



## Notice of Non-key Executive Decision

<b>Subject Heading:</b>	The procurement of a supplier or group of suppliers to set up and operate "The London Innovation Gateway" (an innovation hub) in Rainham.
<b>Cabinet Member:</b>	Cllr Roger Ramsey
<b>SLT Lead:</b>	Neil Stubbings, Regeneration Programme Director
<b>Report Author and contact details:</b>	Howard Swift, Interim Economic Development Manager  Tel: 01708 432654 E: <a href="mailto:howard.swift@havering.gov.uk">howard.swift@havering.gov.uk</a>
<b>Policy context:</b>	London Borough of Havering Corporate Plan 2017-18  Opportunities: First class business opportunities  Opportunities: A thriving local economy
<b>Financial summary:</b>	<p>This decision relates to the procurement of a supplier or group of suppliers for the set up and ongoing operation of a digital and immersive technology driven logistics, construction and engineering innovation hub. The value of the contract will be £0.481m which has been secured through the GLAs Good Growth Fund.</p> <p>As part of the procurement process Havering have committed to providing £0.056m funding if there is a shortfall in revenue generated by the appointed operator.</p> <p>This will be funded from the revenue budget A26340 Economic Development implementation.</p>

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<b>Relevant OSC:</b>	OSC
<b>Is this decision exempt from being called-in?</b>	No

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**The subject matter of this report deals with the following Council Objectives**

Communities making Havering	<input type="checkbox"/>
Places making Havering	<input type="checkbox"/>
Opportunities making Havering	<input checked="" type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

***Place an X in the [] as appropriate***

## **Part A – Report seeking decision**

### **DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION**

**The Regeneration Programme Director is requested to agree to:**

1. Commence a tendering process for a five year contract with an estimated value of £0.481m for the establishment and ongoing operation of a digital and immersive technology driven logistics, construction and engineering innovation hub. This project is currently referred to as "The London Innovation Gateway (the "Gateway")".
2. Waive Contract Procedure Rule 18.4, that tenders will be evaluated against pre-determined best price-quality ratio of 70% cost and 30% quality weighting and agree a 40% price and 60% quality weighting.
3. Enter into a non legally binding Memorandum of Understanding detailing the partnering arrangements between the Council, Havering College, SEGRO and the Riverside BID.

### **AUTHORITY UNDER WHICH DECISION IS MADE**

#### **3.4 Powers of Second Tier Managers**

Contract powers

(a) To approve commencement of a tendering process for all contracts below a total contract value of £0.500m but above the EU Threshold for Supplies and Services.

### **STATEMENT OF THE REASONS FOR THE DECISION**

The Council submitted a successful bid to the GLA's Good Growth Fund in conjunction with Havering College, SEGRO and the London Riverside BID to establish an innovation hub and undertake public realm improvements in the Rainham area of the borough.

The Gateway will be a digital and immersive technology and skills centre designed primarily for the construction, logistics and engineering sectors. It will operate over multiple sites, with core large scale immersive tech facilities based in SEGRO Park and additional AR/VR facilities in a dedicated suite at Havering College.

The Gateway will offer businesses in the Rainham Employment Strategic Industrial Location, East London and across the UK the opportunity to train in and utilise digital technologies for the purposes of virtually developing and testing new products and processes, upskilling staff and attracting new clients. Businesses will benefit from the innovation expertise of the Gateway's staff. Interacting with the Gateway will act as a catalyst for business innovation processes which are intended to improve the productivity and competitiveness of the business environment in Havering, East London and the greater South East.

This project helps take forward the Corporate Plan priority under the Opportunities Theme of helping our businesses grow. The project will provide a key component of a wider strategic vision developed and shared by the partners, for improving and intensifying the Rainham Employment SIL. All partners, including the GLA, the Council, the College and SEGRO are

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committed to this project and an initial 5-year business plan has been drafted that demonstrates financial sustainability over this period, given the anticipated income stream from the Hub.

A consultancy, Urban Foresight, have been appointed to provide input into the writing of the Good Growth Fund bid and to assist in the identification of a supplier to deliver the Gateway. As part of the procurement process Urban Foresight compiled a prior information notice to test the market for suitable operators and host a supplier open day on 12<sup>th</sup> June at SEGRO. The supplier open day was part of the contractual obligations that Urban Foresight committed to and it was paid through cost/subjective code: A26795.641440.

