

# Chichester District Council

**CABINET**

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## **Enterprise Gateway Project**

### **1. Contacts**

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### **2. Executive Summary**

This report is to update Cabinet on progress to date following a tender process in respect of both an operator and architect. The report recommends approval to proceed to the next stage. The Return on Investment (ROI) based on the preferred management contract, contractor A and the new estimated capital expenditure is detailed in the Appendix section 3.7 of this report.

### **3. Recommendations**

- 3.1. That Cabinet notes the updated information relating to the Capital cost of the project, the operating income and the return on the investment referred to in section 5.3 which is outlined in the Appendix and approves that the project continues.**

**Subject to the approval in 3.1:**

- 3.2. That Cabinet notes the total estimated cost of the project is £6,245,860 details in appendix section 1.0 (exempt information), and recommends to Council that the additional budget of £2,224,860 is allocated from capital reserves.**
- 3.3. That £88,500 of the allocated budget is released to appoint an architect and design team consultants to proceed to planning stage and to tender for the construction of the Centre. A further report will be presented to Cabinet on the outcome of the construction tender process.**
- 3.4. Following the completed tender process for the operational Management that contractor A as in the appendix, section three (exempt information) is approved as the operational management company subject to the eventual delivery of the project.**

## **4. Background**

- 4.1. After unsuccessful attempts to achieve an Enterprise Gateway funded by a developer, at its meeting held on 3 September 2013 Cabinet considered the options available to the Council and resolved:
  - (1) That the Enterprise Gateway Project be approved in principle.
  - (2) That expression of interest is invited for project management and operator services for the project with an appointment being made following assessment of tenders.
  - (3) That the residue of the budget previously allocated for the development of the Enterprise Gateway Project be retained and increased, using existing budgets, from £11,000 to £15,000 to fund further assessment and the initial stages of taking the project forward.
- 4.2. In May 2014 Full Council approved the allocation of £4,021,000 of capital reserves funding to the project estimated by CBRE consultants. The Plot 12 site provides an excellent location for the Gateway and for purpose built factory/business units or for speculatively built small industrial units
- 4.3. Officers subsequently appointed an Employer's Agent to ensure that the design of the Enterprise Gateway meets both the requirement of a future operator and the Council's objectives for the project and to investigate the optimum location for the development on the site and thereafter to seek tenders from potential operators.
- 4.4. An architect has provided a feasibility study and identified the best location on the site for the development of the Enterprise Gateway including a schematic design plan for the Enterprise Gateway
- 4.5. An EU compliant tender inviting expression of interest for operator services has also been undertaken. See appendix (Exempt information).
- 4.6. The architect's schematic design plan for the Enterprise Gateway has been costed by our consultants at the sum outlined in section one in the Appendix (Exempt information).

## **5. Outcomes to be achieved**

- 5.1. The outcome the Council has been seeking to achieve is the delivery of the Enterprise Gateway as envisaged by the Project Initiation Document (PID) approved by the Executive Board in November 2010.
- 5.2. A key driver behind building the Gateway is to encourage a growth in innovation leading to more new businesses being established. This will not only create employment but also increase the survival rate of those businesses and the salaries associated with those jobs. Gateways provide additional support and the flexible accommodation assists the

business in controlling its expenditure as it grows or reduces. Based on an analysis of similar schemes it is estimated that between 250 and 275 new jobs will be created every three years.

- 5.3. Once occupied, the Gateway will also generate revenue income for the Council. In this regard it is also essential that the project achieves an acceptable level of return on the investment (ROI). The current ROI based on the tendered operational income and new estimated capital expenditure is referred to in the Appendix Section 3.7. The schedule shows the ROI both on the guaranteed income and projected profit share based on the operators business plan

## **6. Proposal**

- 6.1. That Cabinet assesses the revised estimated return on investment, capital cost and income following more detailed work on costings, design and operational management.
- 6.2. If Cabinet agrees to progress the project it is proposed that the development should be delivered by way of a single stage Design and Build (D&B) Contract. This will require the appointment of the architect and design team to develop the design to planning stage. Details of the quotations received for the next stage of architectural work together with the reasons for selecting the preferred architect are set out in the Appendix, section two (Exempt information)
- 6.3. The cost of delivery to this next stage is estimated at £88,500 and Cabinet is requested to release this budget to progress to planning and tendering of the construction. Tenders will be reported to Cabinet for consideration.
- 6.4. Following the tender process for the operational management of the facility that contractor A is appointed, details of the returns are in the Appendix, section three ( Exempt information).

## **7. Alternatives that have been considered**

- 7.1 Various options for plot 12 including the Enterprise Gateway Proposal have been considered as outlined under paragraph 7 of the Cabinet report of 3 September 2013.

## **8. Resource and legal implications**

- 8.1. As Government funding reduces, there is a general requirement to increase income to fund the Council's annual budget. It is recognised that this can be achieved in part by maximising income from Council owned properties.
- 8.2. The guaranteed income offered by contractor A and the profit share potential will provide the Council with an attractive return on Investment. In addition if the Enterprise Gateway ceases to operate at the end of the 10-year contract for any reason, the Council would retain the capital value

of the completed building. In that event the Council could either sell the building or alternatively the building could be let under the terms of standard occupational leases at market rents or a new operator found.

- 8.3. Current expenditure to date (for site feasibility work) and any committed expenditure totals £43,000

## 9. Consultation

- 9.1. External consultation is not appropriate at this stage but there has been some press coverage regarding the proposal.
- 9.2. Economic Development has been consulted and supports the proposal.

## 10. Community impact and corporate risks

- 10.1. There is a risk that detailed planning permission for the demolition of the existing building and the redevelopment of the site will not be obtained or that conditions are attached to the consent that render redevelopment unviable. This, however, will be mitigated by engaging professional advisers.
- 10.2. To take the application to the stage outlined under section 6.3 above would put the Council at risk of incurring potential abortive costs of £88,500 should the Council decide not to continue with the project after the construction tenders have been returned.
- 10.3. Whilst there are risks to the Council in funding the development, the guaranteed minimum returns from contractor A for the first 10 years of the operation of the business, reduce the risk of the return on the investment during the contract.

## 11. Other Implications

<b>Crime &amp; Disorder:</b>	None
<b>Climate Change:</b>	None
<b>Human Rights and Equality Impact:</b>	None
<b>Safeguarding:</b>	None

## 12. Appendix

- 12.1 Appendix Financial information (Exempt)

## 13. Background Papers

- 13.1 None

