

CABINET REPORT

Report Title	Vulcan Works – Operator Arrangements
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AGENDA STATUS: **Public**

Cabinet Meeting Date:	13 th November 2019
Key Decision:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Economy, Assets and Culture
Accountable Cabinet Member:	Cllr Tim Hadland
Ward(s)	Castle

1. Purpose

- 1.1. To update Cabinet on the progress being made on the construction of the Vulcan Works Creative Hub (VWCH).
- 1.2. For Cabinet to note and approve the approach that will be taken when seeking an operator to manage the VWCH.
- 1.3. For Cabinet to note the timescales and next steps as part of the procurement of an operator for the facility.

2. Recommendations

It is recommended that:

- 2.1. Cabinet notes the progress to date on the construction of the Vulcan Works Creative Hub (VWCH) as set in paragraph 3.1.4 to 3.1.7
- 2.2. Cabinet approves the procurement of a service provider to operate the VWCH as set out in section 3.2 of this report.

2.3. Cabinet delegates authority to the Economic Growth and Regeneration Manager in consultation with the Borough Secretary, the Chief Finance officer and the Cabinet Member for Regeneration and Enterprise to appoint the successful operator following the OJEU compliant procurement process as set out in this report.

3. Issues and Choices

3.1. Report Background

- 3.1.1. In January 2019, Cabinet approved the delegated authority to the Head of Economy, Assets and Culture, in consultation with the Borough Secretary and the Cabinet Member for Regeneration to finalise the contract terms and to appoint the main construction contractor for the Vulcan Works.
- 3.1.2. Stepnell Ltd were appointed to undertake the works and commenced on site in March 2019.
- 3.1.3. The VWCH will comprise 59 lettable units, co-working space, café, breakout areas and meeting rooms. VWCH will give creative business a place where they can be based and collaborate.
- 3.1.4. The works are progressing well and in the last few months the demolition of buildings along Angel Street have been completed. The foundation works, substructure and steel work together with the installation of the stairways and the casting of floor slabs on this section of the site have also been undertaken.
- 3.1.5. Roof replacement, truss repairs/replacement and structural repairs are currently underway for the Guildhall Road buildings.
- 3.1.6. Fetter Street buildings have been recently stripped and works have commenced around the roof replacement works.
- 3.1.7. Ground Works on the St Johns Road site have nearly completed with steel works due to complete in the next month.
- 3.1.8. Works are due to complete in Winter 2020.
- 3.1.9. The Council commissioned an operating model options appraisal (Appendix A) in May 2019 to assess options for how the VWCH should be operated and recommend a preferred approach to Northampton Borough Council.
- 3.1.10. The appraisal set out to analyse nine operators against a range of market indicators in order to establish the most effective way the VWCH should be operated. The Council was also considered as a potential service provider as part of this process to assess its own suitability to operate the VWCH.

- 3.1.11. The report concludes that for the VWCH to succeed there is a need to secure a high quality, experienced operator to drive the delivery of the VWCH.
- 3.1.12. A financial model has previously been produced to provide a detailed assessment of the VWCH operating figures. This model has been produced with assistance of a commercial agent to estimate occupancy levels and suitable rental levels for each unit.
- 3.1.13. A tender specification is being drafted with a view to publish an OJEU in January 2020 and appoint the successful service provider a suitable time ahead of the centre opening. This will enable the operator to have final input into the finishes within the buildings and allow them to commence marketing to potential end users.
- 3.1.14. The procurement process will have the following indicative programme:
- Publish OJEU Tender – January 2020
 - Tender Returns- February 2020
 - Tender clarifications, review and scoring- March 2020
 - Appoint Operator- April 2020
 - VWCH completion and hand over- December 2020
 - VWCH Mobilisation and Operation- January 2020

3.2. The Tender

- 3.2.1. The Council is seeking a suitably skilled and experienced service provider that provides a managed workspace service, including marketing and premises management. The Service Provider will manage the entire complex of the VWCH with an option to extend their services to nominated satellite buildings should the need be required during the service providers contract period.
- 3.2.2. The Tender will be published in compliance with the Public Contract Regulations 2015; in a single stage open tender.
- 3.2.3. The contract will be for an initial 3 years with the option for a 2-year extension at the discretion of the new unitary authority.
- 3.2.4. The VWCH will provide a level of business support to nurture start-up businesses alongside established small and medium enterprises. This will be outlined in the centre occupancy management plan forming part of the tender specification.
- 3.2.5. The Service Provider must develop an effective business support programme to ensure as a minimum all users are aware and are able to access the business support they need. This will include working with partners such as the South East Midlands Local Enterprise Partnership (SEMLEP) Growth Hub.
- 3.2.6. The project is part funded by SEMLEP through their Local Growth Fund allocation. As part of the outputs required through this agreement the operator will need to evidence how the following outputs will be achieved.

Primary Outputs	2014 Target
Business Units	59
Business Support	116
Businesses Created	25
Construction Jobs (16 week contracts)	286
Direct Jobs Created	174
Indirect Jobs Created	261

3.2.7. Each written tender will be evaluated by a panel and each evaluation criteria awarded points based on tender cost and a range of quality criteria.

