

## Report of Technical Asset Management

### Report to Chief Officer Financial Services and the Director of City Development

**Date: 27 July 2018**

**Subject: Design and Cost Report and Procurement Route Report in respect to Kirkgate Market - Construction of Three New Units in the Covered Daily Market**

**Capital scheme number: 32967**

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of ward(s):		
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. The creation of the Covered Daily Market (CDM), formed part of the major refurbishment works completed in Kirkgate Market in 2016. Demand for units in this area has been strong and the Market Service receiving enquires from prospective traders for future opportunities to trade in the area. As a consequence of the success, an extension to the unit occupied ZmZm Bakery's has been agreed along with the construction of a new unit to be made available to the commercial market.
2. The City Council has committed to further investment and improvement in the Market, in partnership with Town Centre Securities, with the redevelopment of the George Street shops. To facilitate this redevelopment and to support existing traders on George Street, the City Council has been working with traders to either provide suitable alternative accommodation or negotiate a compensation package to vacate their unit. Through these negotiations, it has been agreed that the City Council will construct a new units in the CDM for the Fisherman's Third Wife fish and chip shop.
3. The proposed construction of three new units within the CDM in Kirkgate Market supports the Good Growth priority in the Council's Best Council Plan 2017/18, by promoting investment which will contribute to the economic growth of the city and job creation.

4. The report advises the Chief Officer Financial Services and the Director of City Development that an investment appraisal of the proposals for the construction of the three new units in the CDM (the proposed works) has identified that a financial surplus will be achieved from the rental income generated through the duration of the prudential borrowing period and, therefore, requests that the Chief Officer Financial Services approves the injection of £245,000 into the Capital Programme to fund the proposed works. The Director of City Development is requested to authorise expenditure of £245,000 on the proposed new build works.
5. This report also advises the Director of City Development that the internal service provider has advised that they are unable to undertake the proposed works and, accordingly recommends that a competitive procurement exercise be undertaken via Constructionline for the appointment of a contractor to undertake the proposed works.
6. In accordance with the Council's Contract Procedure Rules 3.1.6 and 3.1.8, the report requests the Director of City Development to approve the procurement route for the appointment of a contractor to undertake the construction work for the three new units within the CDM and that the evaluation criteria to be used to assess the suitability of the contractor to undertake the commission be based on a single stage tender on a 100% price basis.

## **Recommendations**

7. The Chief Officer Financial Services is requested to:

- I. approve the injection of £245,000 into the Capital Programme to fund the construction of three new units within the Covered Daily Market at Kirkgate Market.

The Director of City Development is recommended to:

- II. approve the Authority to Spend of £245,000 from the capital programme to fund the construction of three new units within the Covered Daily Market at Kirkgate Market.
- III. approve the procurement of a contractor to undertake the construction works for the three new units within the Covered Daily Market from the Constructionline and that the evaluation criteria to be used to assess the suitability of the contractor to undertake the commission be based on a single stage tender on a 100% price basis.

## **1 Purpose of this report**

- 1.1 The purpose of this report is to seek the approval of the Chief Officer Financial Service to inject £245,000 into the Capital Programme and to seek approval from the Director of City Development to authorise expenditure of £245,000 to fund the construction of three new units within the Covered Daily Market (the proposed works).
- 1.2 The report also seeks approval from the Director of City Development to the procurement route proposed in respect of appointing a contractor to undertake the proposed works and agree to the tender evaluation criteria of 100% price.

## **2 Background information**

- 2.1 Kirkgate Market (the Market) is considered to be an important historical asset to the city of Leeds, attracting over 10 million visitors annually.
- 2.2 In December 2016 the Council completed a major programme of refurbishment works at the Market which included, amongst other things, the:
- Creation of a CDM within the former 1976 hall specifically catering for food to go business and events; and
  - Recreation of a historical blockshop on Fish & Game and the refurbishment of a number of blockshop units to create a new fresh produce area along with the upgrade of the drainage services and replacement of the fire sprinkler system.
- 2.3 The works noted above were completed within the first phase of the major construction works and were opened and occupied by traders from June 2016.
- 2.4 The Director of City Development may wish to note that the Listed Building Consent for the proposed new units was granted on 17 November 2017 under application reference 17/05056/LI.
- 2.5 The primary strategic objectives of building three new units in the CDM are to:
- Increase revenue generation and resilience;
  - Create greater vibrancy in the Market;
  - Create more opportunity for quality 'food to go' retailers to trade within the Market; and
  - Attract more customers into and through the Market.
- 2.6 The creation of the CDM through the major refurbishment has been a success as demonstrated by the nine food to go units being fully let and the ongoing approaches from other food retailers interested in trading within this area.

- 2.7 The City Council is continuing to invest and improve the Market with the redevelopment of the George Street shops. In partnership with Town Centre Securities a 126 bed apart-hotel will be created along with commercial business opportunities on the ground floor. As part of this redevelopment, existing tenant Fisherman's Third Wife has agreed to relocate to the CDM into a proposed newly created unit to operate their fish and chip business.

