

North Tyneside Council

Report to Cabinet

Date: 14 May 2018

ITEM 5(d)

Title: Swans CFI Phase 2 Office refurbishment and Swans Plot 6 Basement and South block buildings asbestos removal and demolition. Acceptance of funding.

Portfolio(s): Elected Mayor

Cabinet Member(s): Mrs N Redfearn

Report from Service

Area: Business and Economic Development

Responsible Officer: Patrick Melia, Chief Executive **Tel: (0191) 643 2001**

Wards affected: Wallsend

PART 1

1.1 Executive Summary:

The purpose of this report is to seek delegated approval to accept Local Growth Fund (LGF) grant from the North East Local Enterprise Partnership (NELEP) for three projects at the Swans site:

- the Swans Centre for Innovation (CFI) Phase 2 Office Refurbishment;
- the demolition of the Swans Plot 6 basement; and
- the demolition of the South Block Buildings (CFI Phase 3 Enabling).

The purpose is also to seek delegated approval to:

- complete the grant funding agreements for the three projects above; and
- award contracts for the projects following a procurement process.

1.2 Recommendations:

It is recommended that Cabinet:

1. accept from the North East Local Enterprise Partnership the Local Growth Fund grants of:
 - a. £1,670,000 for the CFI Phase 2 Refurbishment;
 - b. £500,000 for the Swans Plot 6 Basement Demolition;
 - c. £732,740 for the Swans CFI Phase 3 Enabling;
2. authorise the Chief Executive in consultation with the Elected Mayor, Cabinet Member for Finance & Resources, the Head of Finance and the Head of Law and Governance to take all necessary steps to complete the grant funding agreement pursuant to the above; and

3. authorise the Chief Executive in consultation with the Elected Mayor, Cabinet Member for Finance & Resources, the Head of Finance and the Head of Law and Governance to award contracts to the successful bidders, for the works as set out in the report, who represent the most economically advantageous tender to the Authority.

1.3 Forward plan:

It has not been possible to provide twenty eight days notice of this report. The report first appeared on the Forward Plan published on 4th May 2018. The report requires consideration at this meeting of Cabinet because there is encouragement from the funder to expedite delivery and to meet the timescales of CFI tenants to expand their businesses and in response from other businesses interested in moving to the CFI.

1.4 Council plan and policy framework:

The redevelopment of the Swans site is a key regeneration and economic development priority for North Tyneside Council in the “Our North Tyneside” Plan 2018-20.

The Swans development contributes to the People and Economy strands of Our North Tyneside Plan:

People - employment opportunities at the Swans site link to the objective for Our People to be “... *ready for work and life...to .have the right skills and abilities to achieve their full potential...*” and also to “...*find employment...*”.

Economy – business development and employment opportunities at the Swans site link to the objective for Our Economy to “...*Grow by supporting new businesses and the world-class companies based here...*” and also by ensuring that “ *Ongoing investment will make our business parks and town centres locations of choice for businesses of all sizes and in all industries.*”

1.5 Information:

1.5.1 Background

1.5.2 LGF Funding – Stage 1 Business Cases

1.5.3 The Authority secured funding of £8m Local Growth Fund (LGF) grant from the North East Local Enterprise Partnership (NELEP) in 2015 to infill the wet berth at the Swans site to provide additional development land.

1.5.4 The Cabinet report of 9 October 2017 detailed how discussions had taken place with NELEP in 2016 to refocus £7.843 million of this allocation (£0.157m had funded site investigations and a feasibility study) to invest the remaining LGF allocation in to quay infrastructure, demolitions and CFI Phase 2.

1.5.5 This resulted in the following LGF grant approvals:

Table 1

LGF Grant approvals by NECA Leadership Board (21- 3-17) and NELEP Board (23-3-17)	LGF	NTC match
Plot 6 basement demolition – feasibility and works	500,000	100,000 ¹
Swans Centre for Innovation (CFI) Phase 2 Stage 1 Feasibility and Surveys	80,000	0
CFI Phase 3 Enabling, Stage 1 South Block Demolition Feasibility and Surveys	80,000	0
Quay infrastructure works Stage 1 surveys and	600,000	140,000
TOTAL	£1,260,000	£240,000

1.5.6 The NELEP Board also resolved “*That a final business case be submitted for Stage 2 funding when robust cost plans are available and Council matched budgets are approved*” and also that a site investment plan is provided showing how “*...all essential infrastructure requirements over the next 3-4 years are to be delivered and funded, including any indicative future EZ Business Rate Growth Investment funding requests*”

1.5.7 LGF Funding – Stage 2 Business Cases

1.5.8 Following the Stage 1 LGF Grant approvals feasibility work on CFI Phase 2, CFI Phase 3 Enabling and Quay Infrastructure works has progressed. The Quay Infrastructure survey and feasibility work is continuing which will enable an LGF Business Case to be submitted later this year. This report seeks acceptance of the LGF grant.

