

EAST AYRSHIRE COUNCIL

CABINET - 21 OCTOBER 2009

KILMARNOCK TOWN CENTRE REGENERATION

Report by the Depute Chief Executive/Executive Director of Corporate Support

1. PURPOSE OF THE REPORT

- 1.1** This report sets out, for Members consideration, projects which are proposed to be funded using the capital allocation set aside to assist the regeneration of Kilmarnock Town Centre.

2. BACKGROUND

- 2.1** The Capital Investment Strategy approved by the Cabinet on 11 February 2009 included as a specific objective the regeneration of Kilmarnock Town Centre and set aside the sum of £21m to be utilised to take forward projects which would deliver that outcome. A further report to Cabinet on 22nd April 2009 authorised an accelerated spend of £1.1m in the current financial year.

- 2.2** The regeneration strategy for Kilmarnock is set out in the Council publication "Kilmarnock Building Our Future". This document makes clear that,

"The Community Plan sets the challenge to maximise the development potential that exists within Kilmarnock which, when realised, will benefit not just the inhabitants of the town itself but the wider economy of East Ayrshire, Ayrshire as a whole and play a significant role in the growth of the economy of the Glasgow Metropolitan Region. The process of reinvigorating the town will have a tangible impact upon the lives of local people. Our approach seeks to harness every available opportunity to the benefit of the people of East Ayrshire. The development process, in a physical, economic and social sense will be driven forward within the context of sustainability."

- 2.3** A specific element of the strategy is "reinforcing, and adding to the Council's presence in the town by moving staff into the town centre"

- 2.4** The Integrated Regeneration Strategy approved by the Cabinet on the 20 May 2009 identifies the Capital Investment Programme as one of the three principal sources of funds for the investment programme highlighted under the Investing in our Communities priority for action. A significant aspect of the investment priorities agreed by the Council is the physical regeneration of Kilmarnock Town Centre.

3. PROPOSED PROJECTS

3.1 The projects proposed can be categorised essentially as enhancement of existing assets, creation of new work space and provision of sustainable transport. Several of these projects are within the John Finnie Street and Bank Street Outstanding Conservation Area and are either currently identified as priority buildings/sites under the Kilmarnock Conservation Area Regeneration Scheme(CARS) and Townscape Heritage Initiative(THI), or could potentially be eligible under these schemes. For those projects linked to the Kilmarnock CARS/THI, contracts will require to be let and grants committed by November 2011.

3.2 Enhancement of Existing Assets

3.2.1 Palace Theatre Refurbishment £2.500m

The planned project is expected to cost £3.500m with bids totalling £1m being made to Historic Scotland and the Heritage Lottery Fund. The works would renovate the external stonework and roof of the building and therefore complement the extensive works already done and planned to the interior to further enhance what is arguably the best theatre and events venue in Ayrshire. The intention is to make a significant contribution to regenerating the town by bringing the best in culture and entertainment to Kilmarnock.

3.2.2 Town Centre Regeneration Fund £0.200m

Scottish Government funding for a project which aims to improve the environment and pedestrian connections between Kilmarnock Railway Station and the core retailing area is due to be confirmed by the end of October. The total project cost will be £1.556m with the Scottish Government providing £1.156m and £0.200m revenue funding having already been set aside.

3.2.3 The project is designed to maximise the involvement of trainees. Community safety issues will be addressed through the extension of the CCTV system, the removal of unsightly graffiti and environmental improvements to Sandbed Street. It is intended that the project will capitalise on the economic and social benefits of the new half hourly rail service between Glasgow and Kilmarnock. Improvements to the urban realm within the Kilmarnock John Finnie Street/Bank Street Outstanding Conservation Area as a stimulus to economic regeneration are an integral aspect of the Kilmarnock Town Centre Strategy. This project will assist in realising the significant public realm improvements included within the Kilmarnock THI Action Plan.

