

Project Documentation

**POST PROJECT EVALUATION DOCUMENT
(PPE)**

CHICHESTER ENTERPRISE CENTRE

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| Release: | Final Draft following Overview & Scrutiny Committee Approval |
| Date: | November 2018 |
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| Approved by: | Jane Hotchkiss |

Document History

| Revision Date | Version | Summary of Changes | Reviewer(s) |
|-------------------------|---------|--|--------------|
| 4 th Sept 18 | 1 | Update on the ROI figures based on construction costs | Mark Regan |
| 6 th Sept 18 | 2 | Incorporating corporate policy comments | Alan Gregory |
| 7 th Nov 18 | 3 | Incorporating updated occupancy figures following consideration of the previous version by the Overview & Scrutiny Committee in September. | Alan Gregory |
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Consideration by the Corporate Improvement Team

| Date | Reviewing Officer | Comments for Consideration |
|--------------------------------|-------------------|--|
| 4 th September 2018 | Jenny Westbrook | <p>That a further review be scheduled following 1-3 years of operation against the specific targets that were included in the project documentation or the Corporate Plan, namely:</p> <ul style="list-style-type: none"> • Creating between 250 and 275 new jobs every 3 years. • The survival rate of businesses going through the gateway will be over 70% at year 3. • Contribute to an improvement in business survival rates after one year to at least the national level. • Delivering 250 new jobs every 3 years. |

Approvals

This document requires the following approvals:

| Name of person, group or committee |
|---|
| Jane Hotchkiss – Director Growth and Place |
| Overview and Scrutiny Committee – received 18 th September 2018 Resolved Enterprise Centre PPE to be noted |
| Cabinet - December 2018 |
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Distribution

A final copy of the approved document will be distributed to:

| Name | Role/Job Title |
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| Tony Dignum | Leader of the Council |
| Jane Hotchkiss | Director Growth and Place |
| Helen Belenger | Divisional Manager – Financial Services |

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| Victoria McKay | Divisional Manager – Property and growth |
| Sherrie Golds | Commercial Property & Contracts Solicitor |
| Phil Pickard | Procurement Manager |
| Mark Regan | Senior Estates Surveyor |

1. PURPOSE OF DOCUMENT

This document provides a review of how the Chichester Enterprise Centre project performed against the original intentions set out in the Project Initiation Document (PID).

It allows lessons learned to be passed on to other projects and ensures that provisions have been made to address all open issues and risks alongside follow on actions and recommendations where appropriate.

It also provides the opportunity to assess any expected outcomes that have already been achieved and/or provide a review plan for those outcomes yet to be realised.

2. ORIGINAL PROJECT DESCRIPTION

The original project PID identified a need for an “Enterprise Gateway” in Chichester with easy move in/on business space accommodation and Plot 12, Terminus Road was considered a potentially suitable site.

The requirement to consider Plot 12 for such redevelopment came about as a result of the inability of the previously preferred site at Barnfield Drive to support the anticipated cost of construction due to abnormal ground conditions.

Redevelopment of the site for an “Enterprise Gateway” was seen to help meet objectives in the Council’s then Economic Development Strategy 2013-2019, Chichester In Partnership’s “Sustainable Community Strategy” and the Council’s Corporate Plan.

The original PID considered the potential for Plot 12 to be redeveloped to help deliver the Council’s Economic Development objective and create, support and grow start-up and young businesses and to generate employment, through the provision of an “Enterprise Gateway”. In addition, the project was seen to have the potential to provide capital or enhanced regular income to support the Council’s budget.

3. PROJECT OBJECTIVES

The original project objectives included:

- Helping to meet some of the objectives set out in the Sustainable Community Strategy including those related to regeneration, business improvement, enhanced business development advice and the attraction and retention of new business with well-paid and secure jobs.
- Meeting Priorities 1 and 2 of the Council’s Economic Development Strategy 2013 – 2019 through a redevelopment of the site for an “Enterprise Gateway”.

- As a core project in the Council's Corporate Plan 2013-2016, meeting the core action under the Economic Development Services' Service Plan 2014-15 'Support the delivery of a Chichester Enterprise Gateway in Terminus Road'
- Helping to meet objective MP080902 of the Estates Service Action Plan – delivering 'Chichester Enterprise Gateway'.
- Bringing a Brownfield site into commercial use.
- Helping to grow the local economy.

The project outcomes were identified in the PID as being:

- Seeking to achieve the delivery of an "Enterprise Gateway" as envisaged by the Project Initiation Document (PID) approved by the Executive Board in November 2010.
- A key driver behind building the Gateway was to encourage growth in innovation leading to more new businesses being established. This was seen not only to help create additional employment but also increase business survival rates and enhance the salaries associated with related jobs.
- It was considered such a centre would provide the support necessary to businesses in terms of flexible accommodation and assist in controlling their expenditure as they grow. Based on an analysis of similar schemes it was estimated that between 250 and 275 new jobs would be created every three years.
- Once occupied, the "Gateway" would generate revenue income for the Council. In this regard it was seen as essential that the project achieves an acceptable level of return on the investment (ROI). The ROI both on the guaranteed income and projected profit share based on the operators business plan were reported to Cabinet on the 7th July 2015.

