

Report of Executive Manager, Regeneration

Report to Director of City Development

Date: 5 February 2015

Subject: Integrated business and investment plan for Leeds City Region Enterprise Zone – Waiver of Contracts Procedure Rules (CPRs) 8.1 and 8.2. to award a contract direct to Genecon Limited

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): Burmantofts and Richmond Hill Temple Newsam		
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number: Appendix number:		

Summary of main issues

1. This report seeks waiver of CPRs 8.1 and 8.2 to enable the direct award of a contract to Genecon Limited to prepare a business and investment plan for the Leeds City Region Enterprise Zone (LCREZ).
2. Two competitive quotation exercises have recently been used to identify the most appropriate supplier for similar documents required to support optimum and accelerated development of the LCREZ. Through the two previous procurements, three suppliers were invited to provide quotations. The winning submission on both occasions was prepared by Genecon Ltd. The quality of the work produced on both occasions has been of high quality.
3. Through the preparation of the above, Genecon have gained an excellent understanding of the issues and matters surrounding the successful development of the LCREZ. This prior knowledge will enable Genecon to start working immediately which allows timely concluding of the commission and swift adoption of recommendations.
4. Genecon can demonstrate considerable experience with respect to preparing business plans and investment strategies. They are involved with Enterprise Zone (EZ) commissions nationally and are able to pick and choose best practice and consider its application to the LCREZ. Furthermore, they are retained on the Homes & Communities Agency (HCA) economic appraisal panel to appraise investment proposals.

Recommendation

The Director of City Development is recommended to:

Approve the waiver of CPRs 8.1 and 8.2 and award a direct contract to Genecon Limited in the sum of approximately £15,000 to £20,000 without seeking competition.

1.0 Purpose of this report

1.1 The purpose of this report is to seek approval to waive CPRs 8.1 and 8.2 and award a direct contract to Genecon Limited in the sum of approximately £15,000 to £20,000 without seeking competition. The contract shall commence on the 16th February 2015.

2.0 Background information

2.1 Designated in 2012, the LCREZ offers businesses excellent opportunities for relocation and expansion. The area covers 142 hectares of development land which is being regenerated to create up to 4 million sq.ft of manufacturing and industrial workspace which could deliver up to 6,500 new jobs over the next 20 years. The zone contains four main sites at Logic Leeds, Temple Green, Newmarket Lane and Thornes Farm. The LCREZ will be designated for 25 years, concluding in 2037.

2.2 The council now requires preparation of an integrated business and investment plan which holistically examines the EZ to identify financial opportunities, requirements, commitments and pressures to best exploit the potential for growth and unlock development throughout the five year period 2015 – 2020. The business plan will need to investigate both the short (2015- 2017) and medium term (2017- 2020) vision, outcomes and ambitions with all the key partners. A suitably experienced supplier is required to research and develop a robust business plan in partnership with the EZ partners; Leeds City Council, Leeds City Region Enterprise Partnership (LCREP), the Homes and Communities Agency (HCA) and developers.

2.3 The value of this contract is approximately £15k to £20K as a one-off. The contract will commence from date of award and run until completion and handover of the document. The programme in the consultant's brief has this handover scheduled for April 2015.

3.0 Main issues

3.1 The council have required the preparation of two similar documents to assist with administering and managing the zone. In 2012, the Department of Communities and Local Government invited EZs to submit bids towards a £100 million grant fund. This required preparation of an outline business case. The procurement exercise invited three companies to tender for this service. DTZ, Genecon Limited and Add-Specialists Limited. All three companies submitted and the contract was awarded to Genecon Limited following a tender evaluation exercise.

- 3.2 To enable completion of the second stage application, a full detailed business case was required, based on the Treasury 5 case model (strategic, economic, commercial, financial and management cases). A waiver report was completed to enter into a new contract with Genecon Limited to complete the full business case. The commission resulted in a confirmed award of the £8.57 million grant once UK Treasury confirmed the financial modelling was sound.
- 3.3 In October 2014, EZs were invited to submit bids for either EZ extensions or Enhanced Capital Allowances (ECAs) to be considered by the UK Treasury as part of the 2014 Autumn Statement. The council, LCREP, and the developers agreed that ECAs would be an extremely useful tool to attract future occupiers to the plots and new buildings in the EZ.
- 3.4 As previously, this exercise required the assistance of specialist advice to prepare the financial modelling for the business case. The procurement exercise invited three companies to tender for this service; Genecon, DTZ and SQL. These selected companies were chosen on the basis of track record of involvement in financial modelling for EZs nationally. Only Genecon submitted for this work and was subsequently awarded the contract. Unfortunately, the Government timeframe for this bid was extremely short. This dictated that the commission had an incredibly tight timeframe. Genecon worked closely with council officers to meet the tight deadlines, producing a high quality and considered bid.