1.5.9 The CFI Phase 2 and CFI Phase 3 Business cases have been submitted to the NELEP as set out below:

CFI Phase 2

The final version of the CFI Phase 2 Business Case was submitted on 8 February 2018 seeking £1,670,000 of LGF matched with £250,000 funding provided by the Authority. The Business Case was approved by NELEP in March 2018. The Grant Funding Agreement is being prepared and NELEP has advised it should be issued by 11 May 2018.

CFI Phase 3 Enabling (South Block demolition)

The final version of the CFI Phase 3 Enabling Business Case was submitted on 27 February 2018 seeking £732,740 of LGF. It is anticipated that the Business Case will be considered at the NELEP Investment Board to be held on 15 July 2018.

1.5.10 Procurement

1.5.11 The procurement of the projects that are the subject to this report was considered by Cabinet on 9 October 2017. At that meeting authority was granted to the Head of Business and Economic Development in consultation with the Head of Finance and Head of Law and Governance to use appropriate existing procurement frameworks to identify a contractor to complete the works on CFI Phase 2 and CFI Phase 3 Enabling.

¹ The LGF Business Case was approved without NTC match, an allocation of £100,000 from the capital programme was subsequently allocated against the project to cover any potential cost increases

1.5.12 Two North East Procurement Organisation (NEPO) frameworks have been identified as appropriate frameworks for the works to deliver CFI Phase 2 Design & Build, CFI Phase 3 Enabling as well as Plot 6 Basement Demolition as set out below:

- CFI Phase 2 Design & Build - the NEPO Building Construction Framework below £4m
- CFI Phase 3 Enabling and Plot 6 Basement Asbestos Removal – the NEPO Demolition Services including Asbestos Removal Framework
- CFI Phase 3 Enabling and Plot 6 Basement Demolition – the NEPO Demolition Services including Asbestos Removal Framework

The successful Contractors will be selected from the NEPO frameworks following a mini competition.

1.6 Decision options:

The following decision options are available to Cabinet:

Option 1

To approve the recommendations set out at Paragraph 1.2 of this report

Option 2

To approve and/or reject some or all of the recommendations set out at Paragraph of this report. 1.2 contained within this report.

Option 3

To not to approve any of the recommendations and request officers to consider other options.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is the recommended option as:

CFI Phase 2 refurbishment will enable the Authority to build on the success of CFI Phase 1, which is now fully let. There is interest from existing tenants to expand in to Phase 2 and from other businesses to move to the CFI. In order to capitalise on this interest there is a need to make early progress and demonstrate that the new space will be available in autumn 2019.

The Plot 6 Basement and CFI Phase 3 asbestos removal and demolition work will create sites for development enabling new businesses to be attracted to Plot 6 and interim car parking uses on the site of the South Block buildings.

If Cabinet does not approve the recommendations in this report there is a risk that later appointment of the CFI Phase 2 contractor will mean that existing and potential tenants decide to pursue alternative locations to expand or locate their businesses. Earlier appointment of contractors for asbestos removal and demolition of Plot 6 and the South Block would also give confidence to NELEP that Swans is being progressed expediently; furthermore it will enable emerging interest from potential site occupiers to

be responded to positively with fully cleared sites.

1.8 Appendices:

None.

1.9 Contact officers:

Graham Sword, Senior Manager - Regeneration, tel. (0191) 643 6421

Paul Graves, Regeneration Project Manager, tel. (0191) 643 6013

David Anderson, Principal Accountant (Advisory), Commercial Finance tel. (0191) 643 5722

1.10 Background information:

The following background papers/information has been used in the compilation of this report:

Report & Minutes of 9 October 2017 Cabinet:

http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=569972

http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=569927

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The split of LGF awarded to date, new funding applied for and match funding allocated for CFI Phase 2, CFI Phase 3 and Plot 6 Basement Demolition is as follows:

Table 2

Funding - £ millions	CFI Phase 2	CFI Phase 3 Enabling	Plot 6 Basement Demolition	TOTAL
LGF awarded in 2017	0.080	0.017 ²	0.500	0.597
LGF awarded in 2018	1.670			1.670
LGF applied for in 2018		0.733		0.733
NTC match in current Investment Plan	0.250	-	0.100	0.350
<i>Sub-total LGF, £m</i>	<i>1.750</i>	<i>0.750</i>	<i>0.500</i>	<i>3.000</i>
<i>Sub-total NTC, £m</i>	<i>0.250</i>	<i>-</i>	<i>0.100</i>	<i>0.350</i>
TOTAL, £m	2.000	0.750	0.600	3.350

There are no immediate financial implications from commencing the procurement of the CFI Phase 2 Design & Build and from commencing procurement of asbestos removal from the Plot 6 basement and South Block buildings.

² £0.080m was approved, rollover of £0.063m to Stage 2 requested from NELEP

The CFI Phase 2 LGF grant of £1,670,000 is approved as is the Council match of £250,000. The cost estimates obtained at feasibility stage indicate that there is sufficient resource available to complete the Phase 2 refurbishment. The Grant Funding Agreement (GFA) is being prepared and NELEP has advised it should be issued by 11 May. The GFA will therefore be signed and sealed prior to the CFI Phase 2 Design & build contract being let.

