

**EXECUTIVE BOARD – STRATEGIC REGENERATION COMMITTEE**  
**22 JULY 2014**

|   |   |  |   |
|---|---|--|---|
| <b>Subject:</b>   | BioScience expansion project  |  |   |
| <b>Corporate Director(s)/ Director(s):</b>  | David Bishop, Deputy Chief Executive and Corporate Director for Development and Growth  |  |   |
| <b>Portfolio Holder(s):</b>   | <b>Councillor Jon Collins, Leader and Portfolio Holder for Resources and Neighbourhood Regeneration</b>   |  |   |
| <b>Report author and contact details:</b>   | Stuart Knight, Director of Strategic Asset & Property Management (ext. 63450)   |  |   |
| <b>Key Decision</b>   | <input type="checkbox"/> Yes  | <input checked="" type="checkbox"/> No | <b>Subject to call-in</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <b>Reasons:</b> <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision   |   |  | <input type="checkbox"/> Revenue<br><input checked="" type="checkbox"/> Capital               |
| Significant impact on communities living or working in two or more wards in the City  |   |  | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No                           |
| <b>Total value of the decision: £466,000</b>  |   |  |   |
| <b>Wards affected: Dales. But a strategic employment project with wider impact.</b>   | <b>Date of consultation with Portfolio Holder(s): 1<sup>st</sup> July 2014</b>  |  |   |
| <b>Relevant Council Plan Strategic Priority:</b>  |   |  |   |
| Cutting unemployment by a quarter   |   |  | <input type="checkbox"/>  |
| Cut crime and anti-social behaviour   |   |  | <input type="checkbox"/>  |
| Ensure more school leavers get a job, training or further education than any other City   |   |  | <input checked="" type="checkbox"/>   |
| Your neighbourhood as clean as the City Centre  |   |  | <input type="checkbox"/>  |
| Help keep your energy bills down  |   |  | <input type="checkbox"/>  |
| Good access to public transport   |   |  | <input type="checkbox"/>  |
| Nottingham has a good mix of housing  |   |  | <input type="checkbox"/>  |
| Nottingham is a good place to do business, invest and create jobs   |   |  | <input checked="" type="checkbox"/>   |
| Nottingham offers a wide range of leisure activities, parks and sporting events   |   |  | <input type="checkbox"/>  |
| Support early intervention activities   |   |  | <input type="checkbox"/>  |
| Deliver effective, value for money services to our citizens   |   |  | <input type="checkbox"/>  |
| <b>Summary of issues (including benefits to citizens/service users):</b>  |   |  |   |
| There is currently a successful bio-science presence within the City. The Council considers there is the potential to grow this sector further by building a new BioScience facility that would provide 50,000 sq ft of BioScience move-on space and accommodate 200 jobs. The purpose of this report is to seek funding to appoint Willmott Dixon via the SCAPE framework to develop the initial design concepts and cost estimates further, including the submission of a planning application in September 2014. |   |  |   |
| <b>Exempt information:</b>  |   |  |   |
| <b>State 'None' or complete the following.</b>  |   |  |   |
| Two appendices to the report are exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because they contain information relating to the financial and business affairs of the Council and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because financial and commercial discussions are ongoing.       |   |  |   |
| <b>Recommendation(s):</b>   |   |  |   |
| <b>1</b>  | <b>To approve the appointment of Willmott Dixon via the SCAPE national framework to be employed to complete the design of the proposed BioScience building, subject to successfully securing an appropriate site.</b> |  |   |
| <b>2</b>  | <b>Subject to successfully securing an appropriate site, approve expenditure of</b>   |  |   |

**£466,000 to progress the project to the planning submission stage, covering the costs of Willmott Dixon and its design team (including, Architect, M&E consultants, Cost consultants) via the SCAPE National framework and the appointment of an internal project team supported by external technical advisors to represent the Council and appointed via the SCAPE Framework or similar compliant procurement route where required.**

**3. To finalise the funding arrangement for the new BioScience facility.**

**4 To commence an OJEU compliant procurement process to secure an Operator for the proposed BioScience facility. Authority to award any contract following completion of the process to be delegated to Director of Development and Growth.**

## **1 REASONS FOR RECOMMENDATIONS**

All recommendations are required to progress the BioScience expansion project which is a strategically important economic development and regeneration initiative for Nottingham. The project would result in a new 50,000 sqft (net lettable area) BioScience building.

