

SHEFFIELD CITY COUNCIL

INDIVIDUAL CABINET MEMBER DECISION RECORD

The following decision was taken on 23rd May 2019 by the Cabinet Member for Business and Investment.

Date notified to all members: 29th May 2019

The end of the call-in period is 4:00 pm on 4th June 2019

Unless called-in, the decision can be implemented from 5th June 2019.

1. **TITLE**

Electric Works - Facilities Management Provider Procurement

2. **DECISION TAKEN**

1. To approve the procurement of a FM services provider in line with the report and;
2. Delegate authority to the Director of City Growth in consultation with the Director of Commercial and Financial Services and the Director of Legal and Governance that following such procurement exercise to award such contract and take such other necessary steps not covered by existing delegations to achieve the outcomes outlined in the report.

3. **Reasons For Decision**

1. The preferred option is to retain the building as managed workspace operated by a third party on the Council's behalf delivering the following benefits:
 - Additional economic impact / benefit
 - Attraction of high value tech companies
 - Potential cost savings & process simplification of current delivery arrangements
 - Income generation to repay Council borrowing thereby creating an asset for the future
 - Ownership of a high quality asset in a strategic location
2. Approval of the recommendations within this report will allow for the preferred option to be implemented within the timescales required to ensure continuity of service and allow for a period of 'hand over' if required.

4. **Alternatives Considered And Rejected**

1. The following options are open to the Council and were considered by EMT as part of the strategic review:

Sell the building

Given the natural break point at the end of the current FM agreement, SCC could seek to sell Electric Works either as a managed workspace for creative and digital businesses or as a vacant office development.

Property Services undertake regular valuations of the Council's investment portfolio. This valuation can be compared against the outstanding borrowing in order to inform whether or not it makes sense to sell or retain the building.

This analysis shows it would be impossible to maintain the wider economic development objectives of the building AND maximise value to SCC. Selling Electric Works as vacant office space would allow SCC to repay the majority of the outstanding borrowing but would mean the city lost the economic benefit of having a facility for digital businesses.

Retain the building as SCC accommodation

The Council could decide to retain the building and utilise it as part of the Council's accommodation strategy. Work around the Council's Accommodation Strategy reveals absolutely no need for this, so this option has not been pursued further at this stage.

Retain the building as managed workspace operated directly by the Council

If the FM service at Electric Works was aligned with the service provided in other council buildings it could jeopardise the Council's ability to charge premium rates for serviced and semi serviced office space. Premium rates are required in order for the Council to generate the income required to repay its borrowing. Retaining a community of digital / tech businesses that are prepared to pay premium rates to be in Electric Works in part depends on the quality of service they receive. To date, it has been felt this is best delivered by a sector relevant third party FM provider, not directly by SCC employees or contractors.

Continuing to run Electric Works as a digital business centre was demonstrably the most economically advantageous outcome for both the Council and the wider city economy. Continuing with an arm's length, specialist, FM services provider to run the building was felt key to maintaining Electric Work's position as the predominant location for growing tech and digital businesses. Approval for a re-procurement of an operator for Electric Works is therefore sought.

5. **Any Interest Declared or Dispensation Granted**

None

6. **Respective Director Responsible for Implementation**

Executive Director, Place

7. **Relevant Scrutiny Committee If Decision Called In**
Economic and Environmental Wellbeing Scrutiny Committee