will change (improve) if we also remove 'sunk' costs i.e. money already spent by Swindon Borough Council

# Financial case (1)

## All costs have been benchmarked

- Phase 2b capital costs and professional fees calculated largely based on previously completed works
- A more detailed cost plan will be available next month (prepared by Bailey Partnership)
- Phase 2b costs include 10% contingency
- Capital contributions from Swindon Borough Council and Historic England have been confirmed by letter
- Revenue costs expected to be small (Council costs largely recoverable through a service charge)

## Financial viability

- The development is financially viable over 30 years
- However, Swindon Borough Council will need to cover shortfalls in the first few years (these are larger with the proposed 3-year rent-free periods for UoB/Create)
- The total investment would be too risky for the Council to undertake at the present time
- £4m GBF will enable the works to proceed without further delay providing a much-needed immediate boost to the construction sector



# Financial case (2)

Contributions:

		Ft <sup>2</sup>		£m		
				SBC	GBF	HE
Phase 2a	Unit 11 (RAU)	4,625	1.53	1.53	0	0
Phase 2b	Units 7/9 plus undercroft	15,375	4.82	0.57	4	0.25
Total		20,000	6.35	2.1	4	0.25



# Commercial case

## Market context

- Strong evidence of a general shortage of office space, but particularly high-quality space
- Target rents (£18/sqft) align with market data, but current market conditions may require bigger incentives (rent free period / earlier break)
- Interest from potential tenants was high pre-Covid suggesting the benefits of the project are not tied to UoB/Create occupancy
- A major barrier to securing leases was long and uncertain timescales from Agreement to Lease through to completion/occupation

## Planning and procurement

- Outline permission already exists for most of phase 2
- Professional team in place to submit a detailed planning application within weeks
- Swindon Borough Council has two OJEU-compliant procurement frameworks – one for professional services, the other for construction
- All Framework companies have the skills and experience needed to deliver (includes Beard and Sienna)

# Management case

## Project governance

- Project delivery team in place. Team members have gained experience delivering earlier phases
- Clear reporting lines through to the Programme Board chaired by Chief Executive Susie Kemp

## Risks

- Covid-19 impact on construction activity incl. supply chains
- State Aid compliance needed for any non-commercial incentives offered to UoB/Create
- Demand from fallback ('market') tenants likely to be weak at the current time

## Timetable

Major structural works and unit 9 mezzanine:

- Detailed planning application (end Nov 2020)
- Planning approval (Feb 2021)
- Procurement process already started
- On-site construction (from Mar 2021)

Rest of phase 2:

- Appoint design team (Dec 2021)
- Detailed planning application (Mar 2021)
- Planning approval (end Jul 2021)
- On-site construction (from Oct 2021)

# Conclusions

- Carriage Works is an important historic building in a prime location
- It is currently run-down and under-occupied
- The proposal seeks to revitalise the building and support SWLEP priorities
- The investment needed to complete phase 2 is good Value for Money (BCR > 2)
- The scheme can be delivered quickly thanks to the investment already made by Swindon Borough Council (due diligence, planning, procurement etc.)
- Business case can be finalized quickly once we've received the Independent Technical Assessor's final report

