

Innovation Centre Project

Final Decision-Maker	Policy and Resources Committee
Lead Head of Service	John Foster – Head of Regeneration and Economic Development
Lead Officer and Report Author	Mandy Samrai – Interim Innovation Centre Manager
Classification	<p>Public Exempt Appendix 1 <u>Exempt Category</u></p> <p>The information contained within the report has been considered exempt under the following paragraph of part I of schedule 12A to the Local Government Act 1972: -</p> <p>3 = Information relating to the financial or business affairs of any particular person (including the authority holding that information)</p> <p>The reason that the information contained in the exempt appendix is private is because the Council has not yet moved to signed contract stage with both the land transaction nor the construction contract.</p> <p><u>Public Interest Test</u></p> <p>It is in the public interest that the exempt appendix be taken in private because it contains commercially sensitive information that would jeopardise the Council's investment position if it were to be publically available.</p>
Wards affected	All

Executive Summary

This report updates on the proposals for Maidstone Borough Council's investment in the construction of an Innovation Centre at Kent Medical Campus (KMC) and seeks delegated authority to enter into the European Economic Development Fund (ERDF) funding agreement and gain approval for a revised Capital budget.

Purpose of Report

To provide a progress update on the Innovation Centre Project.

To gain approval for a revised Capital budget and to sign the ERDF Funding Agreement.

This report makes the following recommendations to this Committee:

1. That a revised total scheme cost as set out in Exempt Appendix 1 for the development of the Innovation Centre is approved;
2. That delegated authority is granted to the Director of Finance and Business Improvement to sign the Funding Agreement with the Ministry of Housing, Communities and Local Government (MHCLG); and
3. That delegated authority is granted to the Director of Finance and Business Improvement to approve additional borrowing for Capital expenditure for the project budget.

Timetable

<i>Meeting</i>	<i>Date</i>
Corporate Leadership Team	3 September 2019
Policy and Resources Committee	18 September 2019

Innovation Centre project

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p><i>The relevant Strategic Plan objectives are:</i></p> <ul style="list-style-type: none"> • <i>Embracing Growth and Enabling Infrastructure</i> • <i>A Thriving Place</i> <p><i>Accepting the recommendations will materially improve the Council's ability to achieve the above objectives. We set out the reasons other choices will be less effective in Section Three</i></p>	Head of Regeneration and Economic Development
Cross Cutting Objectives	<p><i>The four cross-cutting objectives are:</i></p> <ul style="list-style-type: none"> • <i>Heritage is Respected</i> • <i>Health Inequalities are Addressed and Reduced</i> • <i>Deprivation and Social Mobility is Improved</i> • <i>Biodiversity and Environmental Sustainability is respected</i> <p><i>The Innovation Centre supports the achievement of the 'Biodiversity and Environmental Sustainability is respected' cross cutting objective with the inclusion of a green wall and solar panels.</i></p>	Head of Regeneration and Economic Development
Risk Management	<ul style="list-style-type: none"> • <i>Already covered in the risk section.</i> 	Head of Regeneration and Economic Development
Financial	<p><i>Accepting the recommendations will require revised funding from prudential borrowing. The additional expenditure is expected to 'lever in' additional external funding of up to 43p in the pound. Details of the total resources required are set out in the exempt appendix.</i></p> <p><i>The project is still expected to deliver a return in excess of 5% with the Internal Rate of Return (IRR) now estimated at 5.2%</i></p>	Interim Head of Finance (Deputy Section 151 Officer)

	<p><i>(down marginally from indicative 5.8% reported in October 2018).</i></p> <p><i>A further revenue stream will be realised from the additional Business Rates generated from the Innovation Centre and retained locally due to the Enterprise Zone status of the site.</i></p>	
Staffing	<ul style="list-style-type: none"> <i>We will need access to extra expertise to deliver the recommendations and this is covered within the project.</i> 	Head of Regeneration and Economic Development
Legal	<ul style="list-style-type: none"> <i>The Local Government Act 1972, section 111(1) empowers a local authority to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.</i> <i>S120(1)(2) of the 1972 Act enables the Council to acquire land to be used for the (b) the benefit, improvement or development of their area; or for the purpose of discharging the Council's functions.</i> <i>The procurement of services for the Innovation Centre should be in accordance with the Council's Contract Procedure Rules and the public Contract Regulations 2015.</i> <i>Acting on the recommendations is within the Council's powers as set out in the above statutory provisions</i> 	Legal Team
Privacy and Data Protection	<ul style="list-style-type: none"> <i>Accepting the recommendations will increase the volume and time of retention of data held by the Council. All ERDF funded bids require documentation retention of 25 years. We will hold that data in line with our retention schedules.</i> 	Policy and Information Team
Equalities	<ul style="list-style-type: none"> <i>An equalities impact assessment has been carried out on the project.</i> 	Policy & Information Manager
Public Health	<ul style="list-style-type: none"> <i>We recognise that the recommendations will not negatively impact on population</i> 	Public Health Officer

	<i>health or that of individuals.</i>	
Crime and Disorder	<ul style="list-style-type: none"> • <i>Not applicable</i> 	Head of Service or Manager
Procurement	<ul style="list-style-type: none"> • On accepting the recommendations, the Council will then follow a procurement exercise for the Tenant Acquisition service. We will complete those exercises in line with financial procedure rules. 	Head of Service & Section 151 Officer

2. INTRODUCTION AND BACKGROUND

2.1 The Innovation Centre Project was considered by the Policy and Resources Committee on 24 October 2018. This report sets out the actions taken to date following these resolutions and seeks the Committee's approval for a revised Capital budget and to sign the ERDF Funding Agreement.