4.0 Reason for contract procedure rule waiver

- 4.1 Through the preparation of the strategic case, full business plan and ECA bid, Genecon have gained an excellent understanding of the issues and matters surrounding the successful development of the LCREZ. This prior knowledge will enable Genecon to start working immediately which allows timely concluding of the commission and swift adoption of recommendations.
- 4.2 Genecon can demonstrate a high level of experience in respect to preparing business plans and investment strategies. They are involved with EZ commissions nationally and are able to pick and choose best practice and consider its application to the LCREZ. Furthermore they are retained on the HCA economic appraisal panel to appraise investment proposals.

5 Corporate Considerations

5.1 Consultation and Engagement

- 5.1.1 The requirement for this commission has come out of continuing dialogue with the key stakeholders in the EZ. This report has also been considered by the Procurement Unit.

5.2 Equality and Diversity / Cohesion and Integration

- 5.2.1 Due consideration to equality has already taken place as part of the Corporate Procurement Process. It is not applicable to carry out an EDCl screening or impact assessment at this time.

5.3 Council Policies and City Priorities

- 5.3.1 The EZ contributes to the council's growth strategy and its strategic objectives to be recognised as the best city for business. The zone will assist with Leeds becoming a city where: significant new job opportunities are created; businesses are supported to start up, innovate, thrive and grow; people choose sustainable travel options; and we all benefit from a low carbon economy.
- 5.3.2 Leeds' vision is to become the best city in the UK by 2030. It will be fair, open and welcoming with an economy that is both prosperous and sustainable and all our communities will be successful.

5.4 Resources and value for money

- 5.4.1 Considering the scope of the commission identified within the brief and benchmarking with comparable commissions, an acceptable fee bandwidth of £15,000 to £20,000 has been identified as appropriate.

5.5 Legal Implications, Access to Information and Call In

- 5.5.1 There are no grounds for keeping the contents of this report confidential under Access to Information Rules.
- 5.5.2 Awarding a contract directly to Genecon Limited in this way could leave the Council open to a potential claim from other providers, to whom this contract could be of interest that it has not been wholly transparent as the opportunity is not being advertised and at least three written tenders invited. For transparency, it should be noted that it is a requirement of recent case law to consider whether contracts should be subject to a degree of European wide advertising. It is up to the council to decide what degree of advertising is appropriate. In particular, consideration should be given to the subject-matter of the contract, its estimated value, the specifics of the sector concerned (size and structure of the market, commercial practices, etc) and the geographical location of the place of performance.
- 5.5.3 The Director of City Development has considered this and, due to the nature of the services being delivered and the relatively low value of this commission, is of the view that the scope and nature of the services is such that it would not be of interest to contractors in other EU member states.
- 5.5.4 Although there is no overriding legal obstacle preventing the waiver of CPR 8.1 and 8.2, the content of the report should be noted. In making their final decision, the Director of City Development should be satisfied that the approved course of action represents best value for the council.

5.6 Consequences if the proposed action is not approved

- 5.6.1 Wider procurement does not offer Best Value in terms of additional delay and evaluation for the reasons set out in sections 3 and 4. The scope of the commission is to identify actions to accelerate development and ensure the EZ delivers on its full potential. Delay would impact on the timely delivery of job creation opportunities, a reduction in the value of the retained business rates for reinvestment and overall delivery of the zone's considerable potential.

5.7 Risk Management

- 5.7.1 There is a risk of an ombudsman investigation arising from a complaint that the council has not followed reasonable procedures, resulting in a loss of opportunity. The complainant would have to establish maladministration. It is not considered that such an investigation would result in a finding of maladministration, however, such investigations are, by their nature, more subjective than legal proceedings.
- 5.7.2 The failure of Genecon to deliver either the full scope of the brief or miss the delivery schedule could have wider implications in terms of accelerating development in the EZ and unfulfilled development potential. This risk is considered minor when considered against their previous track record of delivery within tighter timescales, their reputation and desire for payment. This risk will be managed throughout the commission.

6.0 Conclusions

- 6.1 Due to the matters set out in this report, it is considered that there is a tangible and quantifiable benefit to the council to waive CPRs 8.1 and 8.2 and make a direct award to Genecon Limited to prepare the business plan and investment strategy.

7 Recommendations

- 7.1 The Director of City Development is recommended to:

Approve the waiver of CPRs 8.1 and 8.2 and award a direct contract to Genecon Limited in the sum of approximately £15,000 to £20,000 without seeking competition.

8.0 Background documents¹

- 8.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.