

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision

07 July 2014

Portfolio:	Policy and Resources
Subject:	Daedalus Investment Project - Progress Report
Report of:	Director of Finance and Resources
Strategy/Policy:	
Corporate Objective:	To promote the economic success of the Borough

Purpose:

The purpose of this report is to update Members on progress with the Daedalus Investment project.

Executive summary:

In July 2013, the Executive supported a proposal to develop an Innovation Centre for new start up businesses at the Solent Enterprise Zone, undertake improvements to the airfield and develop new hangar space. In October 2013, the Executive agreed revised funding arrangements for the project and in November 2013 agreed a governance and decision-making structure and the establishment of a Member Working Group to oversee the project.

The project contained some very challenging timescales, principally the requirement to complete the Innovation Centre by the end of March 2015. This aspect of the project is progressing extremely well. Planning consent was granted on 26 March 2014 and site preparation works commenced on 12 May. Construction work on the site commenced on 2 June and the completion date is programmed for early March 2015. A procurement process is currently under way with a view to appointing an operator for the centre during the summer of 2014.

The work to improve the runway is still planned to commence during September 2014 and be complete by the end of November 2014. This will minimise disruption to planned airfield activities during the summer months. The specification for the works is intended to enable the airfield operator to obtain a CAA licence which will enhance its commercial potential.

Work has been ongoing with the Homes and Communities Agency (HCA) to identify a suitable location on the airfield for the development of new hangar space. This is dependent on agreement of an overall strategy for the airfield between the HCA, FBC and other interested parties including Hampshire County Council (HCC), the Solent Local Enterprise Partnership (SLEP) and the airfield operator. As a result it is now likely that new hangar space will be delivered during the latter half of 2015.

Recommendation:

That the Executive notes the progress made to date on the Daedalus Investment Project.

Reason:

To keep the Executive abreast of the progress on the Daedalus Investment project.

Cost of proposals:

The cost of the proposals can be met within the resources previously agreed by the Executive for the project.

Background papers:

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Executive Briefing Paper

Date: 07 July 2014

Subject: Daedalus Investment Project - Progress Report

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. The Daedalus Investment Project comprises three distinct but inter-related projects. A new Innovation Centre will provide office and workshop space for emerging small businesses and is being funded by a grant of £5.3m from the HCA. The other elements of the investment project are the provision of improvements to the airfield at an estimated cost of £1.5m and the provision of new hangar space, also costing an estimated £1.5m, both of which will be funded via borrowing by the Borough Council.
2. The following sections update Members on the progress of each individual element of the project.

INNOVATION CENTRE

3. Of the three elements, the Innovation Centre has the most challenging timescale as it is a condition of the funding agreement that it is completed by March 2015. Originally, businesses locating within an Enterprise Zone also needed to be in occupation by that date in order to qualify for Business Rate Relief for a period of 5 years. However, due to changes announced in the Budget in March 2014, this deadline has been extended until March 2018, thus increasing the attractiveness of the Centre.
4. Since the last report to the Executive, very good progress has been made. The Funding Agreement with the HCA for the grant of £5.3m was finally agreed at the end of March. Agreement was also reached with the HCA on the terms for the disposal of the land and the Borough Council acquired the site on a 999 year lease at the end of March.
5. The design of the Centre was finalised and planning consent was granted on 26 March 2014. As previous reports to the Executive indicated, the proposal is to develop a building with a range of flexible office and workshop accommodation in which new businesses can be supported to grow and thrive and to create an environment in which they will be proud to work and which will impress their clients. The building will comprise a two storey office element, including meeting rooms, circulation space to allow for informal networking and touch down space for businesses who have not rented physical office space. This is supplemented by three “fingers” which will provide workshop space, some of which could be converted to office space if the demand requires it.

6. Following planning consent, a process was then carried out by Leadbitter, the Design and Build contractor, whereby each element of the construction works was competitively procured from sub contractors. This led to the agreement of a final fixed contract price with Leadbitter, which enabled the project to be contained within the capital budget. As a result, the contractor was able to commence site preparation works on 12 May and construction work on 2 June 2014. Completion of the project is still programmed for early March 2015.
7. When complete, it is intended that the building will be managed by an operator with expertise and experience in the field. A procurement process is currently underway using the OJEU Negotiated Procedure with a view to appointing an operator during the summer of this year. This will enable the operator to develop and undertake a marketing strategy for the Centre and have as many potential tenants as possible signed up at the outset. It will also enable the operator to determine how best to fit out and use the internal spaces.
8. The Members Working Group, which has been meeting monthly, has been involved at every stage of the process. Amongst other things, it has signed off the final design of the project prior to the submission of the planning application, it has agreed the preferred route for the procurement process for an operator and the specification for the scope of work the operator will be asked to undertake and it has also signed off the final cost of the project.