The timetable from the releasing of the prior information notice to the initiation of the project is detailed below. This is an indicative procurement timetable and subject to change.

Date	Description
22 <sup>nd</sup> April 2019	Prior Information Notice released
25 <sup>th</sup> May 2019	Expression of Interest window closed
12 <sup>th</sup> June 2019	Market Engagement Event
w/c 5 <sup>th</sup> August 2019	Despatch of the OJEU contract notice by the Authority Procurement documents made available via the capitalEourcing portal
13 <sup>th</sup> September 2019	Deadline for clarification questions
27 <sup>th</sup> September 2019	Deadline for tender return
30 <sup>th</sup> September – 18 <sup>th</sup> October 2019	Evaluation of bids
21 <sup>st</sup> October – 23 <sup>rd</sup> October 2019	Potential clarification meetings for bidders
24 <sup>th</sup> October – 8 <sup>th</sup> November 2019	Completion of the Authority approval and award decision processes
11 <sup>th</sup> November 2019	Notification by the Authority of the award decision, debriefing unsuccessful bidders and commencement of the standstill period
12 <sup>th</sup> November – 21 <sup>st</sup> November 2019	Standstill Period
22 <sup>nd</sup> November – 29 <sup>th</sup> November 2019	Contract preparation and sign off/execution
2 <sup>nd</sup> December 2019	Proposed contract start date
6 <sup>th</sup> January 2019	Project Initiation

This key decision relates to two previous decisions, an initial decision was signed on 12<sup>th</sup> July 2018 which committed the Council to submitting a bid for the Good Growth Fund in partnership with Havering College, SEGRO and the Riverside BID. A further decision was signed on the 22<sup>nd</sup> October 2018 which requested agreement to submit a revised bid to the Good Growth Fund. The revised bid was successful and the Council secured £1.63m to create an innovation hub in partnership with Havering College and SEGRO in Rainham. The Cabinet approved the Grant Agreement with the GLA to deliver the project, on 12<sup>th</sup> June 2019.

### **OTHER OPTIONS CONSIDERED AND REJECTED**

There is no framework for this type of supplier. As part of the project LBH commissioned a consultancy (Urban Foresight) who undertook market research to

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produce a comprehensive review of stakeholders and other innovation centres. This review included:

- identifying other innovation centres
- the operating and governance model of existing
- assessing the number of independent existing operators (as opposed to university or public body operators) and their core area of expertise.

This research indicated there were no real comparable facilities (in terms of operating model, sector focus and partners) to the London Innovation Gateway and an open procurement would be required. The main rationale for an open procurement is that due to the unique mix of skills required it is likely that organisations who are currently not acting as operators will have relevant skills and expertise to add value to the London Innovation Gateway. These organisations are unlikely to be on a framework relevant to operating a hub, even if they are on a different framework for technology suppliers or business support organisations.

### **PRE-DECISION CONSULTATION**

There is no pre-decision consultation.

### **NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER**

Name: *HOWARD J. SWIFT*

Designation: *INTERIM ECONOMIC DEVELOPMENT MANAGER*

Signature:



Date: *31 JULY 2019*

## **Part B - Assessment of implications and risks**

### **LEGAL IMPLICATIONS AND RISKS**

This report seeks approval to commence a procurement process for a provider/group of providers to set up and run an innovation hub that trains businesses.

The Council shall enter into a non legally binding Memorandum of Understanding (MOU) that will set the terms of reference for the partnering arrangements of the Council, Havering College, SEGRO and the Riverside BID. Any future change to the set up of such arrangements must be the subject of a further governance report and appropriate business case.

The Council is the Contracting Authority in respect of this procurement; while it will consider direction from the aforementioned partners, it will contract manage the hub operator and any decisions relating to the contract provision will be a matter for the Council under its Constitution.

The Council under the Localism Act 2011 has a general power of competence, as it gives the Council the legal capacity to do anything than an individual can do that is not specifically prohibited. In addition, the Council has a general power under section 111 of the Local Government Act 1972 to do anything that is calculated to facilitate, or is conducive or incidental to the discharge of any of its functions thus provides the Council with a general power to enter into contracts for the discharge of any of its functions such as those detailed within this report.

The Public Contracts Regulations (PCR) 2015 require contracts over the relevant financial threshold to be advertised via the Official Journal of the European Union (OJEU), and to be let competitively in accordance with transparent and non-discriminatory criteria.

