

South East England Development Agency

Evaluation of the Oxford Castle and Prison Project

Post Evaluation Report

April 2008

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# 1 Executive Summary

This executive summary presents the findings of an Evaluation of SEEDA's role within the Oxford Castle and Prison (OCP) project and follows the structure required by the BERR Impact Evaluation Framework methodology.

## **SEEDA funding and activities**

SEEDA's expenditure on the Oxford Castle and Prison project totalled £6.1m, with an additional £4.2m public expenditure by project partners including Oxfordshire County Council, the Heritage Lottery Fund and English Heritage. Total private sector funding for the project was £34.2m, resulting in a public : private funding ratio of 3.3 to 1. The table below indicates the sources and amounts of funding for the project.

**Table 1-1: Funding by source**

<b>Funding by source</b>	<b>£</b>
<b>SEEDA expenditure</b>	<b>6,115,989</b>
Oxfordshire County Council	255,000
Heritage Lottery Fund	3,800,000
English Heritage	150,000
Total Public funding	10,320,989
Trust for Oxfordshire's Environment Grant	75,000
Total Private funding	34,231,011
<b>Total Project Costs</b>	<b>£44.5m</b>

Source: Oxfordshire County Council

The OCP project is a mixed use development consisting of a hotel, restaurants and an educational attraction based around the heritage of Oxford Castle. Development costs for the project were very high as a result of the listed nature of the buildings.

The rationale for SEEDA funding was to address the development value to cost gap, without which the project was not commercially viable and could not be developed in accordance with the objectives (primarily relating to ensuring public benefits through continuing access to a very important part of Oxford's history) for the site as established.

To achieve this, SEEDA entered into development and funding agreements with Oxfordshire County council which had in turn entered into agreements with the Trevor Osborne Property group, a private sector developer.

## **Strategic Added Value**

As a strategic level organisation, SEEDA expenditure should contribute to wider objectives than those which can be measured through the directly measured outputs and impacts of projects.

In the case of the Oxford Castle and Prison project, Strategic Added value is demonstrated by the effect SEEDAs participation had on the project's other public sector partners (including Oxford City Council and Oxfordshire County Council).

Partner interviews identified that SEEDAs participation enhanced partnership working by providing confidence to Oxford City and Oxfordshire County councils in their own participation in the project, resulting from the track record and expertise embedded within SEEDA in delivering regeneration and infrastructure projects. This included SEEDA staff's experience in working with private developers.

SEEDA thereby contributed to the effective partnership working relationship developed which supported delivery of the project and enabled the challenges<sup>1</sup> facing the project to be effectively addressed.

### **Gross and net outputs (additionality and value for money)**

An options appraisal undertaken by GVA Grimley established a series of output measures for the project which were subsequently taken forward through SEEDA's project approval methodology (for example within the 'Stage 2: Full Appraisal and Approval' form).

The gross output targets established at the start of the project are detailed in table 1-2 below.

**Table 1-2: Output Targets**

<b>SEEDA output targets</b>	<b>Target</b>
Job creation	251
Businesses created	9
Learning opportunities <sup>2</sup>	6160
Brownfield land reclaimed/remediated (ha)	2.1
Public open space created (sqm)	2,573

The gross outputs the project has delivered are summarised below. The SEEDA share of outputs is based on its share of public sector funding for the different outputs delivered. This is calculated at 59% for all elements except the public open space which is 100%.

<sup>1</sup> this was especially the case in terms of the approach developed to address local concerns and opposition to the project, and in aligning interests of the different partners and stakeholders.

<sup>2</sup> following SEEDA monitoring arrangements for the project, this captures the number of learning opportunities of between 1 and 3 hours each - tracked by school visits to the Heritage Centre and Museum

**Table 1-3: Gross Outputs**

<b>Gross outputs</b>		
	Total Output	SEEDA share
Jobs Created	334	198
Businesses Created	11	7
Learning Opportunities <sup>3</sup>	5,400	3,200
Brownfield Land reclaimed/remediated (ha)	2.1	1.2
Public Open Space created (sqm)	4,820	4,820

Adjusting the gross outputs for deadweight, displacement, leakage and multiplier effects yields the net additional effects of the project, as detailed in table 1-4 below. Details on the assumptions used to estimate these effects are provided in section 8.8 of this report.

**Table 1-4: Net Additional Effects**

<b>Net Additional Effects</b>		
	Total Output	SEEDA share
Jobs Created	225	134
Businesses Created	10	6
Learning Opportunities <sup>4</sup>	4,712	2,792
Brownfield Land reclaimed/remediated (ha)	2.1	1.2
Public Open Space created (sqm)	4,820	4,820

Again, SEEDA share of outputs is calculated as 59% of the net additional outputs (except for public open space where its share was 100%). On this basis the table below presents the value for money indicators for the project.

The project also provides additional benefits in terms of promoting physical linkages between the city centre to the West End, sets a benchmark and is an exemplar project for future developments across the city, and supports further development in the wider West End area by raising the profile and increasing levels of interest in the area.

<sup>3</sup> following SEEDA monitoring arrangements for the project, this captures the number of learning opportunities of between 1 and 3 hours each - tracked by school visits to the Heritage Centre and Museum

<sup>4</sup> following SEEDA monitoring arrangements for the project, this captures the number of learning opportunities of between 1 and 3 hours each - tracked by school visits to the Heritage Centre and Museum

**Table 1-5: Value for Money Indicators**

<b>Value for Money Indicators</b>		
	Gross	Net additional
Cost per job created	£18,300	£45,800
Cost per business created	£556,000	£1,043,000
Cost per learning opportunity created <sup>5</sup>	£1,100	£2,190
Cost per sqm of brownfield land remediated	£290	£490
Cost per sqm public open space created	£1,270	£1,270
Public to private funding ratio	3.3	3.3

The 'Net additional' Value for Money indicators divide the SEEDA's share of the net additional benefits delivered by its share of the public funding provided.

Public private funding leveraged was 3.3 (ie private : public ratio) based on a total public expenditure of £10.3m and private sector funding of £34.2m.

It should be stressed that the main focus of the project relates to the remediation of derelict land and the reuse of listed building, rather than employment or business creation, so there should be relatively little emphasis placed on the job and business creation value for money metrics identified above.

We have benchmarked the value for money delivered against a series of 'cost per job' figures for a range of publicly funded regeneration initiatives. These projects indicated a range of cost (to the public sector) per job supported from £4,600 (for the Regional Selective Assistance programme within English Assisted Areas) to £23,000 (based on an National Audit Office review of English Partnerships projects) calculated on a gross impact basis, suggesting the OCP project represents good/bad value for money on this basis.

'Cost per job' supported for selected regeneration initiatives<sup>6</sup>

<b>Programme</b>	<b>'Cost per job'</b>
Coalfields regeneration	£26,000
English Partnerships projects	£23,000
Regional Selective Assistance	£21,000

Source: See footnote 1 below.

<sup>5</sup> following SEEDA monitoring arrangements for the project, this captures the number of learning opportunities of between 1 and 3 hours each - tracked by school visits to the Heritage Centre and Museum

<sup>6</sup> <http://www.communities.gov.uk/archived/general-content/citiesandregions/regenerationformer/>

<http://www.nao.org.uk/pn/9899642.htm>

<http://www.nao.org.uk/pn/02-03/0203702.htm>

Caution should be applied in comparing the figures for cost per job supported due to the differing nature of the projects under consideration - none of which closely resemble the unique characteristics of the Oxford Castle and Prison Project.

It appears that the 'cost per job' figures presented above are prepared on a gross (as opposed to net additional) basis, and are thus comparable to the figure of £18,300 for Oxford Castle and Prison.

Due to the unique nature of the project and the very high costs associated with restoring the listed buildings the costs per hectare of brownfield land remediated compare unfavourably with the limited amount of benchmark data available<sup>7</sup>.

In the absence of SEEDA intervention, it is not expected that the project would have proceeded and the site would most likely have remained out of economic use for the foreseeable future.

### **Contribution to local visitor economy**

In addition to the outputs identified above which were used by SEEDA in appraising the project, Oxford Castle and prison contributes to the local visitor economy. This is captured through visitor expenditure at Oxford Castle and Prison, including spend at the restaurants on site.

For both the hotel and restaurant expenditure a high level of displacement (90%) is assumed as the project is unlikely to attract a large number of visitors in its own right, and much of the expenditure within the restaurants will be displaced from other local restaurants (and not therefore additional expenditure).

The table below presents estimates for direct visitor expenditure at Oxford castle and prison makes. Note that this excludes any additional spending in the local economy which could be attributed to an increase in visitors to wider Oxford attractions resulting from OCP (this would need to be assessed in a wider economic impact study).

**Table 1-6: Gross Expenditure by source**

Gross Expenditure £000				
	Visitor Attraction	Hotel	Restaurant	Total spending
Year 1	£228	£4,014	£3,373	£7,615
Year 2	£284	£4,014	£3,373	£7,672
Year 3	£341	£4,014	£3,373	£7,728
Year 4	£398	£4,014	£3,373	£7,785
Year 1 to 4	£1,251	£16,056	£13,492	£30,800

<sup>7</sup> The only figures identified are from English Partnerships (1998)

Total spending at Oxford Castle and Prison is estimated to be in the region of £7.6m per annum (note that these figures are based on cautious estimates of income to the hotel operator and restaurant operators based on benchmark data)

**Table 1-7: Net Additional expenditure by source**

Net Additional Expenditure £000				
	Visitor Attraction	Hotel	Restaurant	Total
Year 1	£91	£482	£337	£910
Year 2	£114	£482	£337	£933
Year 3	£137	£482	£337	£956
Year 4	£159	£482	£337	£978
Year 1 to 4	£501	£1,927	£1,349	£3,777

Due to the large amount of displacement associated with hotel and restaurant visitor spending, the net additional expenditure is substantially lower, in the region of £1m per annum.

In the absence of SEEDA intervention it is unlikely that the site and the buildings would have been brought back into economic use, given the objectives for the site as established by the freeholder (Oxfordshire County Council).

This results from the high development costs of the site resulting in the need for public funding to remedy the cost value gap and allow the site to be brought into use.

Deadweight measures the extent to which the activity would have arisen anyway in the absence of the SEEDA funding. As such, there are no deadweight effects to be addressed in adjusting from gross to net outputs.

Although SEEDA funding represents 59% of the total public funding for the project its contribution was calculated to remedy the remaining cost value gap in order to make the project commercially viable and hence allow the scheme to go ahead.

### **Contribution to SEEDA RES objectives and PSA**

The Oxford Castle and Prison project supports and contributes to the delivery of a range of RES objectives, including employment and business creation, the regeneration infrastructure investment levered, the reclamation and redevelopment of brownfield land and skills development (through the educational activities undertaken within the Heritage centre and museum). The project contributes to delivery of 4 out of SEEDAs 6 core outputs as identified in its Corporate Plan 2000 - 2008<sup>8</sup> and the RDA Tasking Framework. As such, the project represents a good degree of strategic fit with SEEDA's broader objectives.

<sup>8</sup> South East England Development Agency, Corporate Plan, 2005-08, p47.

### **Wider impacts**

The scheme as delivered provides publicly accessible space to the Oxford residents and visitors - unlike much of the city which is dominated by University owned premises without free public access. A related benefit to this is the projects role in engaging local people with the history of Oxford, rather than the history being behind college walls.

There are a range of benefits delivered by the scheme that cannot be easily quantified. These include:

- increased choice of bars and restaurants for Oxford residents and visitors
- quicker and more direct access to the town centre through the site
- access to listed buildings and enhanced understanding of the historic and archaeological interest of the site

Successful delivery of the project was also identified as a key factor in establishing the West Partnership and its remit across the regeneration the wide West End area.

### **Key Success factors**

Key success factors for the project included the strength of the partnership established and the personal dedication of a range of individuals involved in the project. The approach to stakeholder management through the development of forums was also effective in successful delivery. Risk to the public sector was minimised through a series of interlocking Development, Funding and management Agreements between the project partners. Project partners were committed to high levels of design quality and to ensuring the sustainability aspects of the projects were maintained.

The success of the project was recognised in a range of awards, including the high profile RICS Project of the Year 2007.

### **Recommendations**

The majority of the recommendations emerging from the review identify the reasons for the success of the Oxford Castle and Prison project and suggest they are applied to future SEEDA funded projects. It is recommended that SEEDA ensures a consistency between its own scope for clawback within a project to that of the other public sector partners.

## 2 Introduction

### 2.1 Introduction

This report sets out the findings of an evaluation of SEEDA's role within the Oxford Castle and Prison project. The project itself is widely recognised as being successful and has created a high profile and high quality new attraction within the centre of Oxford. The evaluation presents the gross and net output of the project and identifies the additionality of SEEDAs intervention. The value for money of the public sector expenditure is benchmarked against selected regeneration projects.

The site on which the project has been developed is of substantial historic, archaeological and architectural significance, including a scheduled ancient monument.

SEEDA wish to understand the impact of their participation and investment in the project, in order to help shape the development of future projects and programmes. Key examples of good practice employed and lessons learned through delivery of the project are identified in this report.

The evaluation is based on a range of sources including a review of documentation and correspondence relating to the project, initial appraisal forms and monitoring data and interviews with the key delivery partners on the project and the views of wider stakeholders.