3.2.4 Bank Street £0.225m

It is planned to add to the streetscape by the introduction of creative illumination to enhance the historic character of the street and reduce damage to the Caithness paving. The project will cost £0.300m with the balance coming from revenue funds already set aside. This will enhance the existing lights projects already established at Kilmarnock Viaduct and others proposed under the Leaders initiatives in illuminating Churches at Old High, St. Joseph's and Riccarton and statues in the town.

3.2.5 Refurbishment of Civic Centre Buildings £7.300m

The planned project to enhance these landmark buildings will cost £10.000m with potential for CARS funding and a contribution from the Housing Revenue

Account in respect of office accommodation used by the Housing service. The works will include repairing the external fabric of the buildings including walls, windows and roofs and enhancement of the interior of the buildings to bring them up to a modern day standard.

3.3 Creation of New Workspace

3.3.1 New Town Centre Office Accommodation £6.600m

The current Corporate Office Accommodation Strategy is presented to Cabinet for consideration and approval as a separate item on this Agenda. As presented, the Corporate Office Accommodation Strategy reaffirms the Council's requirement for additional office accommodation for approximately 172 staff, to be located within the Town Centre as a key element in delivering the strategy's objective of bringing around 389 Council employees into the Town Centre on a daily basis. If agreed, further consideration will be given to the various possible options and a Report submitted to a future meeting of Cabinet.

3.3.2 Strand Street Offices Fit Out £2.400m

The office development at Strand Street which will house Social Work, Planning & Economic Development and Roads staff is currently under way. Cabinet on 18th March 2009 approved revised terms and conditions for the development and lease of the office with an option to buy seven years following the date of the Council's occupation.

3.3.3 The costs of variations to the initial landlord's specification required to meet the Council's specific needs and which require to be met by the Council have now been ascertained. These relate to a change from electric to gas central heating required in the interest of energy efficiency and a requirement by the Council's insurers for a sprinkler system and external attenuation tank to be installed. The specification for the heating works will add £0.206m to the cost and the specification for the necessary works to install the tank underground will add £0.650m to the cost and ten weeks to the build programme. In addition the Council will require to pay the landlord's insurance and service charge costs for the ten week period and the legal costs associated with the variations. In order to ensure that there is no further delay to the project the concluded development agreement has been varied and the work instructed. Any costs which fall to be met in the current financial year will be met from the £1.1m accelerated spend authorised by Cabinet on 22nd April 2009.

3.3.4 Other additional costs include the creation of a number of cellular offices specified by the occupying departments arising from changes to heating, ventilation, light, power and IT wiring layouts. It was initially proposed that these works be carried out following entry by the Council to the property, however it is now accepted that there are significant savings if the work is carried out by the developer on the basis of a tenant variation to the contract. A CARS grant has been approved for the external refurbishment of the building.

3.3.5 Purchase of Office Accommodation £1.275m

The Council currently leases the ground floor office of the Scottish Enterprise Offices at 11-17 Hill Street on a short term licence basis and this is occupied by staff from Asset Management.

- 3.3.6 Scottish Enterprise approached the Council to advise that they intend to put the premises on the market on a sale and leaseback basis and they have given us an opportunity to purchase the premises prior to them advertising them for sale on the open market.
- 3.3.7 Scottish Enterprise advised that they would require to continue to occupy a portion of the building for a minimum period of 3 years and, therefore, any acquisition by the Council would be conditional upon entering into a licence/lease agreement with Scottish Enterprise for their occupation of the premises.
- 3.3.8 The possibility of acquiring the premises would assist as the wider Corporate Office Accommodation Strategy and may, in the medium term enable the Council to retain some flexibility and influence on the future use of the adjacent Johnnie Walker site should that be required.

