

8/2 - Decision date

NORTH SOMERSET COUNCIL DECISION

DECISION OF: COUNCILLOR ELFAN AP REES. THE EXECUTIVE MEMBER FOR STRATEGIC PLANNING, HIGHWAYS, ECONOMIC DEVELOPMENT AND HOUSING



WITH ADVICE FROM: THE DIRECTOR OF DEVELOPMENT AND ENVIRONMENT

DECISION NO: 17/18 DE 250

SUBJECT: FOODWORKS OPERATOR PROCUREMENT PLAN

KEY DECISION: NO

BACKGROUND:

The FoodWorksSW Centre will contribute towards the council's Corporate Plan outcome: Prosperity and opportunity. The Centre will:

- drive growth in the North Somerset economy and local jobs;
- enable young people to fulfil their potential;
- make sure all our communities share in prosperity and employment growth.

It is also a key intervention described in the refreshed North Somerset Economic Plan (2017-36) adopted by council in May 2017.

In line with Contract Standing Orders the Director of Development and Environment has been advised by the Head of Strategic Procurement.

DECISION:

It is requested that the procurement plan be approved to proceed.

REASONS:

NSC has secured LEP funding for the design and build of a Food Innovation Centre at Junction 21 Enterprise Area off the M5. The build element of the project consists of:-

- small business units;
- a business centre for offering industry specific business advice, training and events;
- a product development facility which organisations can use for testing & piloting products.

The design is being finalised by Willmott Dixon (via the Scape Major Works Framework). The estimated timescales are below:

- LEP approved capital funding March 2017;
- Planning application has been granted;
- Build prices finalised January 2018;
- Executive & LEP Joint Committee approval February 2018;
- Start building June 2018.
- 53 week build; so due to end Aug 2019.

The total project value is £13.8m with estimated build costs of £11.1m.

The operation of the Centre will be through a management contract for 15 years including industry specific business advice, training and events, consultancy, facilities management and specialist knowledge re testing & piloting for product development. Legal advice indicates that this will be in keeping with the approved business case by the LEP and will be State Aid compliant. There are potential State aid implications if the operator is appointed for less than 15 years because it could then let the centre out on commercial terms and generate revenue i.e. the Council would benefit from the Funding. The proposed term of the contract was presented at a Supplier Information Event and feedback was sought from the potential suppliers to ascertain their views on the length of the contract, and most were pleased with the proposed length as it would give them sufficient time to build up the occupancy and get a return on their investment.

Economic Development would like the successful supplier to be on board by Autumn 2018 so that they can feed into a number of aspects of the project, particularly:

- Procuring specialist equipment (additional LEP funding for this);
- Start promotion and marketing of the centre and services available and will be in the future to start to building income opportunities;
- To secure tenants for business units at earliest opportunity to provide early income for the centre when open;
- Develop training and events programme and start delivering, meet demand and building income potential;
- Delivery of business support including income opportunities;

Governance

Given the timing of the procurement, it falls under the new Contract Standing Orders which requires approval at the beginning of the procurement process. The contract value is over the £5m threshold so requires Executive approval before publishing the opportunity. The Commissioning Plan was approved at the 5 September 2017 Executive. It is referenced as a background paper (below). The contract award report will be approved by the Executive.

Market/Suppliers

Other parts of the country have Food Innovation or business centres and there are at least four organisations who currently run centres in the UK, a number have expressed interest in running FoodWorks^{SW} either alone or with partners and could bid as consortia.

Evaluation

The service specification has the following outputs, which the tender questions will 'test' as bidders will need to explain how they will achieve the outputs alongside providing their financial projections, marketing strategy, service delivery proposals etc.

Occupancy Outputs	Year 1	Year 3
Occupancy levels of food grade business units	50%	90%
Business Support Outputs	Year 1	Year 3
No of enterprises receiving non-financial support	40	100
No of new enterprises supported	5	40
No of entrepreneurs assisted to be enterprise ready	3	10
Details of all enquiries	100	250
Technical support Outputs	Year 1	Year 3
No of enterprises assisted to cooperate with research entities/institutions	3	10
No of enterprises supported to introduce new to the market products	3	15
No of enterprises supported to introduce new to the firm products	5	20

The criteria, weightings and tender questions have been drafted by Procurement. Economic Development are commenting on them, and weightings will be agreed before the tender is published.

Commercial model

The intention is for bidders to submit a financial model which shows their projected income and costs. Detailed information is in the Exempt background paper.

Social Value/Sustainability/VCSE

The Economic Development team is keen to build social value into the contract, and this will be included in the tender process as a question to ensure additional social value is obtained during the procurement. This will align with the council's social value outcomes.

Contract Management:

It will be important to contract manage this project once it has been awarded. There will be performance indicators that will include: income levels, numbers of businesses supported, jobs created etc which will have to be monitored. Given the LEP investment and the governance arrangements that will be in place for a Management Board (NSC and Operator), there will be a minimum agreed frequency of service review meetings and agreement as to which topics need to be covered.