### **3 Main issues**

- 3.1 The proposal is to construct a further three new units in the same material and design as those already in the CDM. The location of the three new units is shown on the plan attached to the report (please refer to appendix A). At the time of report writing Unit 1 is being tendered by the Markets Service to seek interest and units A+ (ZmZm) and F3W (Fisherman's Third Wife) have tenants who have completed Agreements for Lease for the proposed new units.
- 3.2 The estimated project cost for the proposed work, including all construction costs, professional fees, risk and contingency is circa £245k. The units are estimated to generate rental income of circa £27k which, after prudential borrowing payments of £21k over 15 years would generate a revenue surplus to the Market Service of £6k per annum and will support the service of achieving their current income targets.
- 3.3 In accordance with the Council's Contract Procedure Rules 3.1.4, the internal service provider, Leeds Building Services, was approached to give them the option to undertake the works. Leeds Building Services declined the opportunity advising that due to the level of out of hours resource required to undertake the works they would not have resources to fulfil the requirement of the contract. Against this background, it is proposed to use Constructionline to tender the work through a mini competition.

### **3.4 Programme**

- 3.4.1 An indicative programme is detailed below:

	<b>Start (w/c)</b>	<b>Comp'e</b>
• Completion of designs & final preparation of tender	06/08/18	10/08/18
• Tender Period	13/08/18	21/09/18
• Tender Evaluation	24/08/18	28/09/18
• Contract Award/approvals	01/10/18	05/10/18
• Mobilisation	15/10/18	
• Start on site	22/10/19	
• Complete	30/11/18	

## **4 Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 The Market Service and the Council's Conservation Team have been consulted and are supportive of both projects and the procurement route recommended.
- 4.1.2 The Kirkgate Market Management Board has been consulted and is supportive of the proposals contained in the report.
- 4.1.3 The Executive Member for Regeneration, Transport and Planning has been consulted and is supportive of the proposals contained in the report.
- 4.1.4 The Council's Finance Performance Group has been consulted and is supportive of the proposals and agreed to the funding strategy for the scheme.

### **4.2 Equality and diversity / cohesion and integration**

- 4.2.1 There is no expected impact on the protected characteristics and therefore it is not applicable for an EDCI impact screening form to be completed at this time.

### **4.3 Council policies and the best council plan**

- 4.3.1 The proposed works support the Good Growth priority in the Council's Best Council Plan 2017/18 by promoting investment which will contribute to the economic growth of the city and job creation.

### **4.4 Resources and value for money**

- 4.4.1 It is proposed that the cost of the works will be funded through prudential borrowing funded by the rental income generated from the three new units. The Chief Financial Officer and the Director of City Development should note that the financial business case was approved by the Council's Financial Performance Group on 17 November 2017.
- 4.4.2 The Director of City Development should note that the pre-tender estimate for the construction of the three new units in the CDM has been prepared by Leeds Building Services using comparative data and the actual construction figure will not be known until the Council are in receipt of the tenders.
- 4.4.3 The estimated project cost for the proposed work, including all construction costs, professional fees, risk and contingency is circa £245k. The units are estimated to generate rental income of circa £27k per annum which, after prudential borrowing payments of £21k per annum over 15 years would generate a revenue surplus to the Market Service of £6k per annum and will support the service of achieving their current income targets.

#### 4.4.4 Capital funding and cash flow.

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2019 £000's	FORECAST				
			2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
TOTALS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2019 £000's	FORECAST				
			2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	234.0		234.0				
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	11.0		11.0				
TOTALS	245.0	0.0	245.0	0.0	0.0	0.0	0.0
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2019 £000's	FORECAST				
			2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022 on £000's
Departmental USB	245.0		245.0				
Total Funding	245.0	0.0	245.0	0.0	0.0	0.0	0.0
<b>Balance / Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Parent scheme number : 32967

Title : 3 New Units in the Covered Daily Market

#### Revenue effects

The following table illustrates the alterations which will be necessary to the department's revenue budget:

REVENUE EFFECTS	2018/19 £000's	2018/19 and SUBSEQUENT YEARS £000'S
EMPLOYEES		
PREMISES COSTS		
PRUDENTIAL BORROWING	21.0	294.0
EXTERNAL INCOME GENERATED	27.0	378.0

## **4.5 Legal implications, access to information and call-in**

- 4.5.1.1 The decision to approve the injection of £245,000 in the capital programme, authorising expenditure and approving the procurement route in respect to the appointment of a contractor to undertake the works proposed is Significant Operational Decision and is not subject to Call In.

## **4.6 Risk management**

- 4.6.1 There is a risk that the tender for the proposed works will exceed the budget available. This will only become apparent upon receipt of the tenders. This risk cannot be completely mitigated and, if the issue arises, it may be necessary to review the scope of service to comply with budget available.

## **5 Conclusions**

- 5.1 The CDM can be considered a success as demonstrated by the full occupation of the existing units and the ongoing approaches from other food retailers interested in trading within this area. Against this background, the Market Service would wish to capitalise on this opportunity by providing additional units which are likely to provide a financial surplus for future reinvestment in the Market.

## **6 Recommendations**

- 6.1 The Chief Officer Financial Services is requested to:
- i. approve the injection of £245,000 into the Capital Programme to fund the construction of three new units within the Covered Daily Market at Kirkgate Market.

The Director of City Development is requested to:-

- ii. approve the Authority to Spend of £245,000 from the Capital Programme to fund the construction of three new units within the Covered Daily Market at Kirkgate Market.
- iii. approve the procurement of a contractor to undertake the construction works for the three new units within the Covered Daily Market from Constructionline and that the evaluation criteria to be used to assess the suitability of the contractor to undertake the commission be based on a single stage tender on a 100% price basis.

## **7 Background documents<sup>1</sup>**

- 7.1 None

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