In terms of outcome measures, the construction of Chichester Enterprise Centre has been delivered as envisaged in the PID in terms of providing flexible business accommodation on the Plot 12 site and a brownfield site been brought into a more productive commercial use.

The centre has now been open and operational for some 8 months and although work is ongoing in terms of attracting businesses to the centre, those businesses that have taken space are a cross section of professional services, web based outfits, management consultants, architects and technicians.

Out of the 82 units available the number currently occupied is 35 with an additional further 3 companies using the centre as a virtual office with mailbox only services. The number of people employed on site is 72 with 6 of these jobs created since moving to the centre. Two businesses that moved to the centre in the early days of opening have taken on additional accommodation to support their growing needs so there are early indications that the centre is indeed helping to grow the local economy. An additional 2 workshops and 6 office units are currently under discussion with prospective licensees for letting. Basepoint, the Council's chosen

operator, say the flexibility of the accommodation on offer is cited by licensees as one of the major attractions in locating at the centre.

In terms of the envisaged Return on Investment it was reported to Cabinet in March 2016 that:

“Basepoint offer a guaranteed income for each year totalling £2,819,155 over ten years. This income will be backed by a parent company guarantee.

The current ROI based on Basepoint’s guaranteed income and profit share and the budget approved by Cabinet in July 2015 of £6,245,860 is 7.8% at year five and 8.5% at year 10. The worst case scenario based on the council receiving the guaranteed income alone will provide a ROI in year five of 4.95% and in year ten of 5.2%.

If the project cost were to reduce to £5,848,215 including Contractor A’s tendered indicative price and Basepoint’s guaranteed income and profit share the ROI would be 8.36% in year five and 9.11% in year 10. If only the guaranteed income were received then this provides a ROI of 5.28% in year five and 5.69% at year 10.”

Today, with the Enterprise Centre complete and now operational Basepoint have a 5 year Operation Agreement with the provision to renew this for a further 5 years. The tabulated guaranteed income and the combined Basepoint tender estimate of profit share plus guaranteed income to the Council within financial accounting years can be seen in Appendix 2.

The Centre opened on the 1 March 2018 so the financial years projections have had to be inter-tabulated (from the tender submission). The year to year ROI based on the capital cost of building the Enterprise Centre is also reported in this table.

The return on investment over a ten year period based on the guaranteed income and tender projected profit share and the ROI over the 10 years based on the Basepoint tender projected profit share plus guaranteed income is reported in appendix 2. The year 5 return based on guaranteed income is 5.15% and 8.43% based on the tender projected guaranteed income and profit share. At year 10 even based on 11 months projected guaranteed income the return is 5.08% and with projected profit share 8.73%, the 11 month projection is due to the tender being based from start date and not financial year.

4. PROJECT COSTS

A total budget of £6,245,860 was allocated from capital reserves to fund this project.

The capital project cost to date is £6,011,014 including a retained amount of £84,062.57 for the main contractor, Neilcott Construction Limited that will be paid upon expiry of the defects period in January 2019. This represents a project underspend of £234,133.

5. PROJECT PLAN

The PID was originally drafted in September 2008 and approved in November 2010. It had 14 subsequent iterations up until July 2014. The project plan attached comes from the latest version and informs the “scheduled completion dates” in the table that follows below.

The original PID was drafted in the context that the envisaged Enterprise “Gateway” would be developed and run by a suitably qualified service provider. As the project progressed it became clear that the most likely route to its successful delivery would be through a partnership whereby the centre would be developed by the Council and managed by an experienced operator of such centres. The reasons for the change from the original project plan are covered in detail in the report to Cabinet of 3rd September 2013.

Development of the revised concept and the time required to commission a suitably experienced team to progress it resulted in additional time being added to the original project plan.

Allied to this was a reconsideration of the suggested procurement route to secure its development with Cabinet ultimately recommending that a two stage procurement route rather than single stage one be followed. Again this resulted in additional time being added to the original project plan.

| Project Stage | Scheduled Completion Date in original PID | Actual Completion Date | Comments |
|---|--|-------------------------------|---|
| Executive Board meeting to put forward options for consideration and decide which option to Pursue | November 2010 | November 2010 | As per programme |
| Full Council Approval to proceed | May 2014 | May 2014 | As per programme |
| Instruct architect to advise on the optimum location for the “Gateway” development on Plot 12 Terminus Road | August 2014 | August 2014 | As per programme |
| Undertake procurement advice and publish OJEU tender for operational management services | August 2014 | February 2015 | Approach changed from seeking a developer/operator partner to one whereby CDC became developer and the selected service provider became the Operator. The OJEU timetable and overall process was consequently more onerous than |

