

**Written statement of a key decision**  
**Cabinet member contracts and assets**

<b>Title</b>	<b>Shell Store incubation centre project revision</b>
Decision maker	Cabinet member contracts and assets Information about cabinet, including the names and contact details of the cabinet members, can be found here: <a href="http://councillors.herefordshire.gov.uk/mgCommitteeDetails.aspx?ID=251">http://councillors.herefordshire.gov.uk/mgCommitteeDetails.aspx?ID=251</a>
Date of decision	27 July 2018
Report exemption class	Open
Reason for being a key decision	This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.
A notice was served in accordance with Part 3 (Key decisions) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.	
General exception or special urgency (as defined in the constitution)	No
Purpose	To seek approval for the revised finances and business case for the "Shell Store" project: an extensive refurbishment and conversion of the redundant Shell Store building within the Hereford enterprise zone, to create a business incubation and research facility that will support business growth and job creation. Additional approval to let a contract for the construction of the centre is also sought.  The key revisions to the project include: <ul style="list-style-type: none"> <li>• To increase the project budget by £818,000 to a total of £7.316m;</li> <li>• The increased budget reflects the high construction inflation experienced since the previous approval and an increase in the contingency to a more appropriate sum;</li> <li>• The project has been delayed due to the time required to secure the external funding package, specifically securing ERDF and LEP funding.</li> </ul>

<p><b>Decision</b></p>	<p><b>That:</b></p> <p><b>(a) the revised finances and business case for the “Shell Store” business incubation centre is approved with the budget increased by £818,000 to a total of £7.316m; and</b></p> <p><b>(b) the director for economy, communities and corporate is delegated authority to award the construction contract(s) for the centre, up to the approved budget via an appropriate procurement process or the council’s development partner.</b></p>
<p>Reason for the decision</p>	<p>As set out in the report. Documents relating to this decision are available at</p> <p><a href="http://councillors.herefordshire.gov.uk/mglIssueHistoryHome.aspx?IId=50026957">http://councillors.herefordshire.gov.uk/mglIssueHistoryHome.aspx?IId=50026957</a></p>
<p>Options considered</p>	<p>1. Not increasing the budget would mean not proceeding with the development, as it is not possible to only refurbish/redevelop part of the building or reduce the costs further.</p> <p><i>Advantages</i></p> <p>This option would mean that the council would not have to utilise its approved self-financing borrowing capability; the council would not be exposed to the risks associated with this project.</p> <p><i>Disadvantages</i></p> <p>This option would result in a continuing lack of start-up space available to rent within the Hereford enterprise zone (EZ), and wider Hereford city, and an identified need and demand not being met.</p> <p>The full potential of the EZ would not be realised in terms of built floor space and jobs created.</p> <p>Should the council not proceed with the development but market the site for sale as commercial land it is unlikely to receive a positive value given the considerable demolition and reinstatement costs. A decaying redundant building, with local heritage significance would therefore remain an eyesore and issue to the EZ’s prime high-tech investment site. This could impact upon ability to attract high quality new businesses, land sale receipts and there could be ongoing costs to secure the Shell Store site and remove hazards.</p> <p>2. Sourcing additional external funding for the project or identifying a private sector development partner to provide finance, expertise and to share the development, delivery and financial risk.</p> <p><i>Advantages</i></p>

	<p>Additional external funding would reduce the council's reliance on its borrowing capability and would reduce the risks associated with servicing borrowing.</p> <p>Additionally, an experienced development partner would bring a commercial approach, expertise and would share some of the financial risk.</p> <p>Disadvantages</p> <p>No other viable external funding, in addition to the £2m ERDF contribution and the £2.494m LEP interest free loan, that has already been secured, have been identified.</p> <p>The development market has been tested and there is no interest amongst private sector developers to become involved in the redevelopment of a historical building, particularly given the relatively small floorspace and intention to let on short term flexible leases, which would be limited to certain specific sectors targeted by the EZ. In addition, a private sector investor would require a profit margin and that would increase total project costs.</p> <p>3. There are two main procurement options for the project. This includes an open EU Tender process, to seek a new construction partner for the project only. The other option is to use the skills and experience of the council's non-residential development partner Engie. The director for economy, communities and corporate will make a decision on the procurement route taken with reference to an assessment provided by relevant officers.</p>
Declarations of interest (see below)	n/a
Call-in expiry date (decisions are not subject to call-in where special urgency provisions apply)	2 August 2018

<p>Councillor: .....</p> <p>Cabinet member contracts and assets (Councillor H Bramer)</p>	<p>Date 27 July 2018</p>
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- a record of any conflict of interest declared by any executive member who is consulted by the member which relates to the decision;

and

- in respect of any declared conflict of interest, a note of dispensation granted by the relevant local authority's head of paid service.