A list of consultations undertaken is presented in Appendix 1.

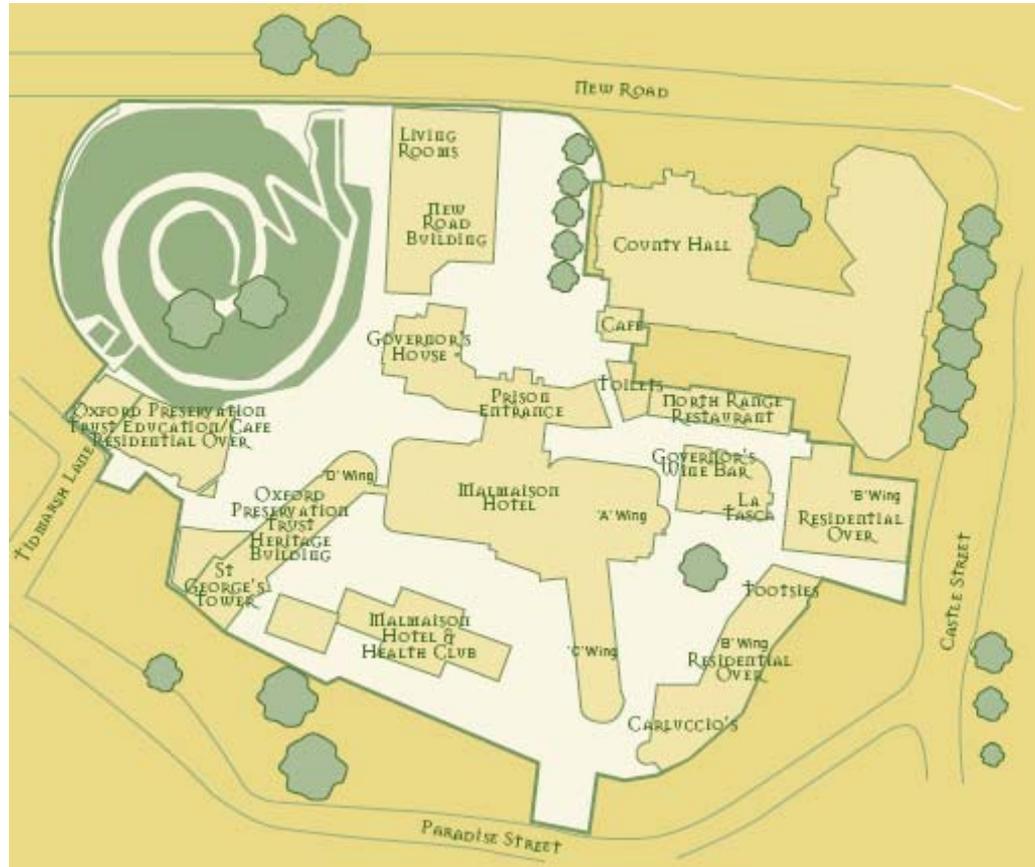
### 2.2 Background to the Oxford Castle and Prison and site

Since 1531 the site was used as County Gaol and then as HM Prison until 1996. Thereafter Oxford County Council acquired the site.

The site incorporates a scheduled ancient monument and 14 listed buildings, ( five grades I, three grade II\* and six grade II.) St. Georges Tower is the oldest structure on the site and dates from 1071. The entire site is a Scheduled Ancient Monument and all 14 of the pre war buildings are listed as being of either architectural or historic importance.

The Oxford Castle and Prison (OCP) scheme, located on the edge of Oxford's West End area, opened in March 2006 and is now a high-profile 5-acre mixed use development within the heart of Oxford. The scheme is a high quality attraction for both local residents and tourists alike, which also provides retail and commercial uses to businesses and new homes to people in an overheated local housing market.

The site is now fully occupied and consists of 9 restaurants and cafes, 40 apartments, an art gallery, and a Malmaison hotel. Also within the site, "Oxford Castle Unlocked" and a learning centre provides workshops, information and tours relating to the history of the castle.



Source: Image reproduced from Oxford Castle, Heritage Project Marketing Brochure

The Oxford Castle and Prison scheme involved the restoration and adaptation of the historic site, a Scheduled Ancient Monument and building on a 2.1ha site in Oxford. The Castle scheme included the Heritage Centre and Museum, café and education centre plus 7 residential units, whilst the Prison scheme delivered, through conservation and adaptation of Oxford Prison (including a number of listed buildings), a mixed-use development including a hotel, serviced apartments, restaurants, cafes, bars, public open space, private residential dwellings, new pedestrian access routes and car and cycle parking spaces.

The Trevor Osborne Property Group (TOPG) became the preferred development partner in 1999 and a development agreement was signed between TOG and OCC. In 2000, OCC applied to English Partnerships for £3.5m grant funding under the PIP (partnership investment programme projects). In April 1999, PIP schemes were transferred into the remit of the RDAs. The PIP programme was closed to new applications in December 1999 following a European Commission ruling that it breached State Aid rules. There are a series of conditions and clauses under which heritage related projects, potentially funded by the public sector in partnership with the private sector, remain permissible under the state aid rules<sup>9</sup>.

<sup>9</sup> see DCLG Policy Note 5, *State Aid For Historic Environment Regeneration, Government Guidance, June 2005*.

The Oxford Castle and Prison (OCP) project encompasses:

- the restoration and adaptation of Oxford Castle (a scheduled Ancient Monument) to accommodate a Heritage Centre and Museum, café and education centre. Alongside this, a development of 7 residential units was delivered and represents the only commercial element of the castle scheme.
- a mixed use development based around the conservation and adaptation of the former Oxford Prison (incorporating some listed buildings). This scheme (legacy Partnership Investment Programme) incorporated the delivery of a hotel, serviced apartments, a number of restaurants, cafes and bars, public space, private residential units and it opened up new pedestrian access routes into and through the site.

SEEDA is one of 7 partners directly involved in the project along with Oxfordshire County Council, Oxford City Council, the Trevor Osborne Property group, Oxford Preservation Trust, the Heritage Lottery Fund and English Heritage.

SEEDA's total capital investment across the Castle and Prison projects was £6.1 million, with approx. £1.6 million funding going towards the Castle and £4.5 million for the Prison. SEEDA did not and is not providing revenue funding for either aspect of the project.

Oxford Castle and Prison is now a high profile 5 acre mixed use development located within Oxford's City Centre, adjacent to the under utilised West End area of the city.

### **2.3 The Evaluation Brief**

The focus of the current evaluation is on the successfulness of the funding mechanisms employed, the actual outputs delivered and impact created, whilst also identifying any areas of best practice and areas that should be avoided in the future.

The project is now complete and the site is fully occupied and operating so a "post evaluation" will be undertaken in line with the requirement for all RDA investment in projects over certain financial thresholds to be externally reviewed.

The key purpose of this evaluation is to inform future projects that SEEDA may be involved with that could use a similar funding mechanism approach. This is especially pertinent due to the ongoing regeneration of the West End quarter of the City, of which the OCP is part of. SEEDA, along with the City and County Councils are key stakeholders in the wider West End regeneration.

Although the evaluation will focus on SEEDA's role within the project, consideration will be made of the wider delivery of the scheme, including the nature and structure of the partnership established between the range of organisations involved and the funding arrangements and mechanisms that enabled delivery of the project.

While the scheme as a whole has now been recognised as being successful in a number of areas, SEEDA would like a better understanding of the role, impact and added value of their participation. In addition, SEEDA require further knowledge and understanding of the project as it was delivered which may be used to inform future project developments

with which it is involved, especially for those with heritage elements and the re-use of existing buildings.

To achieve this, there are a number of key areas and questions for the evaluation to focus on:

- How effective were the funding arrangements for the project?
- Identification of the outputs and impacts delivered by the project - including the direct, indirect and wider impacts. To what extent have the original objectives been met?
- How far has the project met SEEDAs wider objectives?
- Identification of good practice and lessons learnt through delivery of this scheme which could be applied by SEEDA or others to future projects
- Were there any specific challenges that were experienced by the scheme and if so, how were these overcome?

The evaluation will examine and identify:

- the value for money achieved by SEEDA's intervention by benchmarking the outputs delivered against available data. This will include, for example figures on net cost to the public sector per job created.
- the effectiveness of the project design, including analysis of the role of the different partners and stakeholder involved in this complex scheme
- a review of the role of Oxford Castle and Prison in raising the profile and increasing interest in the West End of Oxford
- effectiveness of the project management arrangements through discussion with the partners involved and through review and assessment of the monitoring and project management information

## 2.4 Structure of Report

The remainder of this report is structured as follows:

**Section 3** describes the methodology for the evaluation

**Section 4** provides an overview of the Oxford Castle and Prison project

**Section 5** reviews the strategic fit with SEEDAs broader objectives

**Section 6** details the design of the project including contractual arrangements and the approach to partnership working.

**Section 7** presents and discusses details of the financial arrangements for the project

**Section 8** reviews the achieved outputs, impact and outcomes of Oxford Castle against the anticipated outputs/outcomes

**Section 9** consists of a series of conclusions and findings of the evaluation, including identification of good practice and lessons learnt.

**Appendix 1** lists details for acronyms used within this report.

**Appendix 2** lists the consultations undertaken as part of this evaluation

## 3 Methodology

The key feature of the evaluation is an examination of SEEDA's role within the project, focussing on the additional value their involvement delivered within the scheme.

### **Evaluation Scope**

The evaluation examines and identifies:

- the outputs achieved against the initial appraisal documents and identify the reasons for discrepancies identified.
- the funding mechanisms used to deliver the project
- examples of good practice and lessons learnt through delivery of this scheme which could be applied by SEEDA or others to future projects
- an assessment of the value for money achieved by SEEDA's intervention by benchmarking the outputs delivered against available data. This will include, for example figures on net cost to the public sector per job created.
- the effectiveness of the project design, including analysis of the role of the different partners and stakeholder involved in this complex scheme
- an assessment of the Strategic Added Value of SEEDA's involvement will be undertaken which will analyse in a more qualitative context the beneficial impact SEEDA played. This may include, for example, the extent to which SEEDA's presence brought confidence to other participants in the project and the extent to which the involvement had a catalytic and/or influencing role.
- a review of the role of Oxford Castle and Prison in raising the profile and increasing interest in the West End of Oxford, for example by looking at trends in inquiries for site and premise availability within the area, in addition to footfall at other locations within the area (such as Nuffield College).

In addition, the evaluation will consider the effectiveness of the project management arrangements through discussion with the partners involved and through review and assessment of the monitoring and project management information provided throughout the project by the various parties project managers, namely Quasar and GDG.

The evaluation will focus on the extent to which SEEDA's objectives for the project were met, will identify the reasons for the successes achieved and describe the good practice examples and lessons learned from delivery of the project.

The methodology adopted is consistent with the guidance set out within BERR'S Impact Evaluation Framework (IEF) using the 'logic chain' approach, with a clear focus on the rationale for intervention, the activities undertaken and associated expenditure, the linkage through to the gross and net additional impacts delivered, the Strategic Added Value of the project and finally the contribution to RES objectives and targets. In adjusting from gross to net impacts we have followed guidance and principles identified within English Partnership's Additionality Guide.

A cross reference to requirements within the IEF 'logic chain' is presented below.

<b>Logic chain</b>	<b>Report reference</b>
<b>Inputs</b>	Section 7 - Finance and Funding Arrangements
<b>Activities</b>	Section 6 - Project Design and Operation
<b>Outputs</b>	Executive Summary & Section 8 - Outputs, Outcomes and Impact
<b>Outcomes</b>	Section 8 - Outputs, Outcomes and Impact
<b>Impact</b>	Section 8 & 9 - Outputs, Outcomes and Impact, Conclusions.

As such, the scope of the evaluation includes:

- a baseline review including: review and analysis of the available project files and monitoring reports by SEEDA and Quasar, management; Development and Supplementary Agreements between Oxfordshire County Council, the Trevor Osborne Property Group and Oxford Castle Limited; Completion Certificates and Progress Reports produced by Quasar management Limited; local, regional and national policy statements and strategies; the original objectives, outputs and outcomes for the development; and any other background papers on the development of the OCP
- an assessment of the funding mechanisms employed, and the financial arrangements for the public sector to benefit from the financial success of the project (for example through 'clawback' or other overage arrangements)
- review of the construction management methodology employed by the developer in delivering the scheme and identifying the good practice as recognised by construction industry awards
- assessment of the extent to which targets were met for direct outputs were met including job and creation, learning opportunities and remediation of Brownfield land.
- analysis of visitor numbers and expenditure (if figures are available), number of new businesses created, commercial floorspace and residential units.
- wider impacts will be identified and assessed, including: levels of inward investment to surrounding areas, the numbers and types of businesses attracted to the surrounding area and the scheme's role in enhancing the cultural offering within Oxford.
- identification of other partners' perspective of SEEDA's role and value added in the project ("what difference did SEEDA's involvement make?"), for example in terms of providing expertise and experience in delivering related projects or in raising the profile of the project.
- risk management arrangements for the delivery of the scheme
- the role and impact of the successful delivery of the Oxford castle and prison project on the wider programme of regeneration initiatives within Oxford's West End
- arrangements for maintaining the success of the project in future years will be addressed in the context of the high maintenance costs resulting from the buildings listed nature.
- critical review of the awards which Oxford Castle has won. A list of these awards is presented at Appendix 1. review of the awards which OCP has been won, identifying what good practice or lessons can identified and transferred from the project to other future projects and/or programmes.
- an assessment of the degree of fit between the OCP project and SEEDA's broader regional objectives will be assessed, with reference made to changes over time (given the timescale of the project) as these objective evolved.

