

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 05 June 2017

Portfolio:	Policy and Resources
Subject:	Fareham Innovation Centre Phase 2 - Acceptance of Stage 2 Tender
Report of:	Director of Finance and Resources
Strategy/Policy:	Corporate Strategy
Corporate Objective:	To maintain and extend prosperity A dynamic, prudent and progressive Council

Purpose:

To award the contract for Stage 2 of a Design And Build scheme for the construction of Fareham Innovation Centre Phase 2

Executive summary:

Due to the success of Fareham Innovation Centre, in June 2016, the Executive agreed to develop a second phase. A new scheme adjacent to and linked with the existing building was designed, planning consent was granted and tenders were invited using the Southern Construction Framework.

Under this Framework, the tender process is in two stages and in February 2017 a Stage 1 tender was accepted for the pre-construction phase from Morgan Sindall Construction.

Since then, Morgan Sindall has progressed through the detailed technical design stage and carried out pre-construction enabling works on the site and have now submitted a Stage 2 tender for the construction work.

When the extension was originally considered, a budget was agreed for a building of 3,000m², and authority was granted to the Director of Finance and Resources to accept a tender if it was within the capital budget. The detailed design has been completed and this has resulted in the building totalling 3,400m², some 13% larger than envisaged at the time of the Executive report, and consequently the total project costs have risen by 7% from £6.6m to £7.071m. These costs are still within the Cost Plan developed by the Council's cost consultants as the design progressed.

The scheme was the subject of a funding bid to the Solent Local Enterprise Partnership under the Government's Local Growth Deals scheme. This was successful and has resulted in a funding contribution of £2m towards the total cost.

Accordingly, the authority of the Executive is sought to accept the tender.

Recommendation:

That the Executive agrees:

- (a) that the second stage tender submitted by Morgan Sindall Construction in the sum of £6,913,157 be accepted; and
- (b) that the capital budget for the scheme be increased to £7,072,000.

Reason:

This represents good value for money and is within the Cost Plan developed by the Council's cost consultants at the time tenders were invited.

Cost of proposals:

The total cost of the scheme is £7.071m which can be met from within the revised capital budget and is defrayed in part by a funding contribution of £2m from the Solent Local Enterprise Partnership under the Local Growth Deals scheme.

Confidential Appendix A:	Tender report from cost consultants, Baqus
Background papers:	None
Reference papers:	Report to the Executive 6 th June 2016 Confidential report to Director of Finance and Resources for decision - 15 th February 2017 Full Business Case in support of a funding application to the Solent Local Enterprise Partnership

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Executive Briefing Paper

Date:	05 June 2017
Subject:	Fareham Innovation Centre Phase 2 - Acceptance of Stage 2 Tender
Briefing by:	Director of Finance and Resources
Portfolio:	Policy and Resources

INTRODUCTION

1. Fareham Innovation Centre has been remarkably successful. It was fully occupied well ahead of schedule and within 10 months of completion and there is now a waiting list of 20 businesses requesting space within the Centre, together with a number of existing businesses needing space to expand.
2. Due to this success, the Executive agreed on 6th June 2016 to develop a second phase at an estimated cost of £6.6m and granted authority to proceed with pre-construction design works. Accordingly, architects, M&E consultants, Structural and Civil Engineering consultants, Construction Project Management and Cost consultants were appointed to develop the scheme up to tender stage.

INNOVATION CENTRE PHASE 2

3. Initial design work proceeded quickly in close liaison with the current centre operators, Oxford Innovation. It quickly became clear that the initial concept of converting two of the existing workshops into a conference suite was not a practical solution and the new design therefore proposed a second floor conference suite in the new building including a terrace with views over the airport. The ground and first floors of the new building comprised 33 offices and 5 workshops arranged around a central courtyard and with a covered link into the existing building.
4. Consequently, the proposed building has grown in size by 13% from 3,000m² to 3,400m². A revised Cost Plan was developed by the cost consultants and the estimated cost rose by about 7% from £6.6m to £7.076m. While it represents a higher overall cost, the development cost per metre has reduced through economies of scale. The extra space being developed is lettable and will therefore result in a higher level of return. The conference suite was considered an essential part of the scheme as the current Centre has to turn down a lot of business as its current facilities are not big enough. This also comprised a key element of the funding bid to the Solent LEP described below.
5. A planning application for the scheme was submitted in November 2016 and consent was granted on 22nd February 2017.

6. The Daedalus Members Working Group, which meets bi-monthly has been kept informed of progress and has approved the design, the revised Cost Plan and the tender process.