AIRFIELD IMPROVEMENTS

9. A design brief and a detailed specification have now been prepared for the proposed improvements to the airfield. It is intended that the works will comprise resurfacing of and drainage improvements to the existing runway, repairs to existing taxiways and aprons to extend their life, the provision of a Runway End Safety Area and the installation of ducting to allow for the future provision of lighting. The latter will avoid having to disrupt the runway again if it is decided to install lighting at a later date. The work will also involve remedial measures to enable the secondary runway to be used for take-offs and landings whilst work to the main runway is being undertaken. Originally it was intended to provide an airfield refuelling facility to enable the provision of a consistent source of quality aviation fuel. In order to get the cost within budget, this has now been excluded from this specific project. However, the HCA will be providing and funding this facility direct in liaison with the airfield operator.
10. In order to avoid disrupting activities on the airfield during the busy summer months, particularly with a number of events planned during this time, it is proposed to commence the works during September 2014. The work should be complete by the end of November 2014. Hampshire County Council is undertaking the works on behalf of the Borough Council and will be seeking tenders for the work during July.
11. The proposed works have been signed off by the Members Working Group. When complete, they will enable the airfield operator to obtain a CAA licence at an appropriate level which will enhance the commercial viability and attractiveness of the airfield.

NEW HANGAR SPACE

12. The final element of the project is to develop a new hangar, the purpose of which would be to provide a catalyst to future commercial investment in the expansion of airfield activity.

13. Originally, it was intended that the location of the new hangar should be in a gateway position on Hangars West close to the northern entrance on Gosport Road. However discussions are currently underway to explore options to locate the Borough Council's hangar on either Hangars East or West, depending on the way that the airfield strategy develops.
14. Once a precise location has been identified, work will proceed to identify, if possible, a future tenant with whom the Council can work on a pre-let basis. A process to procure a Design and Build or "off the peg" solution to building the hangar can then be pursued.
15. As a result of these ongoing discussions, it is now likely that this part of the project will be delivered during the latter half of 2015.

RISK ASSESSMENT

16. An assessment of the risks of this large and complex project was outlined in the report to the Executive in July 2013 and these remain essentially the same.

FINANCIAL IMPLICATIONS

17. A capital budget of £8.35m has been agreed for the project, £5.35m of which is for the Innovation Centre. As mentioned in paragraph 7, a fixed price has now been agreed with the Design and Build contractor which will enable the total cost of the project to be contained within this sum. Members will also recall that, at its meeting on 12 May, the Executive agreed to allocate additional capital funding of £60,000 to enable the provision of Solar PV panels on the whole of the main roof and the larger south western "finger" of the building. The contractor will be asked to procure this work under a Variation Order.
18. A Risk Register for the project has also been compiled. This identifies a number of risks which may arise during the course of construction which will have a cost implication. These have not been included within the capital budget, but should any of them arise, there would be a small increase in cost. It is also possible that, following the appointment of an operator for the Innovation Centre, the Borough Council may request some minor changes to the internal layout of the building. If this happens, there is also likely to be a minor cost implication.
19. The figure of £1.5m in the capital budget for the airfield improvements has been confirmed as part of the Cost Plan developed by Hampshire County Council, but is, of course subject to tender.
20. The figure of £1.5m for the development of new hangar space is based on estimates for similar work carried out elsewhere and will need to be further tested as part of the design and procurement process.

CONSULTATIONS

21. The proposals for all three elements of the project have been the subject of close co-operation and consultation between the Borough Council and its partners, the HCA, the Solent LEP and Hampshire County Council.
22. The planning application for the Innovation Centre was subject to the normal consultation methods as part of the planning process and no objections were received. The plans, including a model of the Centre, were presented to the Crofton CAT meeting on 11 February and were warmly received.

23. The Members Working Group are keeping under review a Communications Plan for the project to ensure that potential new businesses and local residents are kept informed of progress.

Reference Papers:

Previous Executive reports:

July 2013: Daedalus Investment Opportunity

October 2013: Daedalus Investment Opportunity – Update

November 2013: Daedalus Investment Project – Project Appraisal and Governance Arrangements

March 2014: Daedalus Investment Project – Progress report