The methodology for undertaking the evaluation is based on:

- document review - including the project appraisal documentation, relevant development and funding agreements, the project monitoring reports plus other relevant documentation including that prepared by the Trevor Osborne Property Group and their project management information.
- analysis of available statistical information about the project, for example visitor numbers and other numeric information that is identified demonstrating the impact of the scheme (including employment creation, learning hours, and Brownfield land remediation)
- A series of interviews with a range of project partners. A full list of the individuals interviewed is presented at Appendix 1.

## 4 History of Oxford Castle and Prison Project

### 4.1 Overview

In 1996, Oxfordshire County Council took ownership of the site from the Home Office. OCC were keen that the site be made accessible to the public. It took 5 years before a Development Partner was secured and to reach the stage of applying for planning consent.

Oxfordshire County Council (OCC) obtained freehold of the land and targeted the OCP "to become a model example of preservation, restoration, new build and the effective re-use of brown field land."<sup>10</sup>

The overall objectives for the Oxford Castle and Prison were determined by Oxfordshire County Council which wanted to ensure that:

- there was good public access to the site and as many of the buildings as possible, thereby opening to the public the historical and architectural importance of the site/buildings
- the historic buildings were restored and conserved and their setting enhanced
- there were suitable and viable long term uses for the site
- the site would be reintegrated with its surroundings in terms of activities, land uses and accessibility across and into the site
- a long term management arrangement is put in place which would secure high standards of maintenance and management for the entire site and provide a cohesive identity as Oxford Castle
- the development benefits the people of Oxford; and
- that the site be developed with minimal cost and low risk to Council tax payers

The Oxford Castle development was officially opened by the Queen on May 5th 2006 and has been opened to visitors since then. Officially, the project was completed on 29th March 2007, following the completion of works and a site inspection on the 19th March.

<sup>10</sup>

[http://www.seeda.co.uk/work\\_in\\_the\\_region/development\\_&\\_infrastructure/development/sites/mkobb/oxford\\_castle\\_heritage\\_project/index.asp](http://www.seeda.co.uk/work_in_the_region/development_&_infrastructure/development/sites/mkobb/oxford_castle_heritage_project/index.asp)

## 4.2 The Oxford Castle and Prison Project

Oxfordshire County Council's vision was for the project to help Oxford become more welcoming and inclusive and for access to understanding the city's history to be extended beyond the University. They believed that the redevelopment required a partnership both with others in the public sector and with a private sector developer. It was also identified that grant funding would be required for the project.

The development costs associated with this project were especially high, resulting from the levels of pre application and pre development costs, and the range of costs associated with requirements for the numerous listed buildings. Prior to OCC getting involved, there was a general view that the site had a negative value.

Oxford Preservation Trust were responsible for the visitor attraction and education centre which is located in the oldest part of the site.

The requirement for gap funding was driven by the value to cost shortfall associated with the hotel, education centre and heritage centre and museum. By contrast the restaurants, retail space and residential aspects of the development delivered values in excess of development cost.

Oxford Castle and Prison is located on a key site in Oxford's City Centre which has, through lack of public access, represented a barrier to people moving through the city centre. It has for many years remained closed off to the public, with the prison having closed in 1996.

The site had high costs of development resulting from the historic nature of the existing buildings and onerous strict planning guidelines for listed buildings. Additionally, due to the presence of a scheduled ancient monument, the expected development value fell below estimated development costs. As such, in order to consider the site for development, it was considered that public sector financial support was required.

## 4.3 SEEDA's role

SEEDA's original involvement in the project followed the absorption of the regional offices of English Partnerships into the RDAs, in April 1999. As an application for funding relating to Oxford Castle had already been made, the project became a "PIP survivor" scheme.

The rationale for SEEDA's intervention was originally identified in the Stage II: Full Appraisal as:

- the need to meet the high abnormal costs of development
- to help deliver public sector benefits

The abnormally high costs of the development resulted from the high costs associated with redevelopment of the listed ancient and other listed buildings (including the two oldest remaining structures in Oxford - St. George's Tower and the Castle Mound), with limited scope for conversion to other uses. The buildings designs were also constrained as they were protected by listing. This resulted in high levels of construction costs being incurred. In addition to these high development costs, the requirements to deliver components of the scheme which did not provide revenue to the developer contributed to

the development value shortfall in relation to costs. The scheme's investment appraisal had to deliver a rate of return that reflected these risks and which appealed to a developer. Accordingly it was felt that there was little development potential without public sector support.

The appraisal<sup>11</sup> recognised that if the site were not developed it was likely to remain a largely vacant chunk of the city centre, or be developed on a piecemeal basis that would not necessarily deliver the heritage learning / interpretive facilities that were envisaged in the plans. Hence, in addition to the financial costs, there were significant opportunity costs associated with not proceeding with the scheme. These included

- loss of historically important monuments
- catalyst to develop the rest of the West End, and associated far reaching economic benefits
- potential for the diminution of the status of Oxford as world class tourist attraction

The project was identified as a PIP ("partnership investment programme"), an English Partnerships project, 'survivors list' which was agreed by DETR and notified to the EC in accordance with state aid guidance. SEEDA's appraisal (full stage 2) identifies that as a PIP survivor, it was permissible for SEEDA to provide financial assistance to the project on the basis of an analysis of the cost - value gap development.

#### **4.4 The Oxford West End Programme**

The Oxford West End encompasses a substantial area of the city, including the Town Hall, the railway station, Westgate Shopping centre and the Castle and Prison site.

Oxford Castle and Prison is located on the fringe of Oxford's West End. The area requires substantial regeneration activity to remedy a range of problems facing the locality. An important outcome from the successful delivery of the castle project will be its ongoing and future impact on the wider, and increasing, efforts to revitalise the West End of the city.

For many years it has been neglected in terms of investment, community involvement and cultural enjoyment. This is not in keeping with Oxford's world class reputation for tourism, history and academic excellence.

SEEDA, in partnership with others including both Oxford City and County councils is dedicated to regenerating the West End site, so that it complements the rest of the City. The objective is to create a new, vibrant City quarter with a mix of uses, including housing, retail and public spaces.

A separate evaluation report looking at SEEDAs role and effectiveness in Oxford's West End regeneration activity is being prepared.

<sup>11</sup> *South East England Development Agency (SEEDA), Oxford Castle Project Appraisal, Stage II - Full Appraisal.*

The Westgate shopping centre, located adjacent to Oxford Castle, is undergoing a £300m expansion and redevelopment with works scheduled to begin in the middle of 2008 following an extensive planning enquiry, and complete in 2011. The scheme will include provision not only for new retail space, but also housing with 50% specified as affordable. The scheme includes substantial S.106 agreements to develop the surrounding public realm, including extension of the City's Park and Ride site, and part fund the redevelopment of Bonn Square.

The new entrance to the shopping centre is being located on the side of the building closest to the castle, which should increase awareness of the project amongst shoppers using Westgate.

## 5 Strategic Fit and Socio Economic Profile

### 5.1 Introduction

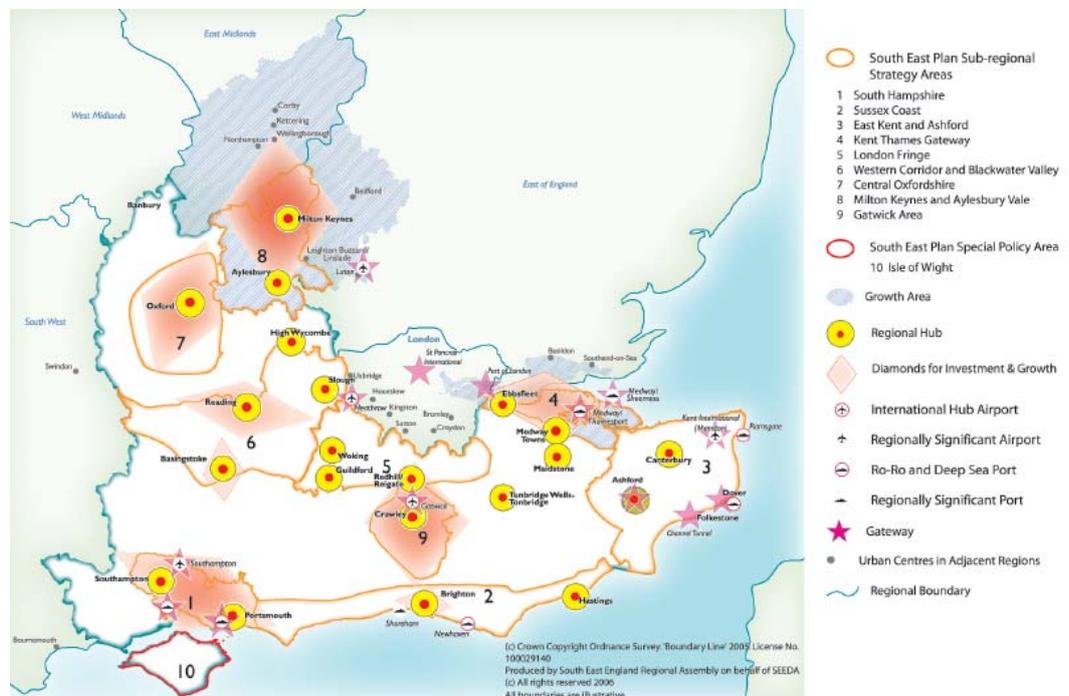
The Oxford Castle and Prison project represented a strong fit with SEEDA's broader objectives as detailed within the Regional Economic Strategy and in the Agency's Corporate Plan. This section of the report details the contribution of the Oxford Castle and Prison project to fulfilling the Agency's broader objectives.

### 5.2 South East Plan and Regional Economic Strategy

Maintaining the greater South East's environmental, cultural and historic assets is identified as one of the seven key priorities for the region.

The South East Plan identifies that the focus for development within the region should be in urban areas<sup>12</sup>. Oxford is one of the twenty one regional hubs highlighted within the plan as centres of economic activity and transport services. In addition, Oxford/Central Oxfordshire is identified as one of the region's 'diamonds' for investment and growth which offer the potential to act as catalysts for stimulating prosperity across wider areas.

The illustration below, reprinted from the Regional Economic Strategy, positions the developments within Oxford within the broader economic context.



Source: reproduced from The Regional Economic Strategy 2006-2016, A Framework for Sustainable Prosperity.

<sup>12</sup> policy CC8a: Urban Focus and Urban Renaissance

### 5.3 Enterprise and Transport

The Oxford Castle and Prison project contributes directly to a number of the 'Smart Growth' targets highlighted within the RES, most notably in respect of the following targets:

- **Enterprise.** Increase the business stock by 35% from 35 businesses per 1,000 inhabitants in 2005 to 44 per 1,000 inhabitants by 2016, including 10,000 new businesses run by women by 2010. The scheme has led to the creation of 11 new businesses within Oxford and is likely to lead to increased levels of interest from more new businesses by opening up linkages to the wider west end area.
- **Transport.** Reduce road congestion and pollution levels by improving travel choice, promoting public transport, managing demand and facilitating modal shifts. One of the original core objectives of Oxford Castle and Prison was to provide public access through the site and thereby encourage walking and cycling as options to road based travel. In addition, the project encourages visitors to use public transport through the positioning of bus stops at the entrance to the site and by severely restricting the number of parking spaces available.

### 5.4 Physical Development

The project represents a very close fit with a number of the Smart Growth objectives within the physical development category of the RES.

- **Physical Development.** Ensure sufficient and affordable housing and employment space of the right quality, type and size to meet the needs of the region and support its competitiveness, and create the climate for long-term investment through the efficient use of land resources, including mixed-use developments.

The project has delivered both housing and employment space, in a particularly sustainable manner through the re-use of existing buildings and stone, including listed building with especially high costs of redevelopment.

Within the physical development category, there is a very close fit with the following objectives:

- Ensure that physical development supports sustainable prosperity by investing in success and releasing untapped potential.
- Ensure the best use of public agency land assets surplus to requirements. The rationale for this action identifies that "The public sector is in a strong position to set standards and lead by example on its own sites".
- Ensure a wider understanding and adoption of quality standards and best practice in construction and encourage developers from both the public and private sector to raise their design aspirations. The rationale for this objective is described by suggesting that a project "should be fit for purpose, sustainable, efficient, coherent, flexible and responsive to context." The Oxford Castle Project demonstrates an extremely close strategic fit in this regard, and was able to support these objectives in an imaginative and commercially successful method.

Action 9.6 within the RES recognises the role for the RDA in building the capacity of local authorities to deliver Brownfield development. The OCP project is a strong example of SEEDA offering expertise and credibility to an ambitious project delivered in partnership with the private sector, that other local authorities can look to as an example of approaches used successfully.

This success is demonstrated in part by subsequent interest from the public sector in other areas to undertake projects incorporating reuse and conversion of existing prison buildings, for example in Northern Ireland.