The Council has undertaken an options appraisal exercise to identify the most appropriate site for the BioScience expansion building. This will be the subject of a separate report once the implications of any land assembly issues have been clarified.

In order to deliver the BioScience expansion project in the timescale required a planning application is required to be submitted in Autumn 2014 to enable occupation in early 2016. Not meeting these timescales could jeopardise potential occupier interest. The SCAPE Framework (an OJEU compliant procurement arrangement) provides the Council a simple mechanism to engage a main contractor and supply chain. Contractors have been competitively procured and as such this procurement route provides a quicker alternative than the Council running its own design team/contractor procurement process. The SCAPE Framework also allows the Council to engage the main contractor, its professional team and suppliers in the early design work. This is particularly beneficial with complex construction projects, as well as providing greater cost and time certainty than traditional build processes, as there is greater confidence on construction methods, designs and costs at an earlier stage in the project.

The external design fees and internal project management costs associated with this phase of the project will be £466,000. An element has been included in this sum to provide specialist technical advice to the internal team that is not available within the Council. The external technical support for the Council relates to cost consulting and design/management of BioScience type facilities.

The Council is considering its options in regards to how it finances this project. In addition to the more usual capital spend option, including use of prudential borrowing or reserves, there is an alternative option has been identified that could potentially save the Council a significant sum in cost and whole life Net Present Value. It is intended to finalise the further due-diligence on this option, which can only be completed once the design is finalised. If financially advantageous a recommendation will be brought back to the Council for consideration.

The business case for the BioScience expansion project is predicated on the Council passing on demand and maintenance risk to a competitively procured Operator. In order to reduce the Council's risk it is important that the Council can contract with an operator prior to committing to the construction of the building. To ensure this fits in with the wider project timescales the procurement of the Operator needs to be commenced in Summer 2014.

## **2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

BioCity has succeeded in growing a niche cluster in drug discovery firms at the existing BioCity campus in Nottingham City Centre. The occupation has grown steadily at an average of 10,000 sqft per annum for over a decade. The existing facility is now nearing full capacity. The lack of available BioScience space close to the existing facility is acting as a barrier to small incubator firms moving out of BioCity into larger standalone premises, thus reducing the space available for nurturing new businesses, or necessitating growth on businesses moving out of Nottingham.

An option appraisal has been prepared that demonstrates that the preferred option is for a 50,000 sqft BioScience facility directly developed by Nottingham City Council. A review of site options has been completed, the implications of which are being addressed and will be reported separately to the Council.

A design concept is evolving and proposes a building of c50,000 sqft over 5 floors: the ground floor comprising c.10,000 sqft of reception, meeting room and office accommodation; the remaining four floors being laboratory (70%) and office accommodation (30%). The concept design demonstrates that the building can be accommodated on the preferred site.

The benefits of the scheme are: 50,000 sqft of BioScience work-space, 200 direct jobs in the new facility, and 700 net additional jobs through incubating new companies and spinning them out into the local economy over 30 years. The project will enhance Nottingham's reputation as a centre of excellence in BioSciences; guard against the loss of existing BioCity tenants and help achieve the urban renewal east of the City centre.

To deliver the project NCC would contract with Willmott Dixon (via National SCAPE Framework) to design and construct the new building. NCC will competitively procure an Operator for the building who will enter into both a lease and operations contract with NCC.

The project will be steered by a Project Board reporting to the Strategic Regeneration Board. The management of the project will be led by the Director of Strategic Asset & Property Management and the City Centre East Programme Manager and managed day-to-day by the Regeneration Team. Beyond the planning submission stage the Major Programmes team will play a greater role in the day-to-day management of the project.

The delivery programme requires the design development stage in July 2014 to enable a planning application to be submitted in Sept 2014. If this timescale is not met, then there is a risk that the building may not be ready for a grow-on company that has expressed an interest in staying in this locality. Further Executive approval will be sought prior to entering into the main works contract later this year.

