

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 01 December 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, to undertake improvements to the airfield and to 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. Construction work on the site commenced on 2 June and the project remains on target for completion in early March 2015. The structure is now weather-tight and the internal fitting out of the building is underway.

Following a competitive procurement process, Oxford Innovation Ltd was appointed to operate the Centre in August 2014. Oxford Innovation is highly experienced in the operation of Innovation Centres and is currently undertaking a comprehensive mobilisation and marketing plan to enable the Centre to open its doors immediately following completion of the construction work.

The work to improve the runway commenced on 20 October 2014 and is scheduled for completion on 2 December 2014. The improvements will enable the airfield operator to obtain a CAA licence which will enhance its commercial potential.

Discussions with the Homes and Communities Agency (HCA) to identify a suitable location on the airfield for the development of new hangar space have been subsumed within wider discussions concerning the proposal to transfer the airfield to the Borough Council. This was agreed in principle by the Executive on 6 October

2014. As a result it is now likely that new hangar space will be located within the Hangars West part of the airfield and will be delivered during the latter half of 2015/16.

Due diligence work on the proposal to transfer the airfield to the Borough Council is proceeding apace. The HCA, as land owner, and the Solent LEP are in the process of obtaining approvals to support the proposal, and these should be in place by early December.

Recommendation/Recommended Option:

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.

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Executive Briefing Paper

Date: 01 December 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. Construction work commenced on 2 June and the steel frame, roof, external cladding and window installation are all now complete making the building weathertight. The internal partitions to the offices and workshops have been installed and work is proceeding on the mechanical and electrical installations. The project is still on programme for completion on 9 March 2015.
5. A procurement exercise using the OJEU Negotiated Procedure was undertaken during the spring and early summer of this year. As a result, in August, Oxford Innovation was appointed to operate the Centre once it is open. Oxford Innovation has a great deal of experience in operating Innovation Centres and currently manages 21 such Centres throughout the UK, including Portsmouth and Southampton. It provides over 400,000 ft² of space with an average occupancy rate of 87%. Currently, 930 companies use its

services. It emphasises the provision of effective business support and an aspirational working environment for fledgling companies and the provision of commercially sustainable centres which deliver long term financial returns.

6. Oxford Innovation, in partnership with officers of the Council is currently undertaking a mobilisation plan which will enable the Centre to be open for business as soon as building work is complete. This includes developing a unique brand for the Centre and devising a marketing strategy which will include setting up a website, distributing marketing materials, stakeholder presentations, launch events, and seeking out and dealing with enquiries from prospective tenants. The mobilisation work also includes setting up financial, ICT and other systems and the recruitment of staff.
7. Now that an operator is on board, some minor changes have been made to the internal layout of the building, which will make it more attractive from the letting perspective. These changes, which have been endorsed by the Members Working Group, include the installation of additional partitions to provide more smaller offices, the enclosure of two “breakout” spaces to provide additional offices, the provision of internal corridors to enable internal access to the Centre by workshop users, obviating the need for an external canopy and the dedication of a large 6 person office as a business lounge for use as a co-working space.
8. Work will also be starting shortly on the installation of PV panels to the roof of the main building. In May 2014, the Executive agreed to allocate an additional £60,000 to the capital budget for this purpose. This was based on a desk top survey of the building by a supplier which estimated that an array of PV panels could be fitted with a total capacity of 41kWp. In the event, a more detailed survey, once construction was underway, revealed that it would only be possible to install an array with a capacity of 27.75kWp. The total cost of this work will be £53,000 which includes work to the roof of the building to enable the panels to be fitted, fees and contractors on costs. The return on investment does however remain at 13% as previously reported to the Executive.
9. The Members Working Group has also agreed a name for the facility. The Centre will be known as the Fareham Innovation Centre @Daedalus. This is designed to have maximum impact for potential users by describing precisely what the Centre does, enabling it to be found easily on the internet through search engine optimisation whilst still retaining the link with the Enterprise Zone. The building itself will be named Merlin House. This reflects the aviation history of the site as the Merlin was the Rolls Royce built engine which powered the Supermarine Spitfire, Hawker Hurricane, Avro Lancaster, P-51 Mustang and De Havilland Mosquito aircraft. This will be reinforced by naming the meeting rooms and the business lounge after the Spitfire or Seafire, the Seafox, the Swordfish and the Firefly. These names will also reflect the advanced engineering bias of the Centre. Significantly, the merlin engine also had some marine applications.

AIRFIELD IMPROVEMENTS

10. Work on the airfield improvements commenced on 20 October 2014 and is due for completion on 2 December. As reported to the Executive in July, the improvements comprised 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 also involved remedial measures to enable the secondary runway to be used for take-offs and landings while work to the main runway is being undertaken. The

work is being carried out with minimal disruption to users, although it has been necessary to close the airfield completely on weekdays only for a two week period to enable work to be carried out in the area where the two runways intersect.

11. Once the work is fully complete, the airfield operator will apply for 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. Provision of the new hangar has been in abeyance pending discussions with the HCA and other interested parties concerning an overall strategy for the airfield and the impact this would have on its location. As Members will be aware, the Executive at its meeting on 6 November 2014 considered a report on the future arrangements for land ownership at Daedalus and approved a proposal which could result in the ownership transferring to the Borough Council. Discussions on the new hangar have now been subsumed within these wider negotiations.
14. It is still likely that the new hangar will be provided in the Council's original preferred location at Hangars West, but it is now likely that the project will be delivered during the latter half of 2015/16.

AIRFIELD TRANSFER

15. At the meeting on 6th October, the Executive agreed, in principle, to pursue the opportunity to take ownership of the northern part of the Daedalus site, including the airfield, Daedalus East and West, and the surrounding open space. This is being pursued with the intention of unlocking Daedalus West for development and jobs creation, and with a view to establishing a long term viable solution for the airside activity.
16. The other parties involved in the transfer proposal (Homes and Communities Agency as land owner, and Solent LEP) are in the process of obtaining similar approvals to support the proposal, and these should be in place by early December. Concurrently, extensive due diligence is continuing to ensure that there is a robust understanding of the commitments, liabilities and opportunities that the Council would be inheriting. Negotiations with the land owner are also continuing over the terms of the transfer.

RISK ASSESSMENT

17. 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

18. A capital budget of £8.35m has been agreed for the project, £5.35m of which is for the Innovation Centre. This figure was supplemented when the Executive agreed in May 2014 to allocate additional capital funding of £60,000 to enable the provision of Solar PV panels on the whole of the main roof.
19. At the moment, the contract cost for the Innovation Centre is running slightly higher than

the original cost plan and the legal costs are higher than anticipated, particularly during the operator procurement phase. As a result, the scheme is slightly over budget by £77,000, an overspend of 1.44%.

20. The improvements to the airfield have been contained within the capital budget figure of £1.508m and following the completion of the project, it is possible that there may be a slight saving.
21. The capital budget figure of £1.508m 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.
22. It is possible, however, that all three projects can be contained within the original capital budget figure.

CONSULTATIONS

23. 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.
24. 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 2014 and were well received.
25. When a location for the new hangar space has been decided and initial design proposals are ready, this will also be subject to the usual consultation methods under the planning process.
26. 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
- July 2014: Daedalus Investment Project – Progress report
- November 2014: Future arrangements for land ownership at Daedalus