

PLACES SCRUTINY PANEL

5th September 2013

OAKHAM ENTERPRISE PARK PROGRESS UPDATE

Report of the Operational Director for Places

STRATEGIC AIM:	Building our infrastructure Creating an active and enriched community
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1. PURPOSE OF THE REPORT

- 1.1 To update the Scrutiny Panel on progress of the regeneration of the former HMP Ashwell site to develop Oakham Enterprise Park following on from the previous update paper in June 2013 (Report 154/2013).

2. RECOMMENDATIONS

- 2.1 That the Places Scrutiny Panel notes the progress to date.

3. BACKGROUND TO ACQUISITION AND FUNDING

- 3.1 Report No. 182/2013 presented to Cabinet on 25th September 2012 approved the Business Plan for the Oakham Enterprise Park, and was subsequently endorsed by full Council at its meeting on 8th October 2012 (Report No. 202/2012). This included the capital financing. It should be noted that Cabinet was authorised by full Council to approve the details of the project for implementation in consideration of Report No. 98/2012 on 14th May 2012.
- 3.2 The project is part funded by an interest free loan from the Greater Cambridge and Greater Peterborough Local Enterprise Partnership (GCGP LEP). Following a call out in February 2012 a proposal document outlining the rationale for funding support and compliance with GCGP LEP growth objectives was submitted by the Council. (The proposal for GCGP LEP assistance with the Acquisition and Development of the HMP Ashwell site was approved by full Council on 13th February 2012, Report No. 32/2012). The proposal was based on the Council as the sole recipient of the loan and excluded any representation or intent to form a Joint Venture Partnership for such purpose at that time. The Council entered into negotiations with the MOJ and acquired the site on a 'special purchaser' basis.
- 3.3 A due diligence process was undertaken by the GCGP LEP approval panel officers between September and November 2012 before confirming the award by letter on 27th November 2012.
- 3.4 Independent advice on compliance with EU Commission State aid and regulations regarding loans was obtained via Peterborough County Council Legal Services with a confirmation letter provided to GCGP LEP which was deemed acceptable.

- 3.5 The allocated loan of £630k is interest free over the period from the 1st December 2012 to 31st March 2023 when it is due for repayment, by which time it is anticipated the return on the business and asset value retained demonstrates the soundness of the borrowing and investment, approved at Council in May 2012 (Report No. 98/2012).
- 3.6 The GCGP funding agreement outlines a number of conditions which the Council are required to comply with relating to procurement, monitoring and reporting, key milestones, notification of major changes to the project timescales or other elements such as change of use or disposal within a two year period of funding.

4. REDEVELOPMENT WORKS

- 4.1 Works are being procured in line with the Councils Contract Procedure Rules. An East Midland Property Alliance framework contractor has now been appointed to deliver the full scope of redevelopment and whole site works using a value for money, target cost approach in line with budgets.
- 4.2 The demolition of redundant buildings are programmed in two phases commencing end of August 2013 and together are scheduled to last 8 to 10 weeks. Letters advising of the demolition period have been issued to neighbouring properties, to Parish Councillors and to Ward Members. Under the framework contract using an NEC Option C Target Cost model, as used for all previous capital projects over the last 3 years, the demolition costs are forecast at £214k which is £44k over this element of the budget. However, reduced costs are expected in other areas of the plan e.g. allowance for car parking and site works which will mitigate this increased cost in this area. A plan showing the phased demolition works is included as Appendix A to the report.
- 4.3 Phased re-development works (Phases 1-5) continue to be largely driven by tenant interest and engagement. The Project Board receives updates on tenant interest to support decisions on the unit developments. Examples would be the redevelopment of Unit 23 brought forward to Phase 1 as a consequence of recent marketing as a potential multi-occupancy unit and Unit 2 which has been deferred to Phase 2 due to slower build up of interest.
- 4.4 To facilitate the demolition and refurbishments the approved new entry point to the central core will be created week commencing 26th August 2013. Fencing to the front of the site bordering Ashwell Road will be removed over the following weeks. Infrastructure reconfiguration includes electricity, gas, water and enablement of superfast broadband to the units.
- 4.5 Refurbishment of the former sports hall into a community sports centre is underway with a new pedestrian access route provided from the main visitor/staff car park to the sports hall. Full upgrades are now deferred in view of the Sport England Improvement Fund stage 2 bid (Cabinet Report No. 152/2013 on 2nd July refers). See Section 6 below.
- 4.6 The MOJ permitted other prisons to remove many of the re-usable industrial equipment, door locks, furniture, fixtures and fittings, including those in the specialist workshops and kitchen facility. The MOJ did not provide an inventory of the items removed or remaining. A list of items remaining on the site with potential disposal

values has been developed and a record of any transactions has been maintained for audit purposes.