4. FINANCIAL IMPLICATIONS

- 4.1 At the 11 February 2009 Cabinet £21m was allocated for Kilmarnock Town Centre Regeneration as part of the Corporate Support element of the Capital Investment Programme for 2009/10 to 2018/19. The financial implications are summarised in the table below:

Description	Regeneration Capital £m	Lead Department/ Service	Link to Other Regeneration Projects	Other Potential Funding £m	Total Investment
Match Funding of Historic Scotland / HLF Palace Theatre bid	2.500	Neighbourhood Services		1.000	3.500
Support to TCRF bid for Kilmarnock	0.200	Corporate Support	Link to CARS/THI	1.156	1.356
Bank Street Illuminated bollards & layby	0.225	Neighbourhood Services		0.075	0.300
Refurbishment of Civic Centre North and South Buildings	7.300	Asset Management	Link to CARS/THI	2.700	10.000
Provision of New Office Accommodation	6.600	Asset Management	Link to CARS/THI		6.600
Fit-out of Strand Street Offices	2.400	Asset Management	Link to CARS/THI	0.569	2.969
Purchase of Hill Street Offices from Scottish Enterprises	1.275	Asset Management			1.275
Total	20.500			5.500	26.000

The costs shown are broad estimates and authority is sought for virement of up to 15% between projects within the overall £20.500m Regeneration Capital total. Any variation in excess of this would require Cabinet authority.

5. PERSONNEL IMPLICATIONS

- 5.1 There are no personnel implications directly associated with this report.

6. LEGAL IMPLICATIONS

- 6.1 The Solicitor to the Council will require to ensure that any necessary new leases/acquisitions and associated development agreements entered into in respect of any of the current proposals to create new workspaces include appropriate terms and conditions and adequately protect the interests of the Council.
- 6.2 The proposal to treat the remaining fit out costs at the Strand Street as tenant variations can be justified on the basis that this represents best value to the Council. Accordingly authority to negotiate with the Developer in terms of section 20(1) of the Council's standing orders on contracts is considered justifiable. The Solicitor to the Council will require to ensure that any amendments to the revised development agreement to allow for this variation adequately protect the interests of the Council.

7. ASSET MANAGEMENT IMPLICATIONS

- 7.1 The proposed projects are in accordance with the Council's policy objectives in respect of Asset Management and the office accommodation proposals are consistent with the proposed Corporate Office Accommodation Strategy. Further analysis of the individual projects may be required to ensure feasibility before implementation.

9. COMMUNITY PLANNING & POLICY IMPLICATIONS

- 9.1 The regeneration of Kilmarnock Town Centre is key to meeting the aims and aspirations of the Delivering Community Regeneration Action Plan under the East Ayrshire Community Plan.

10. RISK MANAGEMENT IMPLICATIONS

- 10.1 There are numerous risks attached to delivery of the above programme of works. These will require to be identified on an individual project by project basis utilising Prince 2 project development and management procedures. However these risks can be minimised by following the Council's defined procurement procedures and that insurance cover requirements are individually assessed for each project. Some of the projects involve the development and re-use of listed buildings which require special treatment.
- 10.2 Each project will require proper management systems to be put in place to protect the workforce, site visitors and passing members of the public.

11. RECOMMENDATION

11.1 It is recommended that Members;

- (i) approve the distribution of funds to the individual projects from the Capital Investment Programme's allocation of £21m to Kilmarnock Town Centre Regeneration as indicated in the table at paragraph 4.1 above;
- (ii) remit the responsibility for progressing the various projects to the lead Department/Service identified in the table at paragraph 4.1 above;
- (iii) agree that the Executive Head of Finance and Asset Management be given specific authority to negotiate with the Developer of the Strand Street building over the remaining fit out costs in terms of section 20(1) of the Council's Standing Orders within the cash limits shown in paragraph 3.3.2; and
- (iv) agree that the Executive Head of Finance and Asset Management be authorised to approve virement of up to 15% between projects within the overall £20.500m Regeneration Capital limit.
- (v) otherwise note the contents of this report and that further reports will be submitted to report on the progress of individual projects as appropriate.

Elizabeth Morton
**Depute Chief Executive/
Executive Director of Corporate Support**
15 October 2009 (KD/CMcK/SA)
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LIST OF BACKGROUND PAPERS

1. Report to Cabinet – 11 February 2009, "Capital Investment Programme 2009/10 to 2018/19"
2. Report to Cabinet – 22 April 2009, "Accelerated Capital Grant"

Implementation Officer: Alan Neish