The Plot 6 basement LGF grant of £500,000 is fully approved as is the £100,000 Council match.

The CFI Phase 3 Enabling LGF Business Case (seeking £732,740) has been submitted and it is anticipated that the Business Case will be considered on the 15 July 2018 at the NELEP Investment Board. If this is approved it is likely that the GFA will be signed and sealed in early to mid August. Works on this aspect of the project will not commence until the funding has been agreed and the GFA completed.

The NEPO Frameworks provide a streamlined, cost effective and quicker route to market compared with undertaking a new procurement process by enabling early engagement with pre qualified contractors with the relevant capabilities to implement the projects.

There is benefit in separating the contract for asbestos removal from that of demolition as it enables direct engagement with a specialist asbestos removal contractor rather than via a demolition contractor which is likely to result in overall savings. It also means the risk of finding (or not finding) unknown asbestos will materialise in advance of letting the demolition contract allowing mitigation measures to be employed to enable the overall cost of the demolition project to be delivered within the budget.

By combining asbestos removal and demolition from the Basement and South Block buildings in to single contracts economies of scale are generated, in areas such as site setup, welfare facilities and project management services (e.g. in terms of the agreed Capita asbestos project management services fees the Authority will benefit from the lowest percentage of 5% as a large contract).

2.2 Legal

Procurement

The procurement of contractors to carry out the works will comply with the Authority's Contract Standing Orders and the Public Procurement Regulations 2015, as the contractors are to be appointed from an EU compliant NEPO framework.

State Aid

Receipt of the funding from the NELEP is compliant with state aid obligations as a result of case law (GRW Land Development Scheme for Industrial and Commercial Use (S.A. 36346 (2013/N)) and an exemption applicable to the area under Article 56 of the General Block Exemption Regulation.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

Lead Cabinet Members have been briefed and finance, legal and procurement have

provided advice on this project and the background to this report.

2.3.2 External Consultation/Engagement

The appointment of contractors using the NEPO Frameworks are not matters for external consultation. The NEPO Framework has been assessed under equality and diversity policies.

Extensive engagement has taken place and continues with businesses, partners and the community regarding the future development of the Swans site. This includes engagement with residents at the Wallsend consultation event in February 2015, the Wallsend Community Conversation in March 2015 and the Mayor's Listening Event in November 2015 as well as continuing engagement with businesses based at Swans.

As part of the feasibility study and preparation of the CFI Phase 2 Business Case existing and potential tenants of Phase 2 were consulted about the proposals and their responses have been used to inform the outline design and performance specification.

2.4 Human rights

There are no Human Rights issues arising from this report.

2.5 Equalities and diversity

Procurement of the contractors on the NEPO Frameworks require contractors to target opportunities and recruitment at those in typically disadvantaged employment categories, e.g. the long-term unemployed, ex-offenders and people with disabilities.

The NEPO Framework Terms and Conditions also require the Contractor to "*...comply with all Contracting Authority policies and rules, such as, but not limited to...equality and diversity policies...*" and also to comply "*...with all relevant legislation relating to its Employees however employed...*"

2.6 Risk management

A risk register is maintained by the Strategic Risk Team and is reviewed at every Swans Project Board. A design and construction phase risk register will be compiled with the appointed contractor.

Should Cabinet not approve the recommendations as set out in paragraph 1.2, there is a high risk that the Authority will be unable to complete the proposed works as the LGF funding will be at risk. Delays will also mean that existing business occupier interest in respect of office space in the Swans CFI Phase 2 and the main site can not be maintained and the businesses decide to invest elsewhere or not invest at all.

2.7 Crime and disorder

There are no crime and disorder issues arising directly from this report. The Swans site is protected by CCTV and demolition of the vacant buildings will remove the risks associated with potential unauthorised access of the buildings.

2.8 Environment and sustainability

The Swans site is a brownfield site that will be brought back in to use as result of the proposed investment.

There are significant amounts of Asbestos Containing Materials (ACMs) within the Plot 6 Basement, South Block buildings and CFI North Block and these will be removed under these proposals.

The potential to improve the energy performance of the CFI building will be addressed. The CFI Phase 1 currently has an Energy Performance Certificate (EPC) Rating of C. The potential for improvements to the building's fabric and heating systems to improve the EPC rating has been considered including the provision of LED lighting and energy saving technologies such as occupancy sensors, daylight dimming controls and possible solar panels on the roof.

The scoring criteria at procurement stage on the NEPO Frameworks included a question requiring the contractors to explain how they would:

- Monitor and reduce CO₂ emissions
- Tackle waste through recycling, re-use, and the reduction of waste to landfill.
- Increase the use of sustainable / renewable materials.

PART 3 - SIGN OFF

- Deputy Chief Executive X
- Head(s) of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Head of Corporate Strategy X