

 Executive - 23 July 2008		Agenda Item No.
Title	Althorpe Innovation & Enterprise Centre	
For further information about this report please contact	Ray Smith, Business Development Co-ordinator	
Service Area	Economic Development & Regeneration	
Wards of the District directly affected	Brunswick	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	10 th December 2007 Executive Minute 720.	
Background Papers	Reports to Executive 23 rd July 2007 and 10 th December 2007	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Relevant Director		
Chief Executive	20 th June 2008	Chris Elliott
CMT		
Section 151 Officer	26 th June 2008	Mary Hawkins
Legal	26 th June 2008	Simon Best
Finance	16 th June 2008	Jenny Clayton
Portfolio Holder(s)	30th June 2008	Cllr Doody, Cllr Hammon
Consultation Undertaken		
Please insert details of any consultation undertaken with regard to this report.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

- 1.1 The report seeks retrospective approval for an emergency decision made by the Chief Executive in consultation with the Leader and Development portfolio holder to agree additional funding of £9,400 to help meet a shortfall of the budget against the best tender for the construction of the Althorpe Innovation and Enterprise Centre in Leamington.

2. RECOMMENDATION

- 2.1 The Executive is asked to ratify the use of the Chief Executive's emergency powers to accept the tender price, albeit in excess of the Capital Budget.
- 2.2 The £9,400 shortfall be funded by viring this amount from the Council's Contingency Budget, and the Capital Programme be updated to reflect the revised costs and funding as shown in 5.3 below.

3. REASONS FOR THE RECOMMENDATION

- 3.1 The next meeting of the Executive is this meeting, 16th July, beyond the deadline for agreeing the tender. Emergency powers were used to ensure that the lowest tender price was not lost, or additional cost incurred if the tender expiry date had to be extended.

4. ALTERNATIVE OPTION CONSIDERED

- 4.1 Wait until 16th July to submit a report to Executive requesting approval to commit the £9,400 from the Contingency Budget. This course of action could have resulted in either the lowest tenderer withdrawing as the tender price offered would have expired on 2nd July 2008, or increased cost, normally ½% of the contract value, per each month of delay.
- 4.2 Not progressing with the scheme although the projected shortfall was only 7.8% of the total cost.

5. BUDGETARY FRAMEWORK

- 5.1 The Council had not previously committed any capital costs to the scheme with the exception of the site value. The Capital Project was to have been fully funded by AWM.
- 5.2 AWM were approached and asked to fund the shortfall in line with the same proportions of the initial costings (88:12 - Capital Expenditure : Site Value) This was agreed.
- 5.3 The total cost of the scheme is now £1,089,950, including the £121,000 Council's contribution of the site value. The costs and funding are made up as detailed below:-

Capital Costs	£	WDC £	AWM £
site value	121,000	121,000	
Construction and Demo	769,226	9,432	759,794
Equipment and fit out	95,521		95,521
Professional fees	104,203		104,203
Total Capital scheme	1,089,950	130,432	959,518
Total Capital scheme excluding Site Value	968,950	9,432	959,518

Of the total £1,089,950 scheme cost, the Council will contribute monies of £9,432 plus a site with a value of £121,000, with AWM providing funding of £959,518.

- 5.4 The balance on the Contingency Fund currently stands at £228,000 (including the £200,000 approved by The Executive in June, upon closure of the 2007-08 Final Accounts). It is recommended that £9,400 of this be vired to the AEIC Capital Scheme to fund the shortfall, which will leave £218,600 in the Contingency Fund. It is also recommended that

the Executive approve the revised Capital Scheme costs and funding as detailed in 5.3 and the Capital Programme be updated accordingly.

- 5.5 When the scheme is completed it will be self funding. The rental, service charges and support recharges to other CUP projects will cover the on-going revenue costs incurred.

6. POLICY FRAMEWORK

- 6.1 The proposed Innovation & Enterprise Centre will directly support the Corporate Strategy – Development - to create 100 new jobs annually as a result of projects enabled/implemented.

7. BACKGROUND

- 7.1 On 20th December 2007 the Council entered into a contract with Advantage West Midlands (AWM) to accept a capital grant of £890350 to construct Althorpe Innovation & Enterprise Centre (AIEC) following approval by the Executive on 10th December 2007.
- 7.2 The AWM grant represents 88% of the total project costs, the remaining 12% being contributed by WDC by way of the market value of the Althorpe Street site - £121,000.
- 7.3 Two years have elapsed since the original figures were submitted to AWM with the funding application during which time building cost inflation has risen by 11.3%.
- 7.4 Construction tenders were returned in May 2008 the lowest of which was £99,939 in excess of the approved AWM funding. Subsequent specification changes resulted in the tender cost being reduced to £730,000, a shortfall of £70,194. Coupled with an increase in professional fees, most of which are linked to the higher contract value, resulted in a total shortfall of £78,600. Construction costs increases have however been kept below the rate of inflation at 10.04%. The Tender price was only held for 8 weeks up to 2nd July.
- 7.5 AWM have agreed to increase their funding by £69,168 in line with their original investment of 88% requiring WDC to fund the remaining 12% - £9,432. The total AWM grant for the project will now amount to £959,518.
- 7.6 With the tender price due to expire before the July Executive Meeting the Chief Executive consulted with the Leader of the Council and the Portfolio Holder (Cllr's Doody and Hammon) who agreed that the Chief Executive can use his emergency powers to commit this sum to allow the project to proceed and the lowest tender to be accepted.
- 7.7 This has now been done and the contractors will start on site on 30th June 2008. Building works to be completed by 11th January 2009.
- 7.8 By way of update on other CUP Projects it is anticipated that contracts will have been signed with all parties in respect of the Court Street Creative Arches Project, including the Funding Agreement with AWM, on or before 27th June 2008 and that project will commence in July. As regards Brunswick Enterprise Hub this project is shortly to go out to tender for the construction works. Should tenders be in excess of the AWM approved funding a further report on this project will be brought to the 3rd September Executive Committee meeting.