5. ASHWELL BUSINESS UNITS AND TRANSFER OF SALT BARN

- 5.1 The Oakham Enterprise Park has potential to replace the small Council owned and managed business unit site at the former waste depot (Report No. 182/2012 refers) known as Ashwell Business Units. Tenant engagement has taken place to identify interest in transferring and to reserve suitable accommodation at Oakham Enterprise Park where possible with a view that transfer would take place between September 2013 and April 2104. Vacating the site would realise full potential of the disposal of the Ashwell Business Units site and former highways depot as approved by Council on consideration of the 8th October 2012 Report No. 202/2012.
- 5.2 In addition the salt barn is to be transferred to Oakham Enterprise Park aiming for a cost neutral basis as outlined in para 6.5 of Report No. 182/2012 to Cabinet on 25th September 2012. The programme is scheduling the transfer to be completed for the winter maintenance season 2014/15. A separate report on this scheme is due to be presented to Cabinet as indicated on the Forward Plan of Key Decisions.

6. COMMUNITY SPORTS CENTRE

- 6.1 An initial expression of interest submission for a £495k grant from the Sport England Improvement Fund to implement enhancement works over and above the current refurbishment plans has been supported and an invitation to the next stage submission received. Cabinet approved the submission on 2nd July 2013 (Report No. 152/2013). The next stage submission must be made by 4th November with notification of the final outcome expected back by 13th December 2013. If successful this will improve the multi-sport offer and sustainability. There are 'at risk costs' of preparing the application and associated documentation required and a deferred opening of a fully refurbished building but the scale of the improvement potential makes the investment worthwhile.
- 6.2 A business plan for the Community Sports Centre is being developed with management for an initial period with an option to explore working with a management partner thereafter. Dialogue is continuing with sports clubs and potential users over leasing and booking arrangements but it is not expected to have the first stage of the refurbished building open and leased or booked until January 2013.

7. MARKETING AND UNIT TAKE-UP

- 7.1 Tenant interest continues with site visits being scheduled on a demand response basis. A successful open day in July 2013 attracted some 50 businesses and interested members of the community and was reported positively by the local media. This generated new interest and firmed up existing interest to pre-contract stage. Engagement with Rutland County College continues on the proposed location of some vocational learning courses (construction and engineering).
- 7.2 At present of the 19 reusable industrial/office buildings, there are 5 units let subject to contract and a further 3 units are at pre-contract negotiations stage, some 30-40% occupancy expected by the end of 2013. This is expected to achieve 80% of the forecast rental income for Yr 1, but further take up is expected once visible changes

on the site are made and the first few tenants take up occupation creating an attraction for others.

- 7.3 It is a state aid requirement that the units are openly marketed at rental levels that do not undercut the local market. Independent valuations of the rental rates form the basis of the offer to the market and take up has been based on these rates. Service charges apply to all tenants to contribute towards site wide management costs. Tenants will pay their own utility costs and business rates or apportioned elements where in a multi-tenanted building. Flexible lease terms are provided to support business start-up and enterprise.
- 7.4 An updated marketing strategy to increase awareness includes ideas such as 'unit of the month' features on the dedicated micro site (www.oakhamenterprisepark.co.uk), development of a micro-brochure with first tenants success stories, video-clip walk through of units and site, use of rural trader, regional newspapers and relevant other property websites (one of which currently carries details of units) and social media.
- 7.5 Engagement with East Midland Food and Drink Forum (EMFDF) is continuing on the specific marketing brochure for the food production/kitchen unit. EMFDF has promoted this commercial scale catering kitchen to their membership base and will be holding two full day open events in late September specifically for this specialist facility.
- 7.6 At this stage there is no firm interest in the long leasehold development sites where the old accommodation blocks will be removed, but stronger marketing is commencing now the demolition is enabled following site mobilisation mid August and asbestos clearance.
- 7.7 There is continued interest in usage of the two modern accommodation units as a potential base for experience activities and a draft contract for a 12 month letting and management arrangement is progressing. The site is being further promoted as a film location set through Creative England. The prison site was recently used to produce a YouTube video clip on Drink Driving Awareness (The Worst Crime, Streak of Genius Film Company, July 2013). The income from experience activities, filming etc., is additional to the forecast rental income indicated in paragraph 7.2 and has been included in the table at paragraph 8.1.
- 7.8 The profile of the Park is being increased by the use of one of the office units as a meeting venue. The GCGP LEP and Local Strategic Partnership have successfully held large meetings at the Park.