## **5.5 Capacity Building**

The project also contributes to the RES objective to enhance capacity within other organisations and increase the number of people with the requisite skills to deliver significant regeneration and physical development projects. SEEDA's participation in the OCP played a role in this regard as partners identify the experience of SEEDA staff as an important factor contributing to success.

This beneficial impact is especially relevant within the Oxford context, due to the fact that the success of the Oxford economy (one of the eight jewels in the Regional Economic Strategy) meant there was a lack of track record or expertise in delivering regeneration.

The level of success in this area was specifically recognised in March 2007 when the project was awarded the CentreVision award by the CivicTrust for best practice in town centre regeneration carried out in partnership with local councils, civic societies, chambers of trade, town centre management initiatives and other stakeholders.

## **5.6 Sustainability**

In terms of delivering sustainable prosperity, the RES recognises the need to invest in the region's heritage assets, although this is considered within the context of the environmental economy within rural areas rather than within an urban regeneration context. Similarly, the re-use of redundant buildings is considered within the context of supporting growth of rural businesses, rather than their potential to support broader objectives.

Within the objectives and priorities for delivering sustainable prosperity, action 13.1 calls for measurable improvements in "the quality, biodiversity and accessibility of public space (including green space, open space and the green infrastructure) in and around towns and cities. It is recognised that well designed and managed places are a "vital asset for economic success, as they help to attract investment and skilled people to the region.

## **5.7 Further SEEDA Objectives**

The learning opportunities delivered by the project contribute to action 10.2 within the RES, to "Encourage a culture of learning throughout business and community life". The project also represents a good degree of fit with a number of the cross cutting themes within the RES, specifically as they relate to culture and support for the region's visitor economy.

In November 2006, the National Audit Office conducted an Independent Performance Assessment of SEEDA. Its overall conclusion was that SEEDA is performing strongly in its regional development role, and that it has established "very effective partnership

arrangements" with stakeholders. The Oxford Castle and Prison scheme was explicitly mentioned as an example of regeneration "coupled with projects in areas such as higher education and tourism, to secure the longer term future of investments"<sup>13</sup>.

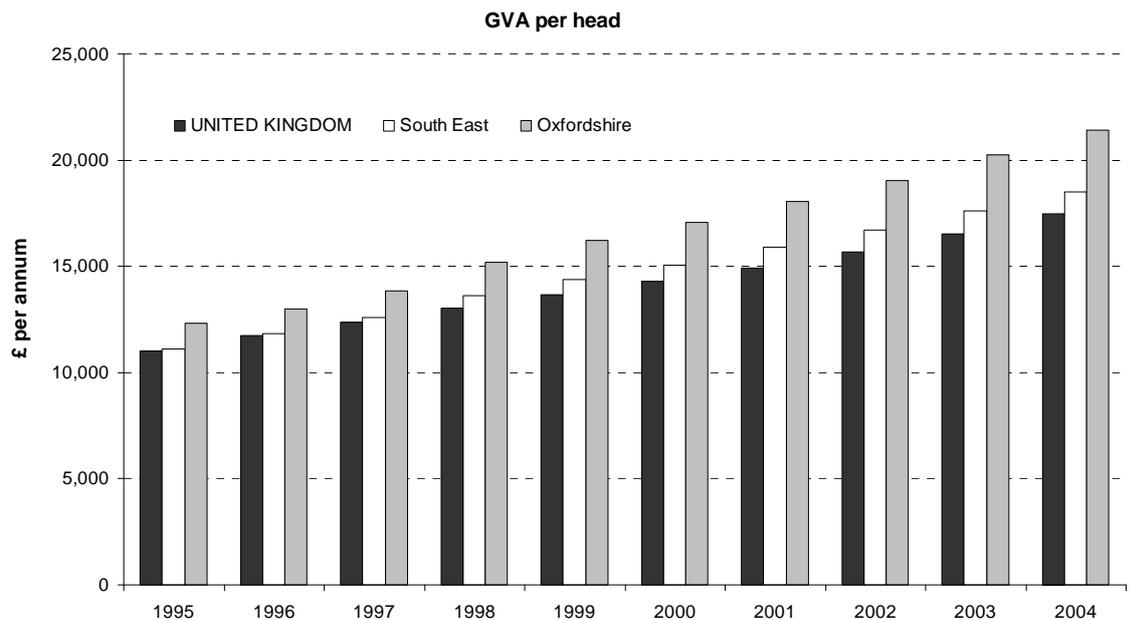
## 5.8 Socio Economic Profile

A brief overview of the local economy is provided to act as context for the project and the impacts generated.

The Oxfordshire economy grew strongly over the period 1996 to 2004 (the latest year for which local economic output figures are available) with an average annual growth rate in GVA<sup>14</sup> of 7%, ahead of the South East regional average of 6.3%.

GVA per head in the county stands at £21,429 compared to the regional average of £18,496 - both of which are substantially higher than the national average of £17,451.

The chart below indicates the growth in GVA per head for Oxfordshire, the wider South East region and the national average.



<sup>13</sup> [http://www.nao.org.uk/publications/nao\\_reports/06-07/SEEDA\\_ipa.pdf](http://www.nao.org.uk/publications/nao_reports/06-07/SEEDA_ipa.pdf)

<sup>14</sup> Gross Value Added as measured by headline gross value added by NUTS3 area at current basic prices 1995 to 2004, figures from Office for National Statistics

### **Labour Market Trends**

The city of Oxford has an unemployment rate of 5.8%, higher than the regional average of 5.2%. Unemployment has been rising gradually from 2001, at which point it stood at 4%, and reached 6.4% in 2006. Unemployment in Oxford has been above the national and regional averages since 2004.

The economic activity rate within Oxford was comparable to national and regional averages over the period 2001 to 2004, but fell below these averages in 2005 and remains relatively low. Oxford residents tend to be employed in the higher level occupational grades (with 56% in the 'managers and senior officials', 'professional occupations' and 'associate professional and technical' grades) compared to 47% for the region as a whole. Recent years have seen an increase in the percentage of Oxford residents employed within the higher occupational grades.

### **Interaction between Oxford Castle and Prison and the local economy**

The employment opportunities created at Oxford Castle and Prison should help address the higher level of unemployment within Oxford than the South East region as a whole. Its impact in terms of employment is however likely to be greater over a longer time horizon through its role in opening up the wider West End area of Oxford to new development and economic activity by acting as an exemplar project and increasing physical connectivity between the West End and the city centre.

## 6 Project Design and Operation

### 6.1 Governance Arrangements

The governance arrangement for delivering the project and its ongoing management appear strong, achieved through a series of binding development, funding and management agreements between one or more of the partners.

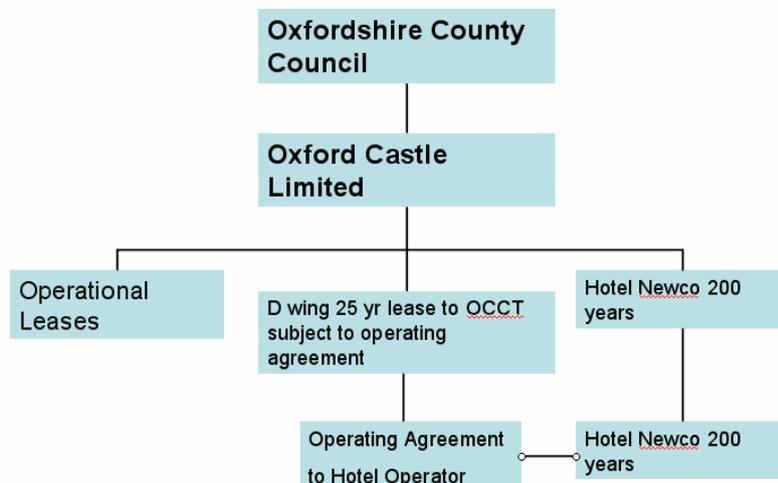
There were numerous amendments to the original Development Agreement, through Supplemental Agreements, with the final version issued in June 2003.

Oxford Castle Limited was established as a wholly owned subsidiary of the Trevor Osborne Property Group<sup>15</sup> specifically to develop the Oxford Castle and Prison site. Oxford Castle Limited now manages and runs the OCP scheme.

Although Oxford Castle Limited manage the site on a day to day basis, Oxfordshire County Council retains the freehold of the site in order to ensure its continued public interest role. Under the agreements, the land is leased to Oxford Castle Limited for a period of 200 years. This length of term was considered necessary in order to reduce the negative impact on value were the standard form of ground lease with a duration of 125 years to be applied. The Trevor Osborne Property Group's proposal<sup>16</sup> to Oxfordshire county council identifies that;

*The Project is only viable with grant support and the limitation of the term of the lease can only make the out turn valuation less and the need for grant greater, thus increasing the potential risk of the project not proceeding because of the lack of sufficient grant aid.*

The diagram below indicates the organisational arrangements for the ongoing delivery of the project.



<sup>15</sup> a private company operating for the benefit of its shareholders

<sup>16</sup> Proposal to Oxfordshire County Council for the Refurbishment and Adaptation of Oxford Castle by The Trevor Osborne Property Group.

## 6.2 Contractual Arrangements

Although an original development agreement between TOG, OCL and OCC was signed in May 2000, there were a series of subsequent amendments and supplemental agreements as the project progressed. The final development agreement between OCC and OCL was signed in February 2003. This agreement was conditional of grant funding of not less than £6.1m being secured to address the development value - cost gap.

The agreement also stipulated that the developer was required to provide a payment bond (issued by a reputable financial institution) to the council of not less than £3.4m. This bond was designed to act as insurance should the developer's business fail, in order that OCC could secure some value from the project. The agreement also required at this stage that the developers agreement with the Malmaison hotel operator went unconditional.

Three separate leases were granted by OCC to TOPG - for the main Head Lease, the Tidmarsh Lane lease and the lease of land adjoining County Hall.

The Tidmarsh Lane leased to TOPG the land on which the building has been contracted a 200 year lease at a peppercorn rent. Immediately following issuance of this grant, the developer was required to grant an underlease to the OCC for the education centre and café for a term of 200 years at a rent of £1 per annum.

The main head lease for the entire site (except the Tidmarsh Lane site which is within a separate lease) was granted by OCC to the TOPG following issuance of the council's completion certificate.

The head lease was granted for a period of 200 years for a rent of the greater of £100 and 10% of any excess over base rent received from the developer under the Malmaison lease for the first twenty years of the term, and thereafter a percentage of the whole rent receivable under the Malmaison lease<sup>17</sup>.

In this way, it was envisaged that OCC would be able to share in the commercial success of the scheme on an ongoing basis. Although it has not yet been confirmed, it has been indicated in our consultations that OCC will be receiving income through this mechanism shortly.

Immediately after OCC granted the main head lease, the developer was required to grant the council a lease of the ancient buildings (Castle Mound, St. Georges Tower and the crypt, the debtors tower and the former d wing and other adjacent parts of the prison wall) for a term of 200 years at a rent of £1 per annum.

The third lease, for the land adjacent to county hall, was granted by the council to the developer at the same time as the main head lease for a term of 35 years at a pepper corn rent.

Upon the grant of the Head Lease, a Management Agreement was entered into by the OCC and the TOPG to provide for the future management of the site in accordance with the requirements and conditions established in the agreement. More details on the Management Agreement are presented in Section 6.6 below.

<sup>17</sup> with the latter amount calculated by reference to the average percentage receivable by the council during years 17-20

The TOPG entered into a lease agreement with Malmaison on 26th February 2003 with their obligations guaranteed by the TOPG and MWB Malmaison holdings respectively.

Oxford Preservation Trust signed a development agreement with OCC in respect of Oxford Castle Yard. The development agreement included a series of Heritage Objectives. An important aspect identified in discussions with project partners and stakeholders was the fact that it was possible to align the different interests of the various parties - through a partnership working approach that was flexible, responsive, long term committed and willing to work together and respond to, understand and accept interests, views and perspectives of the different parties. The heritage objectives established in the Development Agreement were:

- To tell the story of the development of the Castle and Prison site as a whole, from its earliest beginnings through to the present day.
- To interpret all the heritage assets on the site, including those within the wider commercial scheme.
- To allow the buildings and the archaeology to tell the story: 'let the stones speak'.
- To use the stories of people from the past and present who have had contact with the site to tell its story.
- To interpret the site's recent development as the latest chapter in its history.
- To recognise that the present and future of the site represent chapters in its history and that its story will continue to unfold.
- To relate the story of the Castle/Prison site to the development of the wider City of Oxford and the County of Oxfordshire and its links to the history of the nation.
- To adopt a variety of approaches in interpreting the site, appropriate to the diversity of potential users, their needs and interests.
- To create a degree of flexibility in the interpretation, allowing for future change in response to users' needs.

The Oxford Preservation trust also established a series of education objectives within the Development Agreement:

- To excite, stimulate, encourage and educate audiences of all ages, abilities and backgrounds.
- To maximise links to the National Curriculum for primary and secondary schools.
- To encourage exploration and to facilitate access to information.
- To recognise the potential of the site as a tool to explore issues of citizenship in the past, present and future.
- To encourage a sense of ownership and an understanding of custodianship of the heritage.

### 6.3 Project Management

OCC appointed Quasar Management Limited as their designated project manager to monitor and report on the works as the project progressed. Their remit included the requirement to act on behalf of the Council in matters set out in the schedule of services, to cooperate with the developer and other parties and to keep the Council informed of all relevant matters relating to the project.