2.2 The Innovation Centre is the Council's first ERDF funded project, providing office space for the life science, healthcare and medical technology sector related businesses. The project will also deliver a package of Business Support across the region for 185 similar businesses over a three-year period up to September 2023.

Land deal and lease agreements

2.3 Following negotiation, the land deal relating to the Innovation Centre which is called Plot 3 and the adjacent Car Park for 42 spaces has been agreed with the landowner Harvestore System (Holdings) Ltd. To secure both pieces of land ready for the delivery of the project, the Council is entering into agreements to lease with the landowner.

Planning application

2.4 The Council achieved Planning consent for the Innovation Centre in April 2019. The Planning Committee included the additional requirement for a green wall.

Construction works

2.5 Following an OJEU procurement process, led by the Council's Employers Agent Calfordseaden, four tenders for the construction of the Innovation Centre were received in August 2019. The tenders were scored based on quality of submission, 60% and price, 40%. Calfordseaden have produced a full tender report and made a recommendation. A preferred bidder has now been selected and award of the construction works contract will be undertaken by the Section 151 officer, who will implement the recommendation and let the contract if recommendation two is agreed.

Operator

- 2.6 The Operator function covers three areas:
- Business Support service
 - Sourcing of tenants for the office space (Tenant Acquisition)
 - Management of the new building
- 2.7 The Business Support service OJEU procurement process has been completed and three tenders were received in August 2019. The tenders were scored against quality of submission and price on an 85% Quality and 15% price basis. A preferred bidder has now been selected and the Business Support service contract will be awarded.
- 2.8 The OJEU procurement process for the contract to source tenants (Tenant Acquisition) for the offices within the Innovation Centre will commence from October 2019.
- 2.9 Work will commence shortly on implementing the necessary process and system changes required for the Council to manage the new Innovation Centre. The Council will seek to utilise existing processes for Facilities Management to ensure continuity of service across the Council.

Funding Agreement and budget

- 2.10 The Council has been awarded an ERDF grant by MHCLG. To secure the funds the Council is required to sign the MHCLG Funding Agreement. The agreement has been reviewed and assessed by the Mid Kent Services Legal Team to identify any risks to the Council in signing the Funding Agreement and is now ready to be signed by the Director of Finance and Business Improvement following Committee approval.

3. AVAILABLE OPTIONS

- 3.1 **OPTION ONE - Do nothing**
Maidstone Borough Council could decide not to continue to make investment in the delivery of the Innovation Centre project. However, without intervention, development on the site is likely to proceed at a significantly slower pace, reliant on private sector investment. This would impact negatively on the Council's delivery of new employment opportunities in the borough aligned with the Local Plan and reduce the quantum of business rates retained by the Council over the Enterprise Zone period. The Council would also lose the opportunity to secure the ERDF funding that has been allocated to this project by MHCLG and incur abortive costs.
- 3.2 **OPTION TWO - Invest in delivery of the Innovation Centre project as set out within this report.**

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 This report recommends that the Policy and Resources Committee approve Option Two. This option enables the delivery of the previous recommendations supported by this Committee in October 2018. It enables the council to move to the next stage of delivery for the project and secure the ERDF funding provided by MHCLG.
- 4.2 Option Two will enable further private sector development on the site, raise the profile of Kent Medical Campus, attract growing businesses and create private investor confidence.
- 4.3 If this option is agreed, the construction contract will be awarded to the preferred bidder and officers will enter into any other necessary operational contracts for Business Support and Tenant acquisition.

5 RISK

- 5.1 The table below outlines key high-level risks and mitigation arising from this project:

Risk	Mitigation
Managing Authority takes longer than anticipated to review claims and make quarterly payments.	Maidstone Borough Council has enough reserves to create a positive cash flow for the project.
MBC submits claim which is deemed to be ineligible spend and therefore ERDF grant cannot support this cost.	Correct internal processes to check eligibility prior to spend and submission of claim.
The Council does not comply with State Aid rules.	Specialist State Aid advice from Bevan Brittan to ensure compliance and monitoring at Project Board.
Risks associated from signing MHCLG Funding Agreement and penalties	Review of Funding Agreement by MKS Legal Services to identify key areas of risk, Project Management and Compliance Framework in place. The compliance framework and publicity are well established, and returns are completed in accordance to MHCLG requirements. Primary risks relate to ensuring the compliance framework and publicity is well established and returns are completed in accordance to MHCLG requirements.

- 5.2 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the Policy.

6 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 This report supports the previous recommendations of this Committee set out in October 2018.

7 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 Should this Committee approve the recommendations, the Council will sign the funding agreement, sign the construction contract and deliver the project.

7.2 The current timetable for the project is shown in the key milestones table below:

Key milestone	Date
Policy & Resources Committee approval	September 2019
Sign Funding Agreement	September 2019
Commence Build Programme	October 2019
Commence Business Support	October 2019
Sign Lease for Innovation Centre land (Plot3)	January 2020
Commence Tenant Acquisition	March 2020
Complete Build Programme	June 2021
Complete FM approach	June 2021
Sign Lease for adjacent Car Park	January 2023
Complete Business Support	June 2023
Complete ERDF funding process	September 2023

8 REPORT APPENDICES

1. Appendix 1 – Exempt paper Updated Capital project costs

9 BACKGROUND PAPERS