8. BUDGET MANAGEMENT

- 8.1 Capital and revenue approvals are included in the 2013/14 budget reports as set out below. These are monitored and reported to the Project Board. The table below summarises the financial position at the end of July 2013, and shows that the revenue budget is forecasting a minor underspend. Although there is a variance in year overall we still anticipate maintaining stability of the 10 year business plan.

REVENUE

Cost Centre	Description	Approved Budget	Current Budget	Forecast	Variance
5817	Net Revenue	£112,600	£142,900	£139,300	(£3,600)
	Running Cost	£124,900	£110,400	£116,100	£5,700
	Holding Cost	£24,700	£71,700	£66,000	(£5,700)
	Income	(£39,200)	(£39,200)	(£42,800)	(£3,600)

CAPITAL

Cost Centre	Description	Approved Project Budget	Pre 2013/14 Actuals	2013/14 Total Budget	2013/14 Forecast	2014/15 Onwards Forecast
CH1058	OEP Capital	£3,332,400	£1,497,000	£1,380,500	£1,380,500	£454,900

- 8.2 There has been some slippage on the capital spend due to later start on site and an extended survey, specification and mobilisation period. This will balance overall over the life of the capital project.
- 8.3 The financial position continues to be reported to the Project Board and within the quarterly monitoring.
- 8.4 With a full time Business Manager in post from 2 September 2013 with responsibility for overseeing the regeneration work and for delivering the project objectives and business plan, focus can be returned to planning and managing the longer term business plan in detail. A business plan tracker has been established to monitor progress against the baseline recommended by Cabinet in September 2012 (Report No.182/2012), approved by Council in October 2012 (Report No. 202/2012).
- 8.5 At this early stage of the project capital expenditure is expected to be contained within budget as decisions on refurbishment works per unit are taken in turn based on tenant interest alongside rental income stream.

9. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	MEDIUM	A target of first occupations by September 2013 has proven challenging given the scale of the coordination of surveys, design, construction and demolition alongside marketing, tenant liaison and general communications. With works more defined and the contractor now commissioned for demolition and Phase 1 Works, visible progress on site will start to emerge in late August early September with fence removals and demolitions. First tenants on site should attract others and increase interest in the Park as a new employment zone so clawing back some of the lost time in slow tenant take up during the early part of 2013. After recruitment difficulties, the start of the Business Manager in September will provide a much needed dedicated resource to the project.
Viability	LOW	Tenant interest continues to be reasonable and positive, indicating low risk on the concept of the enterprise park being taken up by the market.

Finance	MEDIUM	The project has approved capital and revenue budgets and contracts are being managed within this. There has been some slippage in income generation in year 1 but it is anticipated tenant take up will progress to recover this and improve the year 2 position.
Profile	MEDIUM	The project has a growing profile within the County and with the GCGP LEP. Activities are being planned to raise awareness of its benefits stimulating growth in the local economy.
Equality and Diversity	LOW	An EIA questionnaire has been completed which indicates a full EIA is not required.