Quasar were also required to organise, attend and minute meetings with the Council, the Council's consultants, English Heritage, SEEDA, Heritage Lottery Fund, Oxford Preservation Trust, Oxford Buildings Trust and any other relevant bodies and special interest groups.

The requirement for site meetings to be held every four weeks was specified in the agreement, as was the requirement for the Council's project manager to be invited to attend. The Council retained the right to oblige the developer to remedy any defects identified in the works, and was thereby successfully able to transfer this element of risk to the private sector.

OCC maintained insurance agreements of the buildings and the works until completion of the development (except Tidmarsh Lane building) of an amount equal to the full reinstatement amount. The agreement specifies that the developer was to reimburse the Council for the insurance premiums, including the policy excess of £5,000 if incurred.

### 6.4 Risk Management

The Development Agreement incorporated a dispute resolution procedure to allow for any disputes to be addressed by a legal expert, an independent surveyor or adjudicator.

To limit the risks facing the Council, and hence the council tax payers, a series of clauses were inserted within the development agreement which specified the conditions under which OCC could terminate the development agreement (and thereby remove their obligations/commitments made within the agreement). These conditions were presented as a series of occurrences which if occurred would entitle the Council to 'determine the Agreement'.

The clauses under which this determination of agreement applied were:

- if the works are commenced more than six months after possession is given to the Developer;
- if the Tidmarsh Lane Building is not completed 42 months after possession is given;
- if completion of the whole development has not been achieved 66 months after the satisfaction of the conditions;
- if the construction and fitting out of the Hotel has not been completed 66 months after the satisfaction of the conditions;
- if there is any other material breach which is prejudicial to the project or the Council's interest therein which the Developer has failed to remedy within a reasonable time following written notice from the Council;
- if either the Developer or the Guarantor (unless a substitute developer is procured within three months) becomes insolvent; or
- if the Developer's funding is withdrawn for any reason and replacement funding is not procured within three months.

Both during construction phase and now that the site is operational, the OCL has been responsible for the estate and public management aspects of the project. Although parts of these responsibilities are delegated to the hotel operator and other lessees and operators, overall responsibility lies with OCL.

The arrangements were structured such that the Development Agreements had to be finalised and signed prior to the funding agreements being finalised. This was because the funding agreements hang off the development agreement with a series of references to definitions and clauses.

The funding agreement between SEEDA and OCC specified that the Council was required to obtain written agreement from the agency before approving any material changes to the agreed scheme with the developer.

This clause allowed SEEDA to be relatively hands off in terms of monitoring (not with standing the reports received from Quasar and copies of minutes from meetings) developments without relinquishing control. Similarly, the funding agreement specified that the Council could not modify its development agreement with OCL without the prior written consent of SEEDA.

## 6.5 Construction Management

One of the successful features of the project was the balance achieved between conservation and reuse of existing buildings, converted to become fit for current use alongside new build. For the original buildings, significant efforts were made to retain as much of the original fabric as was possible. High levels of quality were demanded throughout the project.

Substantial efforts were made to maintain as much of the original fabric as possible, and the same material, bath stone, was sourced to maintain consistency of refurbished and new elements with existing parts of the site.

**GDG Management were appointed by the Trevor Osborne Property Group as the developer's project manager.** Consultation between GDG management and the TOPG ascertained that the works would be carried out using a 'Construction Management' approach. This decision was taken in response to the recognition of the level of risk within the project specifically relating to the high level of uncertainty at the start of the project resulting from the conditions relating to Scheduled Monument, Listed Buildings and Planning consent, all of which had to be satisfied prior to works commencing.

The Construction Management approach was thereby selected to minimise risks that delays resulting from unforeseen circumstances at the outset of the project would lead to subsequent delays and cost escalation in later stages.

**The large number of contracts let to deliver the works limited the risks by reducing dependence on individual contractors.** Delivery of the project was managed such that late delivery of one part of the project would not have significant negative impacts on other components contributing to the delivery of the overall project.

This was achieved through letting a relatively large number of separate contracts, 72 contractors worked on the project in total, of which 54 were let through the 'NEC Option A' form of contract.

**Splitting the different work-packages according to their location within the site and assigning these to different contractors reduced the interdependence between individual contracts and contractors.** This minimised the risk that delays in delivery on one area of the site, due to unforeseen circumstances, would lead to subsequent delays and associated cost over runs within other contracts.

This effectively limited the interdependence between the successful delivery of individual contracts and thereby constrained the potential impact of difficulties encountered in one area on the delivery of the rest of the project.

**Numerous different contractors with specialist capabilities**, were identified to allow the most effective delivery of works to a wide range of buildings, ranging from repairs to the 1000 year old scheduled monument to new build projects. The number and range of different buildings on the site, with differing work requirements, meant that it was especially important to select well suited contractors to carry out the specific work required for the different buildings.

## 6.6 Ongoing Site Management

An estate Management Agreement<sup>18</sup> was signed by OCL, OCC and the TOPG at the same point as the head lease was granted by OCC to OCL. The agreement sets out the principles by which the site is to be "managed and maintained in a unified and cohesive way and to the standards appropriate to a site of historic, architectural and archaeological importance with extensive public access."

In order to ensure the ongoing maintenance of the high quality specification and fit out of buildings within the site, the Agreement states that, "all buildings and other works are to be constructed or restored and maintained using materials in a style and with workmanship consistent and in keeping with the historic buildings and character of the site and in accordance with the Conservation Plan<sup>19</sup>."

In addition, the Agreement specifies that obligations should be imposed (by OCL) on site occupiers through the sublease arrangements for parts of the site let out through underlets, in order that each tenant also complies with these principles.

Three key objectives were established for the ongoing management of the site. In summary, these are:

- the proper and appropriate management and maintenance of the site (including buildings and open spaces) with regard for the Conservation Plan
- that the property is managed and maintained on an ongoing basis as a cohesive whole with a single recognisable identity
- the continued availability of public access to the ancient buildings, external spaces at the property and the maintenance of pedestrian routes through the property

The Management Agreement therefore contributes to ensuring that the objectives originally established by OCC for the site are achieved on an ongoing basis.

<sup>18</sup> Estate Management Agreement relating to the management of Oxford Castle Heritage Project, New Road, Oxford.

<sup>19</sup> "Conservation Plan" means the plan dated April 1999 for the conservation of Oxford Castle, New Road, Oxford as adopted by the Strategy and Resources Committee of Oxfordshire County Council on 26 October 1999

The agreement incorporates a schedule of services to be provided by OCL in order to ensure the objectives and principles are met. A dispute resolution procedure is also detailed within the document, which supports effective risk management by establishing what happens in the case of a dispute.

## 6.7 Partnership Working and Managing Stakeholders

The commitment of the project partners to maintaining a high level of design quality within the development, despite pressures resulting from higher than originally anticipated costs, is a good example of the public sector leading by example in this regard. Key to delivering this however was the strength of the partnership built which brought together the Developer, OCC, OPT, SEEDA and wider stakeholders and provided a shared vision for the success of the project.

This partnership allowed for a mutual understanding of issues and concerns and enhanced the willingness of partners to work together to fulfil the priorities and objectives of the different parties. This commitment and dedication, allied with a responsiveness and flexibility was critical in overcoming challenges and staying true to the original vision and the ultimate success of the scheme. In addition, the role (commitment and dedication) of particular individuals was frequently identified as a very important factor in delivering the project over its duration in our consultations. In addition, the functioning of the 'Member and Officer Working Group' was highlighted in discussions as one of the effective mechanisms used to deliver strong partnership working.

Trevor Osborne praised the professionalism and far sighted vision of the public sector partners on the project in working with them as a private sector developer. He also commented that:

*This complex project, with a total cost of over £40 million, has achieved regeneration through heritage to create a truly mixed use environment and a new urban place to the benefit of the city*

One of the key facets of the project that has been praised was its approach to stakeholder management. The MJ 2007 Achievement Awards highlighted that " Consultation and community involvement has been central to the project". This was delivered through regular public meetings at which stakeholders and residents were given a forum to raise issues or concerns. In addition, user groups and bespoke consultation events were conducted to ensure the views of the local community were well understood and their concerns addressed. To keep people informed, a newsletter was sent to local residents and businesses and a notice board was placed at the site entrance providing updates about the development.

It was highlighted in a number of our meetings with project partners that many stakeholders were extremely sceptical at the outset of the project and opposed to the plans<sup>20</sup>. Through persistent and ongoing consultation efforts on the part of the Council and Developer, opposition gradually diminished as stakeholders came to understand the difficulties of the site and could see the willingness of the Developer and Council to listen to and respond to their concerns.

<sup>20</sup> see also, for example of the local opposition at the time, information within:  
<http://www.britarch.ac.uk/BA/ba40/ba40int.html>  
<http://www.britarch.ac.uk/BA/ba41/ba41int.html>

For example, English Heritage, which ultimately became one of the project partners, originally adopted a strategy of 'record and reserve' the historic legacy, became supporters once they were convinced of the commitment to undertake the development in a way sympathetic to the historic legacy. Interviewees expressed the view that English Heritage are now increasingly willing and likely to get involved in projects with the private sector as a partner, which was previously considered very unlikely.

Similarly, the Oxford Castle Action Group established to oppose the plans for the site. The County Council eventually won their support for the project after they established a consultative forum to provide a formal role in the process for individuals and groups opposed to the development. The consultation forum was established in order for the views to be properly understood. This flexibility and willingness of the partners to listen to different viewpoints and be responsive and flexible is seen as a key factor in getting stakeholder support for what was originally seen by some as a very risky and controversial scheme.

The Council's agreement to part fund the conservation plan which specified the historical and social significance of the different elements of the castle which had to be protected under the agreement, was also an important factor in turning opposition into support.

A scale model of the completed development was used as one element to engage the local community with the project

## 6.8 Lessons Learnt

One of the effective mechanisms utilised within the development was to secure an "anchor tenant" early within the project. This was achieved through a pre let of the hotel to Malmaison Hotels (Oxford) Limited. This was an effective mechanism to raise the profile of the entire project (comment from one of the interviews was getting this operator on board 'raised the game' for the entire project) and it was suggested this played an important role in attracting additional tenants to the scheme, and thereby contributed to the project's commercial success

Involving stakeholders, including opponents, within a formal process relating to the project was an effective method for increasing support for the project. Being willing to genuinely listen to and respond to concerns of individuals and groups who were initially opposed to the plans was critical in garnering support.

## 6.9 Good Practice

The importance and beneficial effects of a shared vision was seen in the ability of the partnership established to deal with the numerous difficulties encountered in delivering the project, including the discovery of remains on the site, a contractor going into liquidation and delays relating to utilities infrastructure, all of which could had led to significant further difficulties emerging within a weaker partnership.

Through the Development and Funding Agreements in place between OCC, TOPG and SEEDA, the public sector partners were able to effectively minimise their risk in the project.

This was achieved through a series of conditions and requirements within the agreements which committed the Developer to a range of conditions and requirements for development on the site. A payment bond was secured to provide recompense to OCC in

the case of insolvency of the TOPG, and the risk of cost overruns, which actually transpired, was borne by the Developer.

The Management Agreement ensures that the operation of the site continues to adhere to the vision and principles laid out by OCC at the outset of the project.

SEEDA's agreements allowed them to minimise risk through the timing of payments and through agreements and commitments relating to project monitoring (for example receiving project update reports and attending regular project management meetings).

## **6.10 Recommendations**

The project was designed with strong governance and project management arrangements delivered by a series of integrated development and funding agreements, and a management agreement which were legally binding and allowed for a clear definition of roles and responsibilities of the different partners. By establishing the dispute resolution procedures in advance, the partners effectively managed the risk associated with the project.

Although this is a strong example of a successful public private partnership, the choice of private partners, who were willing to take a long term perspective and absorb risks relating to cost overruns, was an integral factor for delivering the public sector objectives and minimising risk to Oxfordshire County Council tax payers.

Recommendations emerging from the review of project design and operation are:

(It should be noted that these recommendations are based on the good practice identified and lessons learned through delivery of the project rather than identifying what could be done differently in future):

- consider inserting a requirement into projects funded by SEEDA that genuine consultation events are held with stakeholders and residents and that issues raised are addressed through a formal process as this worked effectively for the Oxford Castle project.
- thorough consideration should be given to the choice and role of a private developer in any future project, particularly relating to what they are able to contribute beyond narrow development expertise and financing. The commitment, vision and flexibility demonstrated by the developer in this instance are attractive attributes for future projects to be delivered in partnership which may have similarly complex aspects. These benefits were considered to be substantial in the case of the Oxford Castle project.
- seek to secure an 'anchor tenant' for developments at an early stage to bring confidence and momentum to delivery. It was indicated in our discussions that once Malmaison was on board, there was an increasing level of interest from other potential operators on site (restaurants and bars).
- ongoing management agreements can be used to ensure the original project objectives continue to be delivered, for example once the public sector no longer takes a day to day, or management, role.

- linking the payment of grant payment tranches to development milestones was an effective mechanism to minimise financial risk to the public sector and to encourage delivery to a specified timetable.