Timescales:

COMPETITIVE WITH NEGOTIATION	
Commissioning Plan approval by Executive	05-Sep-2017
Procurement Plan approval by Executive Member	January 2018

Publish the opportunity	February 2018
SQ Submissions due in	March 2018
Evaluation of SQ	March - April 2018
Issue initial ITT	April 2018
Initial ITT submissions due in	May 2018
Evaluation of initial tender submissions	May - June 2018
Negotiation	June - July 2018
Issue final tenders	July 18
Final tenders due in	July 18
Evaluation of final tenders	August 2018
Finalise committee report	Sept 2018
Contract award & Lease approval by Executive	Oct 2018
End of call in period	Oct 2018
Issue standstill letters	Oct 2018
Standstill period ends	Nov 2018

Building contract award timeline	
LEP Joint committee	February 2018
NSC Full Council contract award approval	April 2018
Building starts	June 2018
Operator contract awarded	Nov 2018
Building opens	Aug-2019

OPTIONS CONSIDERED:

Commissioning model

Following a discussion with the Project team in May 2017, an Options Paper detailing four potential options, was produced:-

- A. **Commissioned Service:** Under this option NSC would enter an agreement with an experienced operator with a specification detailing the service. Ancillary to that document would be a lease. The service specification will cover all the aspects related to the use and maintenance of the buildings (repair and maintenance of the Centre would be the operator's responsibility); selection of SME businesses; provision of the Business Engagement Centre; providing business support to the SMEs; running and maintaining the Production Development Facilities for not just the SMEs in the Centre but also the food industry as a whole.

This option appears to fulfil the conditions for State Aid as outlined by Bevan Brittan.

- B. **Commercial Lease:** The whole site is leased to the operator under full repairing terms and conditions. Within the lease document should be an attachment that clearly specifies how the property is to be used and managed, though this would be less prescriptive than option A in that the services are free to be determined by the operator introducing a risk that the centre can be used for anything presenting a monitoring issue for NSC and LEP against funding and purpose of the centre.
- C. **Community Interest Company (CIC):** Probably a variation of the lease arrangement above, except that the operator would be a CIC. The shareholders of the CIC could be both NSC and the operator. The principal problem with the CIC is that any profits generated would need to remain within the CIC, which precludes the operator operating the business as a profit making business. In this case the operator would need to agree its management fees, or have its services commissioned. The lease to the CIC would be on much the same grounds as with the commercial lease, save possibly that the rent could be minimal.
- D. **Undertaken by NSC:** In this option NSC would take on the full risk of the Innovation Centre in its operations and management. Its principal risk being that NSC does not have the expertise, at present, in-house to deliver the relevant services. Whilst these can be acquired, the provision of an Innovation Centre may not be seen as a principal service that NSC should be providing.

Given the State Aid advice, the Council's lack of in-house expertise and capacity to deliver the services itself, the monitoring requirements for the LEP funding, the risks to the Council with the various options identified, the Commissioned Service route (option A) has been considered to be the only viable option to ensure that the project's aims and objectives are achieved.

FINANCIAL IMPLICATIONS:

Estimated total management contract value is approximately £7.5m - £7.7m which is based upon the financial projections in the LEP business case. Other than a potential subsidy of up to £300,000 payable in the early years to cover initial start-up costs, no other fees or charges will be paid by the Council. All expenditure and costs for the Operator will be covered by charges and rents from end users of the Centre.

LEGAL POWERS AND IMPLICATIONS

This procurement will follow the Public Contract Regulations 2015. The contract may be a concession contract, which will be agreed with Legal during the drafting of the contract.

State Aid advice has been sought and from Bevan Brittan and this is being followed to ensure compliance.

CONSULTATION

To stimulate interest and gain an insight into potential bidders' business models a Supplier Information Event was held in July 2017. The information from this event has helped considerably in the drafting of the tender documents as we are clearer about supplier profit

margins, equipment required, how they would operate the Centre, what areas they consider to be high risk etc.

Potential suppliers have also been invited to comment on the draft service specification.

RISK MANAGEMENT

Risk	Mitigation
Contract is not in place by Autumn 2018 and the supplier has less opportunity to procure equipment required by sub-tenants.	Progress the contract so that the successful supplier is on board by the Autumn. Dependency on clear tender documents.
Income is not generated as predicted and the Council has to fund the shortfall.	Securing an operator to start to increase profile and marketing of the centre and deliver a number of services prior to the centre opening including business support, events and training, which will bring an early revenue stream and also securing pre-lets to all units prior to opening. Maintain links with other centres to aid understanding of changes in the sector and opportunities for new services and alternative funding.
Supplier ceases to trade or loses interest	Good contract management with regular service reviews. Audit carry out financial checks on the contractor to ensure they are stable.
Our/contractor projections are wrong and we will need to subsidise to higher than expected levels.	Good contract management with regular service reviews. Potentially the council could assist with marketing/promoting the Centre.
Lack of competitive bids	Ensure the opportunity is promoted by the council - supplier event, sharing of draft specification etc assists with this.
Poor supplier performance (not achieving LEP outputs).	Good contract management with regular service reviews. Clear performance schedule with repercussions of poor performance laid out.

EQUALITY IMPLICATIONS

Have you undertaken an Equality Impact Assessment? Yes

A link to the EIA is listed below in the Background Papers.

The Equality & Diversity Team is involved in the tender and will evaluate bidder submissions relating to the accessibility of the Centre.

CORPORATE IMPLICATIONS

Management responsibility for the success of FoodWorks^{SW} will lie with the Economic Development Service as the Commissioning Service, supported by other services, when required, including Property Asset and Management and Procurement.

A Management Board will be established involving NSC Services and the Lead Operator, in a consortium or partnership with others, to provide strategy and high level management


The Industry Advisory Group, currently providing advice and support to the Council in business needs, will be retained to provide ongoing support to the Operator to ensure the Centre remains fit for purpose over time. The Group could be included as a member of the Management Board.

BACKGROUND PAPERS

Commissioning Plan

Foodworks EIA

SIGNATORIES:

Signed:  Executive Member for Strategic Planning, Highways, Economic Development and Housing

Date: 6/2/18

WITH ADVICE FROM:

Signed:  Director of Development and Environment

Date: 5/2/18