3.3. Issues

3.3.1. A financial model has been produced for the VWCH. This model takes into account the current local rental market, the likely increases to the rental levels over time and the demand for similar facilities, used as a benchmark. However, these figures are only forecasts and the occupancy levels will ultimately be dictated by market forces.

3.4. Choices (Options)

3.4.1. Cabinet could choose to continue with the procurement of an external service provider as outlined in section 3.2.

3.4.2. Cabinet could choose not to proceed with the appointment of an external service provider and prefer that The Council could take on this role in house, however this would require a significant amount of work to be undertaken including recruiting new staff and introducing new policies in an area that it does not have experience of undertaking. This approach is not recommended.

4. Implications (including financial implications)

4.1. Policy

4.1.1. A re-developed VWCH will positively contribute to the delivery of the SEMLEP Strategic Economic Plan (2017), and the South East Midlands Local Industrial Strategy (July 2019), the achievement of economic growth outlined in the Cambridge – Milton Keynes – Oxford Corridor and, of course, to the Council's own Cultural Quarter outlined in the recently developed town centre master plan. It would, in particular, promote the continued development of the Cultural Quarter and also contribute to the achievement of Enterprise Zone economic development targets.

4.2. Resources and Risk

- 4.2.1. There are a number of financial risks associated with the project relating to both capital and revenue expenditure. They are identified in the following paragraphs.
- 4.2.2. There is a risk that the building may not be occupied as quickly as anticipated or that the anticipated rentals are not achieved. This risk has been mitigated in so far as it is possible to do so, by taking professional advice about what the local market is reasonably likely to bear and incorporating these assumptions into the underlying financial modelling for the scheme.
- 4.2.3. In order to deliver the financial performance that is expected and necessary for the project to breakeven, the procurement of a suitably experienced service provider with an established track-record of operating these types of facilities will be a key to the success of the VWCH.
- 4.2.4. The approved capital budget available for the project includes £6.3m Local Growth Funding and a further £3.062m European Regional Development Funding. These would add to the reputational risk associated with the project.
- 4.2.5. Ordinarily costs will be covered through a management fee and/or rent charges.

4.3. Legal

- 4.3.1. The Service Provider contract will be tendered through a full Public Contracts Regulations 2015 compliant process managed by The Council.
- 4.3.2. The process of awarding the contract will need to comply with The Council's external funding criteria with both SEMLEP and ERDF.

4.4. Equality and Health

- 4.4.1. The new-build elements of the scheme (Angel Street and St Johns) are fully accessible with lift access to all floors and Part-M compliant staircases.
- 4.4.2. The refurbishment of listed construction areas have taken all opportunities to greatly improved the access across the site, including the provision of shallow ramps and a lift provision to the Fetter Street side to gain access to the upper floor.
- 4.4.3. An equality policy for the completed facility will be developed in partnership with the recommended operator and will be implemented by the management company.

4.5. Consultees (Internal and External)

- 4.5.1. Consultation has been undertaken in respect of both of the planning and listed building consent applications.
- 4.5.2. Market Demand assessment required external consultation carried out by Underwood's Ltd (Commercial Agent).
- 4.5.3. Deyton Bell carried out consultation work to complete the VWCH *Operating Model Options Appraisal*.
- 4.5.4. SEMLEP have been consulted in relation to our latest position, our outputs and programme milestones as outlined in this report.
- 4.5.5. Consultation with officers from East Northamptonshire Council and Harborough Borough Council to provide assistance and lessons learnt during their process to procure an operator for their Enterprise and Innovation Centres.

4.6. How the Proposals deliver Priority Outcomes

- 4.6.1. The primary outputs required for the European Regional Development fund is that the Vulcan works will be renovating and building 5,375m².
- 4.6.2. The further development of the designated Cultural Quarter remains a key priority as part of the recently agreed Town Centre masterplan and the redevelopment of the Vulcan Works would help to take this forward.
- 4.6.3. The VWCH also sits within the boundary of the Northampton Waterside Enterprise Zone and the redevelopment will provide new business space, particularly for SME's focused on the creative & digital sector. Northampton has a competitive advantage within this sector and this would assist businesses to develop and grow and, in the process, create new employment opportunities for people in the local area.
- 4.6.4. The operator will be provided with Key Performance indicators in order to ensure the occupancy levels are aligned to the financial model
- 4.6.5. The Tender documentation will also stipulate asset and facility management key performance indicators to ensure the building is kept to the highest standard and does not fall into a state of disrepair.

4.7. Environmental Implications (including climate change issues)

- 4.7.1. This has no impact and does not relate to the Climate Emergency motions passed at full Council in June 2019.

4.8. Other Implications

- 4.8.1. None identified.

5. Background Papers

- 5.1. Cabinet Report dated December 2018.
 - 5.2. Creation of a Creative Industries Hub: Report of the Director of Customers and Communities, Cabinet Report, June 11th 2014.
 - 5.3. Vulcan Works Redevelopment- Phase II: Report of the Director of Regeneration Enterprise and Planning, Cabinet Report, May 11th 2016;
 - 5.4. Cambridge – Milton Keynes – Oxford Growth Corridor (NIC, 2017).
 - 5.5. South East Midlands, Where Innovation Fuels Growth; Strategic Economic Plan (SEMLEP, 2017).
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