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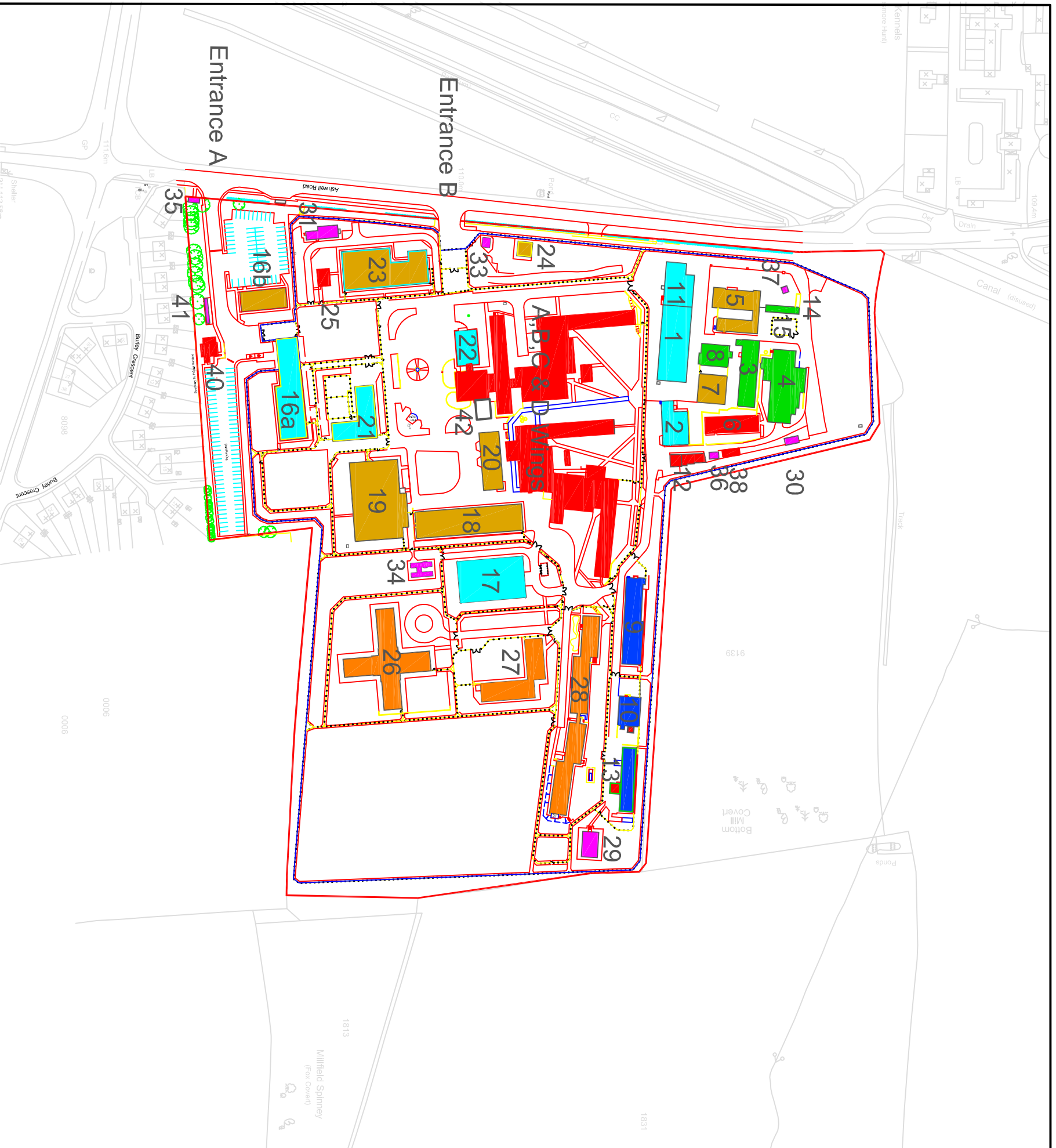
A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577

OAKHAM ENTERPRISE PARK

PHASE 1

SCOPE OF WORKS OVERVIEW

Demolition of A,B,C and D wings with associated service disconnections, asbestos removal works, drainage works.
 Demolition of ancillary buildings 12, 40, 6, 38 and 25
 Refurbishment of buildings 16B, 23, 5, 7, 18, 19 and 20 (See individual Schedule of works)
 Removal of security perimeter fencing to part and opening up of entrance B (See dwgs 0004 and 0005)
 Pedestrian access to Building 19
 Service reconfigurations to building 5 and 7
 Site Infrastructure:
 Site water service - flushing and chlorination and ensure water service to all buildings
 Gas service - Carry out gas checks to ensure gas service to all buildings
 Telecom infrastructure -Install part telecom infrastructure to Building 23



Key

■ Phase 1 Demolitions

■ Phase 1 Building Refurbishments

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Address:
 Oakham Enterprise Park

Project:
 Phase 1 Building Refurbishments

Title:
 Appendix A - Phase 1 Scope of Works

Scale:
 1:2500 @ A3

Drawing No:
 0002

Date:
 20.8.13

Revision:
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