In early July, Government announced a £6.5m Local Growth Fund grant to this project as part of a package of nationally important projects to stimulate local economic growth. It is the officer recommendation to the Executive Committee that the project proceeds to the planning submission stage and the land purchase is concluded, which as indicated is the subject of a separate report.

Prior to submitting this report for consideration the Business Case has been the subject of scrutiny by an internal senior project review panel (Core Officer Group (COG)). A copy of the exempt COG report is attached at Appendix 1 and a copy of the Project Team's exempt response to the COG recommendations is at Appendix 2.

### **3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

Other options considered include:

- Not progressing the project – this is not recommended as it would not provide new space for the BioScience industry which will act as a barrier to the growth of this strategically important industrial sector in Nottingham.
- A larger development (80,000 sqft building) was considered. This is not recommended on the basis of the occupation risk not being acceptable to Operators which would significantly increase the Council's financial risk should it have to take on occupation risk itself.
- Not appointing an Operator. To meet the requirements of external funding and to transfer occupation risk to a third party it is required that an independent Operator is appointed.

### **4 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)**

The project has been developed to outline design stage to date. To further progress the scheme to planning permission stage, the report proposes the appointment of Willmott Dixon at a cost of £0.466m primarily for detailed design and survey fees. To enable planning permission to be sought an appropriate site must be secured. This will be the subject of a separate report once the implications of any land assembly issues have been clarified and no costs on further design should be incurred until the site has been secured.

Should the project progress as expected it is estimated that the total cost would be £25.210m which would be financed £18.690m from City Council borrowing and £6.500m LGF grant and provision for this is included in the capital programme. The costs of £0.466m for survey and design fees are included in this cost and will be a charge to the scheme once it is approved. However if the scheme does not proceed it will be necessary to identify alternative funding for this expenditure of £0.466m.

Based on financial modelling carried out to date, once the building is operational the cost of borrowing to fund the capital scheme will have no net revenue impact on the Council (income received will exceed the Public Works Loan Board repayments). The scheme could create a positive revenue return over a 30 year period, however there would be a deficit incurred during the construction phase of approximately £1m, which would have to be financed from reserves in the short-term.

**5 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)**

An initial project risk register has been compiled. Project risks will be identified, where possible mitigated against and reported through the governance process as the project develops as part of the project management function.

Legal Services have been involved in advising on this project since early discussions commenced. The majority of the legal issues related to the recommendations within this report will be related to the contractual relationships to be put in place. Property related contracts will be required in respect of the purchase, disposal and granting of new property rights. Appropriate commercial contracts will need to be drafted or approved in respect to the appointment of any providers, including under the SCAPE framework, or any procurement for an operator of the facility.

There are also wider legal considerations to be advised on including any potential state aid implications with the use of any external funding and the structure of any final operating arrangements. Advice will continue to be given by Legal Services on the project as a whole.

**6 SOCIAL VALUE CONSIDERATIONS**

None.

**7 REGARD TO THE NHS CONSTITUTION**

None.

**8 EQUALITY IMPACT ASSESSMENT (EIA)**

Has the equality impact been assessed?

- (a) not needed (report does not contain proposals for new or changing policies, services or functions, financial decisions or decisions about implementation of policies development outside the Council)
- (b) No – However should the project proceed an EIA will be prepared at an appropriate point
- (c) Yes – Equality Impact Assessment attached

Due regard should be given to the equality implications identified in any attached EIA.

**9 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)**

None.

**10 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT**

None.

## 11 **OTHER COLLEAGUES WHO HAVE PROVIDED INPUT**

Other colleagues who have inputted and commented on this report include:

- Naomi Vass – Legal Services  
Include as part of Section 5

Paul Richie – Procurement Category Manager (Facilities) The selection and award of the operator contract will be compliant with EU procurement legislation and the Council's Financial Regulations.

- Sue Oliver – Procurement Category Manager (Construction)  
Willmott Dixon was appointed as sole supplier on Scape's national framework following a two stage EU complaint tendering process, demonstrating value for money. This framework provides the Council with a complaint route to market in line with the Council's Constitution, Public Contract Regulations 2006 and EU legislation.
- Jim Driver – Finance Business Partner