

CABINET

10 APRIL 2018

FITTED RIGGING HOUSE – ADDITION TO THE CAPITAL PROGRAMME

Portfolio Holder: Councillor Alan Jarrett, Leader
Councillor Rodney Chambers OBE, Inward Investment, Strategic Regeneration and Partnerships

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Summary

This report will set out a current Growing Places Fund (GPF) bid to bring the Fitted Rigging House at Chatham Historic Dockyard into full use. The report will ask Cabinet to recommend to Full Council on 26 April 2018 the addition of the project to the Capital Programme, subject to approval from the South East Local Enterprise Partnership (SELEP) for the funding.

1. Budget and Policy Framework

- 1.1 It is the responsibility of Cabinet to ensure that expenditure for each capital scheme remains within the budget approved by the Council but it remains the responsibility of Council to approve schemes for inclusion in the capital programme.
- 1.2 As this scheme is being delivered by the Chatham Historic Dockyard Trust (CHDT) the responsibility for remaining within the budget falls to CHDT and as such the Council assumes no liability for the budgeting of the works.

2. Fitted Rigging House – Business Space Development

- 2.1 The Fitted Rigging House Project converts a large, Grade 1, former industrial building into office and public benefit spaces initially providing a base for 3 organisations employing over 350 people. The project also frees up space to create a postgraduate study facility elsewhere onsite for the University of Kent's Business School.

- 2.2 The project forms a critical element of Chatham Historic Dockyard Trust's corporate plan based on a strategy of "preservation through re-use" that generates income to maintain the 80 acre heritage site and maintain its educational purposes, both at the core of Medway's wider regeneration strategy.
- 2.3 Further to these initial ambitions the project also provides expansion space for the future, which has the potential to enable the creation of a high tech cluster based on the work of one core tenant and pre-existing creative industries concentrated on the site.
- 2.4 The total cost of the project to CHDT is £8,400,000. CHDT have secured £7,600,000 from other funding pots and are seeking the remaining £800,000 from the Growing Places Fund. CHDT submitted a final Business Case to the South East Local Enterprise Partnership (SELEP) at the beginning of March 2018. Subject to the Independent Technical Evaluator being satisfied with the Business Case it will be presented to SELEP Accountability Board for a funding decision on 27 April.
- 2.5 If SELEP Accountability Board approves the loan of £800,000 from the Growing Places Fund to CHDT, there will be a requirement for the Council to act as an intermediary between SELEP and CHDT. The Council will need to enter into a loan agreement with SELEP on behalf of CHDT, as SELEP will only enter into funding/loan agreements with Local Authorities. In turn, the Council will enter into a legally binding back to back loan agreement with CHDT, which will give the Council protection should CHDT default on their repayments. The back to back loan agreement will allow the Council to charge interest in line with the Public Works Loan Board rate should CHDT default on the agreed repayment schedule, this mirrors the charges which will be applied by SELEP if the Council do not meet the repayment schedule set out in the loan agreement. In addition the Council, subject to approval from SELEP Accountability Board, has the right to withdraw the loan if CHDT fail to comply with the conditions of the loan agreement, fail to demonstrate sufficient progress towards delivery of the project or fail to comply with the agreed repayment schedule. Furthermore, CHDT will be required to pay the amount of all costs and expenses (including legal fees) incurred by the Council in connection with the enforcement of, or the preservation of, any rights under the back to back loan agreement.
- 2.6 SELEP will transfer the funding to the Council in line with the draw down profile contained within the Business Case and will expect the Council to make the loan repayments in accordance with the Business Case. The back to back loan agreement entered into with CHDT will require CHDT to make mirror repayments to the Council to facilitate the loan repayments due to SELEP. The Council will transfer the funding to CHDT once received from SELEP within similar timescales, subject to the back to back loan agreement being signed by both parties.
- 2.7 The project will be delivered by CHDT and the Council will have no involvement beyond its role as intermediary in relation to the funding and reporting requirements of SELEP and will assume no liability for the works.

3. Risk Analysis

Risk	Description	Action to avoid or mitigate risk	Risk rating
Funding might not be received.	If the Business Plan is not robust, the loan could be refused	Robust Business Plan has been developed	D2
Cost of the works are higher than agreed funding	If the cost of the works are higher than the anticipated costs the scheme may be unaffordable	CHDT will be undertaking a robust procurement exercise to ensure value for money is offered by suppliers. As the project is being delivered by CHDT the liability for any cost overrun lies with them	D2
Medway Council become liable for the loan	If CHDT fail to make repayments to Medway Council in line with the Business Case, Medway Council will become liable for the loan repayments	A robust loan agreement to be in place between Medway Council and CHDT to protect Medway Council in the event that CHDT default on the payments, pre agreed by Legal and Finance	E2

4. Financial and Legal Implications

4.1. The financial and legal implications are fully analysed in the report.

5. Recommendation

5.1 The Cabinet is asked to recommend to Full Council on 26 April 2018 the addition of this project, as set out in section 2 of the report, to the Capital Programme, subject to approval from the South East Local Enterprise Partnership (SELEP) for the funding.

6. Suggested reasons for decision

6.1 Additions to the Capital Programme are a matter for Full Council.

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Appendices

None

Background papers

None