## 7 Finance and Funding arrangements

### 7.1 Funding Arrangements

The project was financed through a mix of funding from both the public (grants) and private sectors (debt, equity and grant). The overall funding package included debt, equity and grant funding. OCL received equity finance from TOPG in addition to the bank finance (debt) arrangements for delivering the project.

One of the major objectives, from the County Council's perspective, was that the development be undertaken without financial risk to the County Council tax payers. This was achieved through the development and funding agreements which transferred the risk of additional costs to the developer.

SEEDA's financial risk was limited by paying the grant in three tranches at intervals determined by specified milestones having been reached. At each of the trigger points for the release of funding, the risk of failure for the project was lower which also meant the risk facing SEEDA of not achieving the anticipated benefits for their investment was reduced as they invested more.

### 7.2 Appraisal Stage

The table below presents a breakdown of the anticipated costs of the project and the expected development value. It can be seen that the development value (£29.3m) at the appraisal stage fell short of the anticipated costs of development (£35.7m). An internal SEEDA briefing note of 3rd April 2003 indicated the SEEDA decision to split the funding for the Castle and Prison into 2 projects.

The requirement for SEEDA grant funding stemmed from the shortfall between development value and cost. Table 7-1 below details the calculation of the shortfall, and hence the amount of SEEDA investment that was required in order to make the project viable.

**Table 7-1: Gap funding required**

	Castle £	Prison £	Total £
Development Value	1,575,000	27,716,404	29,291,404
Total Costs	3,273,548	32,420,843	35,694,391
Gap	1,698,548	4,704,439	6,402,987
EH Funding	150,000		150,000
OCC Funding	25,500	229,500	255,000
Remaining Gap	1,523,048	4,474,939	5,997,987
F1 spend	30,000	70,000	100,000
SEEDA requirement	1,553,048	4,544,939	6,097,987

Source: SEEDA

SEEDA and English Heritage provided grant funding to the project (in addition to the £255,000 expenditure by OCC), allowing the cost- value gap to be filled and thereby make the scheme commercially viable.

The Castle aspect of the project, requiring £1.6m SEEDA funding consisted of costs associated with:

- the Tidmarsh Lane building
- St George's tower
- d wing of the prison
- the debtors tower
- the castle mound and yard

The prison aspect, required £4.5m of SEEDA funding for works associated with:

- the governors house
- prison entrance range
- a wing, b wing, c wing
- north range
- houses of correction
- carpenters workshop
- new road building

Total SEEDA funding for the project was therefore £6.1m.

### 7.3 Project Costs

The total project costs for development of Oxford Castle and Prison are detailed in the table following. It can be seen that SEEDA's grant funding represented 60% of the total public sector contribution to the project.

The total costs of delivering the project also increased substantially from that expected at the appraisal stage, rising from an anticipated £35.7m to £44.5m. Costs incurred were higher than expected, in excess of £40m, while original estimates were £36m. These cost overruns were however absorbed by the private developer, with no further cost incurred by the public sector partners to achieve successful delivery of the project.

SEEDA only provided capital funding, which was made available for drawdown in three tranches dependant on specific criteria having been met by the Developer and/or the County Council.

SEEDA provided more funding than was initially applied for as the original cost value gap calculated was lower than subsequent calculations (including those by GVA Grimley prepared for SEEDA).

SEEDA funding was used to meet the cost of building works. The Funding Agreement between SEEDA and OCC was signed and dated 15th July 2003.

**Table 7-2: Sources of funding**

<b>Funding</b>	<b>£</b>
SEEDA	6,115,989
Oxfordshire County Council	255,000
Heritage Lottery Fund	3,800,000
English Heritage	150,000
<b>Total Public funding</b>	<b>10,320,989</b>
Trust for Oxfordshire's Environment Grant	75,000
<b>Total Private funding</b>	<b>34,231,011</b>
<b>Costs</b>	
Oxford Castle Limited	44,552,000
<b>Ratios</b>	
Public/Private funding ratio	3.3

Source: Oxfordshire County Council

The amount of private funding leveraged by the £10.3m public investment was £34.2m, representing a **public private funding leverage ratio of 3.3 to 1**.

The County Council's main contribution to the project, from a financial perspective, was through agreeing to indirectly selling the land for a nominal charge of £1 and paid for a range of emergency repairs and maintenance on the site.

#### **7.4 Funding Agreement between SEEDA and OCC**

Some of the key elements stipulated within the funding agreement between SEEDA and OCC were that:

- specified insurance arrangements are in place for the project.
- the Council shall not agree to vary the development agreement without prior written consent of the Agency
- SEEDA had the right to attend all meetings at which the Council's project manager was entitled to attend (under 14.10 of the development agreement). OCC was also required to provide to SEEDA minutes of all site meetings attended by the Council's project manager.
- SEEDA's role and participation within the Prison project is acknowledged within materials prepared by OCC and that the Council endeavours to ensure that the Developer acknowledges SEEDA's role in its provision of financial assistance
- the Council is required to pay the Agency's share of any development completion payment

#### **7.5 SEEDA Contribution**

SEEDA divided the payment of grant into three tranches, based on percentages of items of qualifying expenditure that had been incurred.

Drawdown conditions were cumulative - ie for the conditions for the second draw down to be satisfied required that the first drawdown conditions remained satisfied. By linking the payment of grant to these drawdown requirements, SEEDA was able to take confidence in the project progression and that funding was utilised as envisaged (through the use of "qualifying expenditure").

The risks to SEEDA associated with participation of an innovative project with a significant degree of uncertainty relating to costs, and the ability to meet timescales, was thereby minimised.

This was achieved by explicitly linking the Funding Agreement between SEEDA and OCC to the Development Agreement between TOPG and OCC ie SEEDA funding is made available to the project through certain requirements or milestones in the Development Agreement between the Trevor Osborne Property Group and OCC having been met.

### 7.5.1 SEEDA Drawdown Conditions

The "First Drawdown Conditions" stipulated that:

1. the conditions set out in the paragraphs C and F<sup>21</sup> of the definition of "Unconditional Date" in the development agreement have been and are satisfied. These conditions relate to the timing of related agreements being entered into. For more detail see footnote 21.
2. grant of satisfactory planning permission and satisfactory consents, as referred to within the Development Agreement (in paragraphs a and b of the definition of unconditional date; and
3. Qualifying expenditure<sup>22</sup> (see footnote for definition) shall not be less than £2,273,000

The "Second Drawdown Conditions" included requirements that:

- the first drawdown conditions remained satisfied
- the Council's project manager is appointed and evidence provided of professional indemnity insurance received by SEEDA
- Qualifying expenditure shall be not less than £1.8m
- other requirements relating to reaching specified milestones within the project as detailed within the development agreement

Third drawdown conditions specified that further milestones within the development agreement had been reached<sup>23</sup>

SEEDA's payment of funding was made conditional upon a number of factors, including that:

<sup>21</sup> Paragraph C specifies 'the date on which the Council enters into a funding agreement or agreements for the provision of grant funding commitments for the Project in a sum totalling not less than Six million pounds. Paragraph F refers to 'the date on which the Council enters into an unconditional agreement to acquire the St. Peter's College Land or the date upon which a conditional agreement to acquire the St Peter's College Land becomes unconditional.

<sup>22</sup> "Qualifying Expenditure" is defined within the Funding Agreement as meaning "Development costs incurred after 31st March 1999 and which the Agency is satisfied have been reasonably and properly incurred and paid by the Developer in executing the Works or furthering the Prison project

<sup>23</sup> for example, that "the council has received the deeds of collateral warranty from the Building Contractor and Principal Consultants to which the Council is at that time entitled under the development agreement

- the Development Agreement between TOPG and OCC remaining in force and subsisting
- The Council and the Developer having sufficient rights or interest in the property to allow the prison project and works to be fully carried out
- SEEDA and the Council had received evidence that no winding up petition had been presented against the Developer

The Funding Agreement includes a clause allowing SEEDA to demand repayment from OCC for any amounts defrayed that were subsequently determined to not constitute qualifying expenditure. It is also stipulated that the Council should appoint a project manager (and that the project manager's warranty are entered into) as soon as was reasonably practicable and necessarily in advance of the second drawdown of SEEDA funding.

## 7.6 Scope for Clawback

The scope for SEEDA to achieve a financial return on the project was limited to the Agency receiving 80% of the share of the development completion payment received by OCC<sup>24</sup>, which was itself 55% of the agreed development profit. The agreement specified that the maximum amount payable to SEEDA under this arrangement was equal to the level of grant provided by the Agency.

The development agreement between OCC and OCL specified that OCC would receive a payment from OCL of the greater of £1,000 and 55% of the development profit. Since development profit was determined as £Nil - the payment received by OCC was £1,000

SEEDA entered into a Funding Agreement with Oxfordshire County Council relating to the project in July 2003.

Within this SEEDA was entitled to the so called "agency's share" of 80% of the development completion payment.

**Since no development profit was payable to OCC, SEEDA did not clawback any of their investment.** The only mechanism by which SEEDA would have been able to clawback a return from its grant, as specified within the Development and Funding Agreements, was through its share of the development profit. Since no development profit was returned, it is unable to clawback any funding.

Although OCC are entitled to receive a financial return on the basis of a share of the rental income paid by Malmaison to OCC, this does not appear to be the case for SEEDA.

In addition to their share of agreed development profit, Oxfordshire County Council are eligible for payment based on a share of the rental income received by OCL from Malmaison, above a specified base rental level. **It does not appear that the agreements between SEEDA and OCC provide any mechanism by which SEEDA can share in this financial return to the project.**

The rent paid by Malmaison consists of a base element plus an additional amount determined by the hotel's turnover. The agreements between OCC and OCL specify that

<sup>24</sup> this is referred to as the 'Agency's Share' within the funding agreement between OCC and SEEDA.

the Council receives a share of the rental income received by OCL from Malmaison above the base level.

### **7.6.1 Calculating Development Value**

Key to determining whether SEEDA would have been able to clawback any funding is the calculation of development value. In determining the development value and hence the scope and scale for any profit sharing to which OCC (and thereby SEEDA) would be entitled, a series of methodological factors were agreed in advance (within the Development and Funding Agreements).

The Funding Agreements for the project specified that the County Council was entitled to receive 55% of the development profit, where the profit exceeded 17.5% (ie where development value was calculated to exceed development cost by 17.5% or more, the Council was entitled to a 55% share). This was agreed on the basis that:

- the development account calculation would include a credit for the 'agreed capital value' of the hotel of £10.9m (applied on the date of the expiry of the rent free period under the Malmaison Lease).
- the value of the retail and restaurant units was calculated by capitalising the agreed averaged rental incomes using yields applicable in the prevailing market conditions two years after project completion
- any units not let two years after completion would be valued on the basis of deemed rents estimated with reference to market conditions. Rental incomes were capitalised at the rate at which an investor in the open market would be willing to pay (with the option to resort to an independent surveyor in the case of a dispute in the valuation between the Council and the Developer)

Under this agreement, the developer was required to make a 'development completion payment' to OCC on the agreed relevant date which was to consist of the greater of £1,000 and 55% of the development profit (where the development profit was defined as the amount by which the development value exceeded 17.5% of development costs). Since it was determined that there was no development profit, the sum of £1,000 was payable by TOPG.

A number of other payments were also payable by the Developer to the Council, including costs towards those incurred by the Council relating to relocation of council tenants (£90,000), consultants fees associated with the project (£300,000), legal fees (£30,000), and payment relating to OCC payment to Oxford City council for the land adjoining Paradise Street (£65,000 plus VAT).

## **7.7 Lessons Learnt**

It may have been preferable from OCC's and SEEDA's perspective if the value of the hotel had been credited to the development account at market value rather than pre agreed within the agreements, as the value agreed was substantially lower than the true market value. It is not however clear if this would have been acceptable to the developer.

It should be considered whether it would be preferable from SEEDA's perspective for the Funding Agreement between OCC and SEEDA to allow for the Agency to share in any financial return achieved by the Council from the project (for example on an ongoing

basis), rather than limiting the Agency share to a proportion of development profit. Again, it is not clear if this would have been acceptable to OCC.

## **7.8 Recommendations**

The Funding Agreements were an effective mechanism for transferring risk of cost overruns to the private developer. Unfortunately, it appears there was no mechanism established by which SEEDA could benefit from the commercial success of the project, other than through a share of (non-existent) development profit.

Recommendations emerging from the review of the funding arrangements for the project are:

- seek to transfer risk of cost overruns to the private sector partner through funding agreements (as was achieved in Oxford Castle and Prison)
- establish a mechanism whereby SEEDA can benefit financially from the commercial success of a project in which it has invested on an ongoing basis.

## 8 Outputs, Outcomes and Impact

### 8.1 Introduction

It should be noted that the original appraisal including value for money indicators was prepared on the basis of a substantially lower level of SEEDA grant than was actually provided to the project. As a result of this, a number of the indicators appear to indicate that the project represents a lower level of value for money than had been anticipated.

However, it should be noted that the SEEDA grant of £6.1m was critical in making the project commercially viable and therefore a realistic proposition for any private developer. As a result, caution should be applied when comparing the value for money indicators from the appraisal stage with the actual results.

The increase in the level of grant required at the outset of the project, was mirrored later in the project by the higher than anticipated costs (absorbed by the developer) of completing the project, which had the effect of increasing the amount of private funding leveraged by the public sector contribution.