LOCAL GROWTH DEAL FUNDING

7. During the course of 2016, the Solent LEP invited funding bids under the Innovation Fund of the Solent Local Growth Deal. An outline bid was submitted which was considered to be a good fit with the objectives of the Fund and as a result a full business case was submitted on 31st October.
8. The business case was based on the updated design of the scheme, together with the revised cost proposal. Key elements of the bid were the provision of business support for new and expanding businesses, providing additional space for new businesses to prosper and expand and the provision of the conference suite which could act as a showcase for the Enterprise Zone.
9. The total project cost was estimated to be £7.226m. This included the revised Cost Plan for construction of £7.076m and a contribution of £150,000 from the Centre operators, Oxford Innovation, for fitting out costs. A bid was made in the sum of £2m towards these total costs.
10. The business case was subjected to a comprehensive due diligence exercise by the LEP and was approved by its Board on 16th December 2016. The approval was subject to a number of conditions, which have all now been satisfied. Accordingly, a Funding Agreement has been put in place and an advance payment was received on 31st March 2017.

THE TENDER PROCESS

11. The project was tendered under the Southern Construction Framework, an OJEU compliant process, using a two stage Design and Build tender. Expressions of interest were invited from contractors on the Framework and four responded. All four were invited to tender for the first stage on 12th January 2017 and tenders were submitted on 27th January with interviews taking place on 3rd February. This first stage covered the selection of a contractor by mini competition to provide pre-construction services on a fee basis including open book sub contract tendering.
12. The tenders were subject to a comprehensive evaluation and, as a result, the Director of Finance and Resources agreed on 15th February, under delegated authority, to accept a tender from Morgan Sindall Construction as representing the best combination of quality and cost.
13. Since that time, Morgan Sindall Construction has been working very fast and in close liaison with council officers and Oxford Innovation to progress the detailed design for the scheme, undertake site investigation work and tendering packages for the various elements of the construction. They have also embarked on a package of enabling works on site to break up and remove the existing hardstanding areas and to create new parking and access arrangements to ensure that the existing Innovation Centre can continue to operate effectively during construction works.
14. Following the receipt of all of the tendered packages, they have now submitted a tender cost for the construction works under Stage 2 of the process. This tender is in the sum of £6,913,157. This is the total tender sum and includes all of the pre-construction costs previously agreed at Stage 1.

15. The Council's cost consultants have undertaken a thorough analysis of the tender sum, ensured that it is arithmetically correct, and achieved some savings from the initial figure which have resulted in the final sum. They therefore recommend it to the Council for acceptance. More details concerning the tender analysis are contained in the confidential appendix.
16. The total scheme costs are now as follows:

Construction cost	£6,913,157
FBC direct professional fees (Architects, M&E, Structural and Civil Engineering consultants, Project Management, QS)	£134,790
Demolition costs	£3,984
Surveys	£1,437
Planning fee	£18,095
Total	£7,071,463

17. This is slightly below the latest Cost Plan estimate of £7.076m, which formed the basis of the funding submission to the Solent LEP. However, for the reasons described in paragraph 4 relating to the much larger size of the building, it is around 6% higher than the capital budget previously agreed by the Executive. Although the Director of Finance and Resources was granted authority to approve a tender if it was within the capital budget, as this is not the case, the Executive is asked to approve it.

FINANCIAL IMPLICATIONS

18. The total cost of the scheme is now £7,071,463 and the capital budget will need to be amended to take this into account. However, the approved funding from the LEP of £2m will offset this figure and will reduce the Council's borrowing requirements to £5,071,463.
19. The increase in the capital cost will see a commensurate increase in the return from the operation of the Centre. Following discussions with Oxford Innovation, it is estimated that the overall return to the Council over the first 10 years of its operation will be £3.358m, with a total payback period of approximately 15 years.

CONCLUSIONS

20. The success of Fareham Innovation Centre and the waiting list of businesses requiring space and those wishing to expand within the Centre have demonstrated the need for a second phase. Plans for this are well advanced. Detailed design work is now complete, planning consent has been obtained, a pre-construction contract has been entered into and enabling works on site are underway. In addition, a funding contribution of £2m has been secured from the Solent LEP under the Local Growth Deal. The total capital cost of the scheme including all fees, surveys etc is £7,071,463 and the Executive is now recommended to accept the construction cost tender of £6,913,157 from Morgan Sindall Construction.
21. This will enable the contractor to continue work on the scheme in order to meet the programme of completion by the end of March 2018. Any later than this will mean that

the Centre will not qualify for the 5 year business rate holiday that is currently a feature of Enterprise Zones but which comes to an end for businesses not in occupation by then.

Enquiries:

For further information on this report please contact Andrew Wannell (Ext 4620)