Chichester District Council

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| | | | envisaged in the initial PID. The operator was subsequently appointed in July 2015. |
| Undertake pre-tender interview with three likely operational contractors | August 2014 | April 2015 | Later completion date influenced by extended period for initial procurement exercise. |
| Start procurement process for appointment of project management resources. | September 2014 | March 2015 | Consideration of the revised approach to delivering the development necessitated a review of the support required. |
| Appoint Project Management resources and assemble Development Team. | November 2014 | March 2015 | Later date than envisaged in initial PID but earlier in the overall revised chronology given the need for technical advice on development issues. |
| Submit Planning Application | January 2015 | October 2015 | Additional detailed work on the capital cost of the development and return on investment warranted a review of the initial proposals and a later date for submission of the planning application. Revised Cabinet approval was required. Planning consent was secured in February 2016. |
| Publish OJEU Construction Tender | April 2015 | October 2015 | A two stage tendering procedure was adopted rather than the single stage envisaged in the initial PID. Associated considerations resulted in a longer timeframe for publication. |
| Report to Cabinet/Full Council for the authority to award the winning tender for the main construction contract | June 2015 | March 2016 | Later Cabinet date follows on from the later date for publication of the OJEU construction tender. |
| Award the building contract | June 2015 | Pre-construction Agreement: | Following lengthy discussions with the selected contractor |

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| | | May 2016 Main Contract: February 2017 | CDC entered into a pre-construction agreement to develop the scheme design prior to commencement of the main construction contract. |
| Construction Starts | July 2015 | February 2017 | Later start date reflects the extended project plan timeline. |
| Practical Completion | May 2016 | January 2018 | Completion date follows from the revised start on site. The contract was a 43 week contract , completion was delayed by 4 weeks due to the xmas period and resolution of defects |
| Occupation and Income cash flow starts | July 2016 | March 2018 | Occupation date reflects the fit out period post practical completion. |

6. PROJECT MANAGEMENT PROCESS

Given the size of the Council's investment and the partnership approach to delivering the Enterprise Centre, Employers Agents were appointed early in the process to provide professional support and guidance, including general project management support. They helped steer the project from initial concept through to the approved scheme and helped draw the development team together.

Once the exact nature of the project had been confirmed, planning consent had been secured and the operational and construction related services procured, a dedicated internal project manager was appointed by the Council to support project delivery. This post sits within the Estates Service and provides similar support to other key Council projects.

Regular client, project and Officer Working Group meetings worked well in terms of keeping the overall project objectives in sight. This was further supported by the Council's corporate performance and project monitoring system and reporting to Members and the Senior Leadership Team by exception.

Once the development was on site and during its delivery there were occasions when the external project support was found wanting both in terms of knowledge displayed and accuracy in the supporting documentation. This issue largely came about by a subsequent change in personnel within the development team that was outside the Council's control.

When commissioning project support, confirmation should be sought that the personnel allocated to a project have the required knowledge and experience to

undertake the role. Indeed, if interviewed prior to appointment that the candidates presented will actually be working on the project, particularly if such considerations played a large part in confirming the appointment. Obviously personnel do move on from time to time, for personal development reasons if nothing else but an entry should be included in the project risk register to address such eventualities as was the case with the PID for this project.

Basepoint, the selected operator of the centre, had their own project management resource too. Their role was to help support delivery of the project such that the operational outcomes met the agreed specification. Partnership working of this type can bring its own pressures but the relationship generally worked well, principally due the Council's internal resource managing external expectations.

7. FURTHER ACTION

With the 12 month defect period underway the focus for subsequent action, other than the ongoing operational issues, centres on resolving the outstanding defects notified to the main contractor. Much progress has been made of late in addressing the work necessary to conclude their resolution but issues naturally arise during the early life of a building. The intention will be to have a clear schedule showing all defects completed by 22 January 2019.

In addition, a number of other issues are currently being monitored including closing mechanisms on internal corridor doors, the operation of the ground floor boiler in the office block and the establishment of external landscaping, particularly the wild flower grass seeding to the front of the main building.

8. REVIEW PLAN

The Operational Management Agreement (OMA) for the centre sets out Basepoint's contractual obligations in terms of the supply of services, their liabilities and mechanisms for the resolution of any disputes arising.

Schedule 7 to the OMA lists a series of service level specifications that must be met including financial management, income levels, centre operation and health and safety. With the current approach to operational matters bedding in, a series of monthly review meetings are currently being held. Going forward the OMA requires that quarterly management and financial reports be issued for the duration of the contract. The Estates Service manages the relationship with Basepoint and the ongoing operational issues.

The project documentation supporting the delivery of the development set a number of targets that will need to be reviewed to ensure the objectives have been met. These include:

- 'Creating between 250 and 275 new jobs every 3 years' (*Source: July 2015 report to Cabinet*)
- 'The survival rate of businesses going through the gateway will be over 70% at year 3' (*Source: The original PID*)
- 'Contribute to an improvement in business survival rates after one year to at least the national level' (*Source: April 2014 report to Cabinet*)
- '(Delivering) 250 new jobs every 3 years' (*Source: Current Corporate Plan*)

Chichester District Council

In conjunction with the ongoing review of the performance of the OMA an additional associated review following years 1-3 of the centre's operation will take place to evaluate the extent to which the above objectives have been met.

With the merger of Basepoint with IWG plc, the operating management company requested the contract be novated to IWG in July 2108. The Council has declined this request on the grounds it potentially reduced the contractual protection offered. No further requests have been received.