In terms of outputs, the original targets for the project, as identified by SEEDA, included:

- the creation of 251 jobs (25 for castle, 226 prison, )
- the provision of 6,160 learning opportunities being filled (lasting 3 to 30 hours)
- the development and provision of public access to 2.1 hectares of Brownfield land to be remediated or recycled
- 10 net new businesses created or attracted to the region

The SEEDA Stage II full appraisal, on which GVA Grimley prepared assessments of value for money delivered by the anticipated outputs, estimated the total cost of the project at £33.2m, with the Agency's contribution at that point in time estimated to be £3.5m.

## 8.2 Gross and Net Outputs

The tables below present the anticipated outputs and actual outputs achieved.

**Table 8-1: Appraisal stage output targets**

SEEDA appraisal stage output targets					
	Castle	Prison	Total Outputs	SEEDA Share	SEEDA outputs
Brownfield Land Remediated (ha)	0.6	1.5	2.1	77%	1.6
Jobs (FTE)	25	226	251	77%	193
Learning Opportunity (3-30 hours)	6160	0	6160	77%	4743
Public Open Space (sqm)	2573	0	2573	100%	2573
Businesses Created	0	9	9	77%	7

Source: SEEDA Stage 2 Full Appraisal.

It can be seen that at the appraisal stage, SEEDA's share of the public funding within the project was estimated to be 77%. SEEDA's actual share of public expenditure was 59%, primarily due to the size of the grant from Heritage Lottery fund being larger than originally envisaged.

**Table 8-2: Gross Outputs achieved**

Gross Outputs delivered					
	Castle	Prison	Total Outputs	SEEDA Share	SEEDA outputs
Brownfield Land Remediated (ha)	0.6	1.5	2.1	59%	1.2
Jobs (FTE)	15	319	334	59%	198
Learning Opportunity (3-30 hours)	5400	0	5400	59%	3200
Public Open Space (sqm)	4820	0	4820	100%	4820
Businesses Created		11	11	59%	7

Source: Oxfordshire County Council

In addition, though not specified, as output indicators in the SEEDA appraisal, 40 residential apartments were developed and have all been sold.

Adjusting the gross outputs for deadweight, displacement, leakage and multiplier effects yields the net additional effects of the project. These results are presented in the table below. Details on the assumptions used to estimate these effects are provided in section 8.8 of this report.

**Table 8-3: Net Additional Effects**

Net Additional Effects		
	Total Output	SEEDA share
Jobs Created	225	134
Businesses Created	10	6
Learning Opportunities <sup>25</sup>	4,712	2,792
Brownfield Land reclaimed/remediated (ha)	2.1	1.2
Public Open Space created (sqm)	4,820	4,820

Source: Grant Thornton

Since SEEDA contributed 59% of the overall public funding for the project, its share of the outputs attributable to the public expenditure is calculated as 59% of the net additional outputs (except for public open space where its share was 100%). On this basis the table below presents the value for money indicators for the project.

### 8.3 Contribution to local visitor economy

In addition to the outputs identified above which were used by SEEDA in appraising the project, Oxford Castle and Prison contributes to the local visitor economy. This is captured through visitor expenditure at Oxford Castle and Prison, including spend at the restaurants on site.

At the appraisal stage, it was estimated that additional tourism spending within the local economy as a result of the Oxford Castle and Prison project would total £12.4m (excluding the serviced apartments) over the first four years of operation.

Table 8-4 below indicates the breakdown of visitor expenditure figures for visitors to the Heritage Centre and Museum and the Hotel. The current estimate for visitor expenditures takes the visitor numbers as estimated within the original appraisal and updates with actual entry fees.

**Table 8-4: Visitor Expenditure : Appraisal Stage estimates**

	Appraisal stage estimate		
	HC and Museum	Hotel	Total Spending
Year 1	£162,000	£2,872,331	£3,034,331
Year 2	£202,500	£2,872,331	£3,074,831
Year 3	£243,000	£2,872,331	£3,115,331
Year 4	£283,500	£2,872,331	£3,155,831
1 to 4	£891k	£11.5m	<b>£12.4m</b>

Source: GVA Grimley Appraisal

<sup>25</sup> following SEEDA monitoring arrangements for the project, this captures the number of learning opportunities of between 1 and 3 hours each - tracked by school visits to the Heritage Centre and Museum

The estimate for visitor expenditure is updated using information from OCL for numbers of visitors and with the latest figures for average tourism expenditure within the region. The GVA work did not include expenditure at restaurants on site, which is added into the current analysis.

Table 8-5 below presents estimates the direct visitor expenditure at Oxford castle and Prison. Note that this excludes any additional spending in the local economy which could be attributed to an increase in visitors to wider Oxford attractions resulting from OCP (this would need to be assessed in a wider economic impact study).

**Table 8-5: Gross Outputs achieved**

Gross Expenditure				
	Visitor Attraction	Hotel	Restaurant	Total spending
Year 1	£228,000	£4,014,000	£3,373,000	£7,615,000
Year 2	£284,000	£4,014,000	£3,373,000	£7,672,000
Year 3	£341,000	£4,014,000	£3,373,000	£7,728,000
Year 4	£398,000	£4,014,000	£3,373,000	£7,785,000
Year 1 to 4	£1,251,000	£16,056,000	£13,492,000	£30,800,000

Total spending at Oxford Castle and Prison is estimated to be in the region of £7.6m per annum (note that these figures are based on cautious estimates of income to the hotel operator and restaurant operators based on benchmark data).

For both the hotel and restaurant expenditure a high level of displacement (90%) is assumed as the project is unlikely to attract a large number of visitors in its own right, and much of the expenditure within the restaurants will be displaced from other local restaurants (and not therefore additional expenditure).

**Table 8-6: Net Additional Expenditure**

Net Additional Expenditure				
	Visitor Attraction	Hotel	Restaurant	Total
Year 1	£91,000	£482,000	£337,000	£910,000
Year 2	£114,000	£482,000	£337,000	£933,000
Year 3	£137,000	£482,000	£337,000	£956,000
Year 4	£159,000	£482,000	£337,000	£978,000
Year 1 to 4	£501,000	£1,927,000	£1,349,000	£3,777,000

Due to the large amount of displacement associated with hotel and restaurant visitor spending, the net additional expenditure is substantially lower, in the region of £1m per annum.

The appraisal stage estimates of expenditure associated with the hotel visitors now appear overly cautious. In particular, occupancy for the hotel was originally estimated at 71% within the appraisal documents. The higher than anticipated occupancy, in excess of 80% accounts for part of the increased visitor expenditure associated with this aspect.

In addition, this evaluation has updated the figures for estimated average visitor spend per night from £102 to £105 based on updated statistics from Visit Britain UK tourism survey.

The Malmaison Hotel has been extremely successful, achieving occupancy rates in excess of 80% which compares very favourably with other high quality hotels in Oxford.

#### **8.4 Strategic Added Value**

SEEDA's strategic added value in the project lay in its role in enhancing the strength of the partnership formed to deliver the project. It was highlighted in discussions that SEEDA's participation brought confidence to other partners as SEEDA has a track record of delivering regeneration projects which exceeds that of either Oxford City Council or Oxfordshire County Council.

#### **8.5 Wider Outputs and Outcomes**

In addition to the core outputs and outcomes of the project, as detailed in the preceding sections, there are a range of benefits and outcomes which are important but are difficult to adequately capture in quantifiable terms. These benefits are detailed and described below.

The scheme as delivered provides publicly accessible space to the Oxford residents and visitors - unlike much of the city which is dominated by University owned premises without free public access. A related benefit to this is the project's role in engaging local people with the history of Oxford, rather than the history being behind college walls.

#### **Further Benefits**

There are a range of further benefits delivered by the scheme that cannot be easily quantified. These include:

- increased choice of bars and restaurants for Oxford residents and visitors
- quicker and more direct access to the town centre through the site
- access to listed buildings and enhanced understanding of the historic and archaeological interest of the site

#### **8.6 Recognition through Awards**

The Oxford Castle and Prison project has won numerous awards (details listed in appendix 1) including RICS Project of the Year 2007, across a range of thematic areas including specific awards for construction management and partnership working. The project won the MJ 2007 award for Public Private Partnership Achievement of the Year<sup>26</sup>.

<sup>26</sup> The MJ achievement awards recognise and promote achievement in local government services. For more details see <http://www.lge.gov.uk/lge/core/page.do?pageId=72869>

In presenting the RICS 2007 Project of the Year Award to Oxford Castle, Simon Pott, chairman of the judges, commented:

*This project is everything a mixed use scheme should be. The components complement one another and combine to create an attractive destination for local people and tourists. The development has brought a renewed sense of history to the area, and has already shown itself to be a major catalyst in the regeneration of Oxford's West End. All in all, it is an exceptional project.*

A special judges prize was also awarded to the project for its excellence in creating an inclusive environment for all that used and visited the building.

The National Civic Trust award is notable in that it recognised "best practise in town centre regeneration"<sup>27</sup>. The Malmaison on the site was voted the third 'quirkiest place to stay' in the world by the travel website tripadvisor, and has made the list for a second consecutive year<sup>28</sup>.

The Key Learning Centre has acted as a dynamic educational tool to schools throughout the county, not just in history subjects, but also business studies and tourism. Its success has been recognised by an Investors in Education award by the Education Business Partnership.

#### **Awards Received by Oxford Castle and Prison**

RICS Awards 2007 - The Grand Final : Project Of The Year

The Civic Trust Awards 2007 - Centre Vision Award

RIBA Awards 2007

MIPIM Awards 2007 - International Hotels And Tourism Resorts Winner

RICS South East Awards 2007 - Overall Winner And Regeneration Category Winner

The MJ 2007 Achievement Awards: Public Private Partnership Achievement of the Year Category

The Mail On Sunday - British Homes Award 2007: Mixed Use Development Of The Year

Oxford Preservation Trust - Environmental Awards 2007

Painting And Decoration Association - Premier Trophy Awards 2007

Malmaison Oxford - Hotel Of The Year, Caterer And Hotelkeeper Awards 2007

Malmaison Oxford Voted A "Hot New Hotel" By Conde Nast

Malmaison Oxford - Sunday Times Travel Magazine - One Of The World's Best Hotels

## **8.7 Wider Impacts**

The West End Partnership was formed in response to a recognition of the successful regeneration of the Oxford Castle site and the desire to extend that regeneration to the surrounding area.

<sup>27</sup> [http://www.seeda.co.uk/news & events/press\\_releases/2007/20070329.asp](http://www.seeda.co.uk/news&events/press_releases/2007/20070329.asp)

<sup>28</sup> [http://www.tripadvisor.com/PressCenter-i152-c1-Press\\_Releases.html](http://www.tripadvisor.com/PressCenter-i152-c1-Press_Releases.html)

The leader of Oxfordshire County Council, Keith R Mitchell has described the project as a 'benchmark' for the development of the 200 acres behind the Castle site (ie the adjacent West End area).

The 4ps Gateway review recognised the beneficial impact of the Castle and Prison project to the wider regeneration of the area and the scope for effective partnership working. The report<sup>29</sup> states that:

*A sense of achievement and momentum has been successfully generated by the delivery of the Oxford Castle scheme, the progress of the Westgate development and by a constructive series of communication and consultations with people in Oxford. There may be specific learning to be gained from the Castle project in respect of its operation of an external stakeholders' group.*

The report also recognises the demonstration effect whereby the project can serve as an indicator of the high quality of development that can be achieved in the area.

## 8.8 Assumptions used in adjusting from Gross to Net Additional Impact

This section of the report details the calculations and assumptions that have been used in adjusting from the gross to net impacts by estimating the level of deadweight, displacement, leakage and multiplier effects.

Separate calculations are undertaken to estimate the net impacts delivered for the different categories of outputs (jobs, businesses, land remediated, learning opportunities).

In addition, estimates of displacement, leakage, deadweight and multiplier effects are applied to adjust the level for gross expenditure associated with the project to the net additional effects (thereby allowing an indication of the scale of the projects impact on the local economy). This analysis follows the principles and analysis set out in the GVA Grimley appraisal report prepared for SEEDA, updating the assumptions where necessary.

Note that in all instances, it is assumed that there is no deadweight for the project as no alternative economic use for the site would be anticipated in the absence of the project proceeding, as the site was expected to have remained derelict in the absence of the project proceeding. A multiplier of 1.2 is applied based on English Partnerships guidance, which was also used by GVA Grimley at the appraisal stage.

	Displacement	Leakage
Tourism spend	Different estimates of displacement are applied to visitor expenditure for visitors to the heritage centre/museum (HCM) and for hotel/restaurant visitors.  For visitors to the HCM we estimate that 67% of the expenditure is displaced from other competing attractions	Following the GVA analysis no leakage of spend from the local economy as only the direct expenditure at Oxford Castle and Prison by visitors is included in the analysis (ie the analysis does not 'off site' expenditure).