The relevant financial threshold for services of this nature is £0.181m. As set out in the Financial Implications, the total estimated value of this contract is £0.481m. Therefore, a Contract Notice must be published in the OJEU as well as an advertisement on Contracts Finder.

Officers intend to use the open procedure to procure these services. Also, subject to approval through the Checkpoint process, Officers intend to depart from the Council's predetermined best price-quality ratio (70% price and 30% quality) within its Contract Procedure Rules (CPRs) by evaluating the tenders received against a 40% price and 60% quality weighting. A waiver of this CPR is sought in the recommendations of this report.

Bidders will be afforded the opportunity to bid via a consortia (where a number of economic operators come together to submit a bid for the contract). However, the Council will award the contract to one party who will act as main contractor; other bidders will be appointed as sub-contractors by the successful tenderer. Regulation 19 of the PCRs deals with 'Groups of economic operators' and Officers will need to have regard to these requirements specifically.

In respect of Article 107 Treaty of the Functioning of the European Union 1957 the use of grant funding for the scheme is considered to be state aid compliant; being available to businesses across the UK and not selective to any particular undertaking. The provision does not confer a commercial advantage as it is available to any business in the UK.

Whilst this report discusses a potential shortfall, this will not be known until tenders are received. In any event, this would require a separate decision by the appropriate decision maker.

### **FINANCIAL IMPLICATIONS AND RISKS**

The grant awarded through the Good Growth Fund (GGF) to deliver the project in its entirety is £1.632m; this will be used to deliver the innovation hub (London Innovation Gateway) and public realm improvements in the Rainham BID area.

Within this budget, the Greater London Authority has agreed that £0.481m will be used as revenue funding by the appointed hub operator. This funding will be used for rates, utilities and other costs over the first three years.

The Good Growth Fund schedule allocates this funding as follows:

- 2019/20: £0.122m
- 2020/21: £0.256m
- 2021/22: £0.103m

A business model generated during the GGF application anticipates that over the course of the five year contract additional income will be generated through different sources including development and innovation grants, hub membership, sponsorship and commercial services. This revenue stream is separate to the funding that will be received through the GGF and will be used to cover the operating costs of the innovation hub.

The model estimates at the end of the three year period 2019/20 – 2021/22, £0.212m of income will be generated. This level of income generation will not cover all of the costs of the Hub teams and other operational costs (estimated to be £0.268m) and as such Havering Council may have to contribute £0.056m that same year to cover the shortfall. This will be funded from the revenue budget A26340 Economic Development implementation.

This figure (£0.056m) is being identified as a contingency and may not be required. As prospective hub operators will be requested to show how they will produce revenue streams through the innovation hub. The figures that have been generated through the business model will not be published in the Invitation to tender document which will be used to identify an operator.

Income generated from the operator will be held in a ring fenced account (reserve) and administered by LBH to the benefit of the operator.

As the project progresses the project board will establish a special purpose vehicle (SPV) which could be incorporated as a company limited by guarantee. If, and when, the innovation hub begins to generate revenue a further key decision will be submitted in order to obtain authority for the creation of the SPV which will administer the generated revenue. The SPV will include members of the project board who will decide how any revenue generated by the project will be reinvested back into the innovation hub.

### **HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)**

There are none.

### **EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS**

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires



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the Council, when exercising its functions, to have due regard to:

- i. The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii. The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- iii. Foster good relations between those who have protected characteristics and those who do not

Note: 'Protected characteristics' are: age, gender, race and disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio – economics and health determinants. The proposals relating to this report, if they are implemented, will improve the business environment in the borough and consequently the employment prospects and socio- economic status of residents.

An equality, health and impact assessment has been carried out on this project and is submitted as one of the accompanying background papers.

#### **BACKGROUND PAPERS**



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**Part C – Record of decision**

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

**Decision**

Proposal agreed

*Delete as applicable*

~~Proposal NOT agreed because~~

**Details of decision maker**

Signed 

Name: NEIL STUBBING

Cabinet Portfolio held:

CMT Member title: DIR OF REGENERATION

Head of Service title

Other manager title:

Date: 02/08/19

**Lodging this notice**

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Democratic Services Officer in Democratic Services, in the Town Hall.

**For use by Committee Administration**

This notice was lodged with me on 8/8/2019

Signed 

