

Chichester District Council

CABINET

8 March 2016

Enterprise Gateway Project: Plot 12, Terminus Road, Chichester

1. Contacts

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2. Executive Summary

This report updates the Cabinet following an OJEU procurement process and recommends the appointment of a contractor to construct the proposed Centre. The report further recommends approval to proceed to the next stage in which the Council will enter into a pre-construction agreement with the preferred contractor, whereby the contractor will be asked to complete a full design and provide a firm price for the building works.

3. Recommendations

- 3.1 That, having regard to the revised Return on Investment, £140,000 be released from the approved budget to allow the project to proceed to the next stage**
- 3.2 That a pre-construction agreement be entered into with the preferred contractor, contractor A, to complete the design and provide a fixed price for construction**
- 3.3 Following the contractor providing the Council with a detailed fixed price, and subject to the total project costs being within the budget approved by Council, that the Head of Commercial Services be authorised, after consultation with the Cabinet Member for Commercial Services, to conclude a design & build contract with contractor A.**

4. Background

- 4.1 On 7 July 2015 Cabinet considered the options available for the Enterprise Gateway project and resolved:
 - (1) That the Enterprise Gateway Project be approved in principle.

- (2) That a total budget of £6,245,860 was allocated from capital reserves to fund this project.
 - (3) That £88,500 of the allocated budget was released to appoint an architect and design team to the planning permission stage.
- 4.2 Officers have 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 ensure the Council's appointed design team and building contractor provides good value for the Council.
- 4.3 An EU compliant tender identified the preferred Gateway operator as Basepoint. This was reported to and approved by Cabinet on 7 July 2015.
- 4.5 A two stage Design and Build EU procurement process has now been concluded. This enables the Council to consider appointing a contractor on a pre-construction agreement to complete the final design works.
- 4.6 The Council received nine responses to the tender advert, the results of which are set in the Appendix (Exempt). The preferred tenderer was interviewed on 15 January 2016 by Council officers, the Employers Agent, Cabinet Member for Commercial Services and her special advisor.
- 4.7 Planning permission for the scheme was obtained on 3 February 2016.

5 Outcomes to be achieved

- 5.1. The delivery of the Enterprise Gateway and the outcomes to be delivered are detailed in the Project Initiation Document (PID) approved by the Cabinet 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. Enterprise Gateways provide additional support to businesses 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 ROI both on the guaranteed income and projected profit share based on the operators business plan were reported to Cabinet on 7 July 2015. They are reported again in the Appendix to this report (Exempt). The ROI will be reviewed following the final fixed price being received from the preferred contractor and prior to entering into a contract to build.

6. Proposal

- 6.1. It is recommended that the development should continue to be delivered by way of a two stage Design and Build (D&B) Contract. This will require the appointment of the contractor and design team to develop the detailed design and report a fixed build price. If this final build cost and expenditure to date is within the approved budget it is recommended that the Council will enter a Design & Build contract with the preferred contractor.
- 6.2 The total estimated build cost from the preferred contractor and the design team is detailed in the Appendix (Exempt). It is recommended that Cabinet approves the next stage to enter into a pre-construction agreement with the preferred contractor, contractor A, to complete the design and provide a fixed price construction cost.
- 6.3 Cabinet is requested to release £140,000 from the approved budget to progress the project to a detailed design and fixed cost stage of the construction. Following the preferred contractor providing a detailed cost for the final design then, providing the total project cost is within the authorised budget, the Council will enter into a Design & Build Contract to construct the Enterprise Gateway.

7. Alternatives that have been considered

- 7.1 Various options for developing Plot 12, Terminus Road, including the Enterprise Gateway Proposal were considered by Cabinet at their meeting on 3 September 2013.

8. Resource and legal implications

- 8.1. The guaranteed income offered by the appointed operator and the profit share potential will provide the Council with an acceptable ROI (see Appendix Exempt). In addition, if the Enterprise Gateway ceases to operate at the end of the 10-year operating contract for any reason, the Council would retain the capital value of the completed building. In that event the Council could either:
 - 8.1.1. sell the building
 - 8.1.2. let it under the terms of standard occupational leases at market rents or
 - 8.1.3. find a new operator.
- 8.2. External solicitors will be appointed to prepare the management agreement between the Council and the Gateway operator Basepoint.
- 8.3. Expenditure to date for site feasibility work and to obtain planning permission is shown in the Appendix (Exempt).

9. Consultation

- 9.1. Consultation was undertaken as part of the planning application process.
- 9.2. Internal consultation with the Economic Development Service has been undertaken and the service remains fully supportive of the project.

10. Community impact and corporate risks

- 10.1 The tender price indicated in the Exempt Appendix by contractor A is an estimated price and not a fixed tender. The final fixed price will be calculated following detailed design work to be undertaken as part of the next stage.
- 10.2 To take the project to the next stage, as recommended in section 6.2 above, would put the Council at risk of incurring potential abortive costs of up to £140,000. However, these costs would only be abortive if the Council decided not to continue with the project after the detailed fixed design and build construction costs have been returned by the preferred contractor.
- 10.3 Whilst there are risks to the Council in funding the project, the guaranteed minimum return from the selected preferred operator for the first 10 years of the operation of the business, reduces the risk in respect of ROI.

11 Other Implications

Crime & Disorder:	None
Climate Change:	None
Human Rights and Equality Impact:	None
Safeguarding and Early Help:	None

12 Appendix

- 12.1 Appendix - Financial information (Exempt information)

13 Background papers

None