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|   | <b>PAPER NO: PC.03(12)</b>   |
| <b>Committee:</b>                       | <b>Property Committee (Special Meeting)</b>  |
| <b>Date:</b>                            | <b>11<sup>th</sup> January 2012.</b>   |
| <b>Subject:</b>                         | <b>Enterprise Centre Business Case – Principles and Process</b>  |
| <b>Author:</b>                          | <b>Stephen Wells, Director of Estates and Facilities</b>   |
| <b>Executive sponsor:</b>               | <b>Bev Jullien, PVC External</b>   |
| <b>Recommendation by the Executive:</b> | <b>To discuss the contents of the paper and agree a way forward on the proposed process for the New Enterprise Centre Full Business Case approval.</b> |

### **Executive summary**

1. The proposed paper reflects on the Full Business Case (FBC) approval process for the Student Centre project and proposes changes to the content of the Enterprise Centre FBC and project programme to ensure the relevant information is provided to Governors to assist in their decision making and approval.

|                                  | <b>Board/Committee</b> | <b>Date</b>                 |
|----------------------------------|------------------------|-----------------------------|
| Matter previously considered by: | Property committee     | 29 <sup>th</sup> June 2011. |
| Further approval required?       | See enclosed programme |                             |

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| Communications – who should be made aware of the decision? | N/A |
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## **Full Business Case (FBC) – Summary Content**

The Outline Business Case Update of June 2011 will be updated and revised to follow best practice for business case development and in line with the lessons learnt from previous projects. The purpose of the FBC is to revisit the OBC and record the findings of the subsequent procurement. It also sets out the recommendation for an affordable solution which continues to optimise VFM, and includes detailed arrangements for the successful delivery of goods and implementation of services from the recommended supplier, in this case a construction contract.

This FBC seeks the investment decision to proceed with the construction phase and is presented to align with HM Treasury 'Green Book' best practice standard business cases and presents five key cases:

- The Strategic Case
- The Economic Case
- The Financial Case
- The Commercial Case
- The Management Case

It is proposed that each of the five sections of the business case will contain;

**Strategic Case** – to build upon the OBC, with a review of any significant changes since the OBC was prepared in June 2011.

**Economic Case** – to review the options for the project delivery, in this case it will be focused on the five potential options;

- Do Nothing,
- Do minimum,
- Redevelopment of Heritage Terrace (Currently the Preferred option),
- Reduced design including reduce scope of project &
- Alternative location for new Enterprise Centre

**Financial Case** – To develop a fully costed NPV showing each options and the preferred option. Including inclusion of construction tenders as they become available.

**Commercial Case** – The benefits and attractiveness of the project and what are the softer benefits of a new enterprise centre to the organisation and the student experience.

**Management Case** – Building upon the areas identified in the updated OBC, indicating how the project will be managed and the Governance arrangements.

## **Programme Options**

The timetable below proposes amendment of the indicated project programme for the new Enterprise Centre project that was contained in the Enterprise Centre Outline Business Case Update of June 2011. The timetable aims to ensure that the

information presented to the Property Committee and Board of Governors contains the appropriate amount of detail and that decisions can be made in a transparent and timely manner.

|   | <b>Current programme in line with Outline Business Case.</b>  | <b>Potentially Revised Programme.</b> |
|---|---|---------------------------------------|
| Key Stakeholder information provided for inclusion in the FBC/NPV.  | 20 <sup>th</sup> January 2012.  | 30 <sup>th</sup> January 2012.        |
| Executive sign off of outline NPV.<br>NPV to include options for; <ul style="list-style-type: none"> <li>• Do nothing,</li> <li>• Do minimum,</li> <li>• Preferred option,</li> <li>• Reduced design/Scope &amp;</li> <li>• Alternative location for Enterprise Centre</li> </ul> |   | 8 <sup>th</sup> February 2012.        |
| Property Committee, sign off of outline NPV.<br>NPV to include options indicated above), proposals for impairment for project and indication of softer benefits for proposals   |   | 27 <sup>th</sup> February             |
| FBC Completed and signed off by Project Sponsor and Project Board.  | 16 <sup>th</sup> March 2012.  | 13 <sup>th</sup> April 2012.          |
| Executive sign off of FBC.  |   | 17 <sup>th</sup> April 2012.          |
| Property Committee approval of FBC  | Decision by 26 <sup>th</sup> March 2012. *<br>(currently Property Committee is scheduled for 25 <sup>th</sup> April 2012) | 25 <sup>th</sup> April 2012           |
| Board of Governors approval of FBC and construction contract award.   | Assumes delegated authority to the Property Committee   | 24 <sup>th</sup> May 2012.            |
| Construction start on site (including mobilisation)   | 12 <sup>th</sup> April 2012. *  | 6 <sup>th</sup> June 2012. **         |
| Construction works complete (PC)  | 21 <sup>st</sup> February 2013. *   | 26 <sup>th</sup> April 2013. **       |
| Building Opens  | 5 <sup>th</sup> April 2013. *   | 7 <sup>th</sup> June 2013. **         |
| *assumes approval of construction contract award by the 26 <sup>th</sup> March 2012.<br>**assumes approval of construction contract award by the 24 <sup>th</sup> May 2012.   |   |                                       |

If the proposed project programme is approved this would delay the project by circa 2 months from the presented project programme contained within the updated

Outline Business Case (June 2011). The impact of this delay is minimal to operational activities of the new Enterprise Centre and this risk can be managed.

**Value for Money**

The cost proposals below have been provided by the Quantity Surveyor, Cyril Sweet, based on 2012 prices. The Property committee requested that clarification be sought on the financial implications of refurbishment of the Heritage (Grade 2) existing Terraces for the new Enterprise Centre, when compared to a site that contained no listed properties.

|                                     | <b>Cost</b> | <b>Cost per Sq M.</b> | <b>Assumptions</b>  |
|-------------------------------------|-------------|-----------------------|---|
| Current cost plan (Stage E)         | £13,530,000 | £4,373/M2             | Cost includes construction costs, main contractor's preliminaries, OH&P, IT/AV, FF&E, consultant's fees, LSBU internal costs and VAT @ 20%. Existing buildings are Grade 2 listed, in SE1 and 3,094M2.  |
| New build cost of Enterprise Centre | £11,279,250 | £4,050/M2             | Cost includes construction costs, main contractor's preliminaries, OH&P, IT/AV, FF&E, consultant's fees, LSBU internal costs and VAT @ 20%. New build costs assumes a commercial design of building with basement, 5/6 story, part curtain walling, part brick elevations, supplemented natural ventilation, it also does not allow for a signature Architect. In addition, a new build would be more space efficient (net to gross) than the existing Heritage design and would give a reduction of 10% in overall floor space resulting in a total size of 2,785M2. |

The table above concludes that an increase of 19.9% is required to complete the project in line with the brief signed of by the Project Sponsor in grade 2 Heritage buildings, compared to if the development was a brown field new build. To achieve the most preferred solution, the existing 17 terraces and dis-used public house would be demolished to provide a vacant brown field site, this resulting in a more space efficient building (circa 10% reduction in space required). Due to the Terraces Listed status this is not possible, and has been undertaken on a purely theoretical basis.

**Planning Issues**

A letter will be tabled at the meeting on the 11<sup>th</sup> January 2012 from our external planning advisors on the following two issues;

- What are the requirements of a freeholder regarding upkeep of Grade 2 listed Buildings
- What would be the implications if LSBU withdrew the current proposals for the Terraces et al on other subsequent planning applications.

Stephen Wells  
Director of Estates and Facilities  
6<sup>th</sup> January 2012.