<sup>29</sup> 4ps Gateway Review 0 – Strategic assessment of Oxford West End Renaissance

	<p>within Oxford. Although Oxford is a major tourist destination with lots of competing attractions, Oxford Castle is a different proposition, leading to a displacement estimate substantially lower than that which would be expected for an attraction with closer competitors.</p> <p>For expenditure at the Malmaison Hotel and the on site restaurants, we estimate displacement at 90%. This is based on an estimate that only 10% of Malmaison guests would be 'new' to Oxford, as the OCP development is not a strong enough attractor in its own right to substantially increase the total number of visitors to Oxford. As such, it is estimated that 90% of the visitors to Malmaison (and hence their expenditure) would have come to Oxford in the absence of OCP development.</p>	
Job creation	<p>Estimated to be 25%, based on the GVA assumptions that 25% of the employees at Oxford Castle will be drawn from other local firms. This was verified with reference to English Partnership benchmark figures.</p>	<p>Following EP guidance, we assume that 'the majority of benefits will go to people living within the target area/group - and therefore assess leakage as therefore 'medium' This is a reasonable assumption in the case of OCP as the majority of employment created would be undertaken by residents within the area as average salaries in the leisure/hotel/restaurant and cultural attractions sectors would not be sufficiently high to encourage significant numbers to commute from outside of the region. However, some of the employment benefits (for example for more senior positions) within Oxford Castle Limited and for the Malmaison Hotel operator, and the restaurants will accrue to individuals outside the region, suggesting the leakage should be higher than the 'low' displacement category which anticipates leakage of only 10%. The approach followed is consistent with the GVA Grimley assessment.</p>
Business creation	<p>Estimated to be 25% - based on guidance within the English Partnership's Additionality Guide, p21.</p>	<p>Estimated to be 'medium' based on English Partnerships Guidance.</p>
Learning opportunities	<p>Following the GVA analysis, no displacement is applied as OCP is a different proposition to other educational opportunities within Oxford.</p>	<p>Following the GVA analysis, it is estimated that 13% of school students will be from outside the region.</p>

Brownfield land	None	None
Public Open Space	None	None

## 8.9 Value for money

The table below presents the Value for Money indicators for the project, but as noted above caution should be applied when benchmarking against other projects or programmes due to the unique characteristics and nature of the project.

Since SEEDA contributed 59% of the overall public funding for the project, its share of the outputs attributable to the public expenditure is calculated as 59% of the net additional outputs (except for public open space where its share was 100%). On this basis, table 8-7 below presents the value for money indicators for the project.

**Table 8-7: value for Money Indicators**

Value for Money Indicators		
	Gross	Net additional
Cost per job created	£18,300	£45,800
Cost per business created	£556,000	£1,043,000
Cost per learning opportunity created <sup>30</sup>	£1,100	£2,190
Cost per sqm of brownfield land remediated	£290	£490
Cost per sqm public open space created	£1,270	£1,270
Public to private funding ratio	3.3	3.3

Note that the Gross value for money indicators are calculated on the basis of the gross outputs divided by the SEEDA expenditure (an alternative approach would divide the share of the gross outputs attributable to SEEDA on its share of public funding).

The 'Net additional' Value for Money indicators divide the SEEDA's share of the net additional benefits delivered by its share of the public funding provided.

Public private funding leveraged was 3.3 based on a total public expenditure of £10.3m and private sector funding of £34.2m.

It should be stressed that the main focus of the project relates to the remediation of derelict land and the reuse of listed building, rather than employment or business creation, so there should be relatively little emphasis placed on the job and business creation value for money metrics identified above.

We have benchmarked the value for money delivered against a series of 'cost per job' figures for a range of publicly funded regeneration initiatives. These projects indicated a range of cost (to the public sector) per job supported from £4,600 (for the Regional Selective Assistance programme within English Assisted Areas) to £23,000 (based on an National Audit Office review of English Partnerships projects) calculated on a gross impact basis, suggesting the OCP project represents good/bad value for money on this basis.

<sup>30</sup> following SEEDA monitoring arrangements for the project, this captures the number of learning opportunities of between 1 and 3 hours each - tracked by school visits to the Heritage Centre and Museum

**Table 8-8: 'Cost per job' supported for selected regeneration initiatives<sup>31</sup>**

<b>Programme</b>	<b>'Cost per job'</b>
Coalfields regeneration	£26,000
English Partnerships projects	£23,000
Regional Selective Assistance	£21,000

Source: See footnote 31 below.

Caution should be applied in comparing the figures for cost per job supported due to the differing nature of the projects under consideration - none of which closely resemble the unique characteristics of the Oxford Castle and Prison Project.

It appears that the 'cost per job' figures presented above are prepared on a gross (as opposed to net additional) basis, and are thus comparable to the figure of £18,300 for Oxford Castle and Prison.

Due to the unique nature of the project and the very high costs associated with restoring the listed buildings the costs per hectare of land remediated compare unfavourably with the limited amount of benchmark data available<sup>32</sup>.

In the absence of SEEDA intervention, it is not expected that the project would have proceeded and the site would most likely have remained out of economic use for the foreseeable future.

We have reviewed a series of value for money indicators from other regeneration related projects to compare the value for money delivered by the Oxford Castle and Prison project with other comparable projects.

<sup>31</sup> <http://www.communities.gov.uk/archived/general-content/citiesandregions/regenerationformer/http://www.nao.org.uk/pn/9829642.htm>  
<http://www.nao.org.uk/pn/02-03/0203702.htm>

<sup>32</sup> *The only figures identified are from English Partnerships (1998)*

## 9 Conclusions and Recommendations

### 9.1 Summary

The original objectives established by OCC have been met and there are good prospects for the commercial sustainability of the project achieved through the use of long term sub leases (with the Malmaison, Carluccios, Living Room and Tootsies leases having a duration of 35 years and the remainder having as a minimum a term of 20 years) limiting the likelihood of parts of the site becoming vacant.

The success of the project in terms of visitor numbers is also indicative of the sustainability of the project with the total number of visitors to the site or businesses since December 2005 standing at 2.3 million<sup>33</sup>.

In summary, the success of the project is demonstrated across a number of indicators and measures, particularly:

- the outputs and outcomes achieved, as originally envisaged
- the private sector funding leveraged
- recognition through 12 awards
- commercial success - indicating financial viability and hence sustainability
- very positive partner and stakeholder perceptions

Commercially, the project is a success and appears to be sustainable, but the deal as structured delivered no development clawback to SEEDA.

### 9.2 Key Success factors

Oxfordshire County Council set a series of principles for development of the site which they adhered to throughout. By doing so, and as opposed to specifying the type or nature of development being sought, they attracted and were successful in getting delivered an imaginative scheme, which delivers a wide range of benefits to both Oxford residents and visitors.

TOPG were not the first developer to be involved. Earlier discussions between OCC had been held with both Kaverna and King Sturge but neither of these developers had been able to make the project work in a way acceptable and in fitting with the requirements and objectives established by OCC, so the role of the specific developer, Trevor Osborne, should be recognised.

The Trevor Osborne group was willing to take a long term perspective because it is difficult to accurately predict costs in a project of this nature, with substantial uncertainty, the requirement for **flexibility on the part of the Developer is critical**.

A key feature of the success of the project was turning what was originally a constraint, ie the high costs associated with the development due to the nature of the buildings on the

<sup>33</sup> figure provided by Jean Pierre Morilleau, General Manager of Oxford Castle

site into an opportunity - **more attractive proposition due to the value of the heritage aspect** - more tourism, more interest in hotel etc.

One of the key achievements of the project is that it has provided access to a very important part of Oxford's history for all to enjoy, rather than restricting access to the city's cultural assets, as the colleges have done in the past.

Though there was a close partnership delivery team - SEEDA did not play a leading role within this - it was an 'inactive funding partner', but given the breadth of the partnership this was not considered a problem.

There was a willingness amongst the different partners to accept and understand the different positions - alongside recognition that the **'only way we can make it work is by working together'**. A number partners we interviewed identified that the key success factor was keeping everyone aligned in terms of what they wanted out of the development.

A further indicator of the success and exemplar nature of the scheme is that the redevelopment of the prison has been used as a blueprint for a similar development in Armagh, Northern Ireland, and the approach may be applied in further redevelopments.

Although SEEDA's role in this project was pivotal in providing the requisite grant funding to make the development viable (through bridging the development cost - value gap), thereafter the Agency's role was largely around lending the project credibility, offering a source of advice and lending support to the project. Given the relatively large numbers of partners already involved, the relatively 'hands off' nature of their involvement did not represent a particular problem.

By maintaining the freehold interest, OCC is able to ensure the ongoing future delivery of the public benefit aspects of the site, overcoming some local fears expressed by opponents to the development that the site would be 'lost' to Oxford if commercial development went ahead.

## Key benefits of SEEDA's participation

The critical aspect of SEEDA's involvement in the project was undoubtedly in providing the grant funding to make the development viable.

In addition to this, the additional benefits that SEEDA participation brought to the project, as identified in our consultations with project partners can be summarised as, SEEDA:

- provided support, encouragement and publicity to partners on the project
- enhances the credibility of the project
- offers development expertise, can take an overview role
- plays a profile raising role and increases awareness

SEEDA's development director in particular was identified as being very experienced in undertaking developments which provides confidence, 'moral support' and reassurance to the other parties involved.

Partners took confidence from SEEDA involvement - Debbie Dance from the Oxford Preservation Trust commented that SEEDA provided the ability for the aims to be achieved of the different partners, not just those of the Developer. SEEDA had substantial degree of control because of the requirement for the funding to make the project viable

### 9.3 Sustainability

There was a strong commitment to the original vision for the site, which had sustainability at its core amongst the partners and this was fundamental in delivering the eventual success of the project (for example by avoiding going down the route of office developments, or student accommodation type projects which would have required demolition and/or a lower quality development).

Sustainability considerations were prominent in the construction across the site. This included the reuse of stone taken from one building to another building within the site.

Sustainability also played a significant role in considerations regarding transport with only 20 car parking spaces provided on site (for the hotel). Visitors are encouraged to use public transport through the provision of strong public transport links and parking for 150 bicycles is provided.

The Management Agreement (detailed within section 6.6) ensures that OCL maintains the site to a certain standard. This is an effective method for OCC to ensure the sustained high quality appearance and maintenance of the buildings on site, without requiring an active hands on role in day to day operations.

### 9.4 Lessons Learnt

A number of lessons emerge from the evaluation:

- the personal commitment and dedication of a number of individuals within the project is considered critical to its ultimate success
- the flexibility, pragmatism and long term view of the developer was important in keeping the range of participants committed to the project
- SEEDA's participation lend the project credibility which was helpful in keeping the partnership together
- key to successful delivery was aligning the differing interests of the Developer, SEEDA, the City Council, County Council, the HLF and OPT
- getting Malmaison on board as the hotel operator played an important role in demonstrating the scale of the opportunity and thus raised interest in the project
- phasing was a key component of the project and allowed for risk to specific parties to be well managed - as it effectively ring fenced certain activity
- continuity of the individuals and organisations involved in the project was considered useful - "it was the same people around the table" and these people remained committed to the original objectives throughout the projects development.

The partnership approach and SEEDA's role within the current activities and plans for Oxford's West End grew out of their role within the OCP project.

Partners have found it helpful where there has been a continuity of involvement of individuals from different organisations, as this helps build up a shared understanding of the issues, increased confidence and thereby delivers a more effective form of partnership working.

From an Oxford perspective, the castle project also served as a useful mechanism for getting SEEDA involved in the longer term plans to regenerate the wider west area. It is not clear that they would have got involved without the awareness raising role that being involved in the Castle played.

## 9.5 Recommendations

The following recommendations emerge from the review:

- consider inserting a requirement into relevant projects funded by SEEDA that genuine consultation events are held with stakeholders and residents and that issues raised are addressed through a formal process.
- thorough consideration should be given to the choice and role of a private developer in any future project, particularly relating to what they are able to contribute beyond narrow development expertise and financing. The commitment, vision and flexibility demonstrated by the Developer in this instance are attractive attributes for future projects to be delivered in partnership which may have similarly complex aspects.
- seek to secure an 'anchor tenant' for developments at an early stage to bring confidence and momentum to delivery
- ongoing management agreements can be used to ensure the original project objectives continue to be delivered, for example once the public sector no longer takes a day to day, or management, role
- link the payment of grant payment tranches to development milestones to minimise financial risk to the public sector and to encourage delivery to a specified timetable
- seek to transfer risk of cost overruns to the private sector partner through legally binding funding agreements
- establish a mechanism whereby SEEDA can benefit financially from the commercial success of a project in which it has invested on an ongoing basis.
- undertaking a survey of visitors to Oxford Castle and Prison would help estimate the economic impacts created by the project (by providing more accurate assessments of visitor expenditure and displacement)

## Appendix 1: Abbreviations

OCC:	Oxfordshire County Council
TOPG:	Trevor Osborne Property Group
OCL:	Oxford Castle Limited
OPT:	Oxford Preservation Trust
HLF:	Heritage Lottery Fund
SEEDA:	South East of England Development Agency
OCCT	Oxford Castle Charitable Trust

## Appendix 2: Consultations

Debbie Dance	Oxford Preservation Trust
Richard Dudding	Oxfordshire County Council
Neil Monaghan	Oxfordshire County Council
Michael Crofton Biggs	Oxford City Council
Andrew Ryan	Oxford Castle Limited
Trevor Osborne	Trevor Osborne Property Group
Peter Cusdin	SEEDA
Mike Davy	GDG Management
Bill Fox	Oxford West End
Richard Dudding	Director for Environment and Economy, Oxfordshire County Council
Rob Dance	Planning Implementation Officer, Oxfordshire County Council