

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**28 July 2015**

Report of the Strategic Director – Economy, Transport and Environment

**MARKHAM VALE ENVIRONMENT CENTRE EXTENSION  
(STRATEGIC POLICY, ECONOMIC DEVELOPMENT AND BUDGET)**

- (1) **Purpose of Report** To seek approval:
- i. for the acceptance of additional European Regional Development Fund (ERDF) grant offered by the Department of Communities and Local Government (DCLG) for the extension of the Markham Vale Environment Centre; and
  - ii. for the allocation of additional match funding from the County Council to address an increase in project costs.

(2) **Information and Analysis** Markham Vale Environment Centre (MVEC) is the flagship business centre and a critical component in the development of Markham Vale Business Park, adjacent to junction 29A of the M1 Motorway. The Centre has been fully let for more than 6 years and is well established. Cabinet approved plans to extend the existing MVEC at its meeting on 11 February 2014 (Minute No. 57/14). This was to complete the vision of the original business plan, expanding the site through much needed grow-on industrial and office space. The original cost of the extension was £975,000, including £125,000 of revenue being funded through a combination of secured ERDF grant and County Council match funding.

Planning approval for the project was granted in August 2014 and building work commenced on site in November 2014. The project is now entering its final construction phase. Alongside the capital investment, the revenue element of the project has delivered a number of business outputs with more than 80 local businesses attending seminars and 31 businesses (including 12 new starts ups) accessing 1-2-1 coaching and support. It is envisaged the extension to Markham Vale Environment Centre will create at least a further 20 jobs.

However, during the procurement process it became evident that as a result of rising construction costs following the tender process, the anticipated budget for the build programme was insufficient to meet actual build costs of £1,045,000 (final contract value) with an additional £103,105 to cover fees and

contingencies, a total capital cost of £1,148,105, which has resulted in a shortfall of funding; similar issues have been apparent with other capital projects across the region. To assist in managing the shortfall, a Project Change Request Form was submitted to DCLG on 17 November 2014, seeking additional grant funding to help cover the increased costs. This request resulted in late confirmation of an additional ERDF grant offer of £40,100 which was received on 27 May 2015.

During this process, additional project costs outside of ERDF grant eligibility have been incurred including design, associated project fees, project evaluation. Taking into account the additional grant from Government, there remains a project overspend of £198,005. It is therefore recommended the County Council provides the additional funding needed from departmental earmarked reserves to match the EDRF grant and pay for those remaining costs not eligible from this funding.

(3) **Financial Considerations** It is envisaged 50% of the new building will be occupied within six months of opening, with an estimated rental income of £90,147 per annum.

The total project costs now stand at £1,213,005 including contingencies (capital £1,148,105 and revenue (£65,000).

The budget for this expenditure is made up of DCLG ERDF grant of £651,620, (which consists of an original grant approval £611,520, plus an additional award of £40,100) alongside Derbyshire County Council approved match funding of £363,480.

An additional contribution of £198,005 is recommended from the Economy, Transport and Environment Department earmarked reserves to cover the remaining project costs.

### **Other Considerations**

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

(4) **Key Decision** No.

(5) **Call-In** Is it required that call-in be waived in respect of the decisions proposed in the report? No.

(6) **Background Papers** Held on file in the Economic Regeneration Service within the Economy, Transport and Environment Department. Officer contact details – Nawaz Khan, extension 38481 and Peter Storey, extension 35417.

(7) **OFFICER'S RECOMMENDATIONS** That Cabinet:

- 7.1 Accepts the Department of Communities and Local Government offer of additional European Regional Development Fund grant of £40,100.
- 7.2 Approves the additional allocation of match funding of £198,005 capital budget from the departmental earmarked reserve.

**Mike Ashworth**  
**Strategic Director – Economy, Transport and Environment**