

Infrastructure Procurement Options: Comparison of Benefits v Disadvantages

Benefits	
Option 1 – SDC Procures and Delivers	Option 2 – SDC procures and novates delivery
This option would appear, from the soft market testing, to be the preferred option for the market. The residential and commercial development will become more attractive to potential developers as the level of risk around the canal infrastructure works has been removed as the Council becomes responsible for the delivery of the infrastructure works and takes on the risk around delays and cost increases	As with option 1, the residential and commercial development will become more attractive to potential developers as the level of risk around the canal infrastructure works has been reduced as the costs for the works have been 'fixed' through the separate procurement process. This option is <u>less beneficial</u> in this regard as it only takes the infrastructure to procurement stage not delivery.
By separating the contracts, the infrastructure will be delivered regardless of the property market and general economic conditions and this would be a major step forward in delivering the site and the canal.	The risk of the delivery and co-ordination can be shared with the developer partner. The Council has allocated funds of £4.2m to the project to assist with the costs associated with the infrastructure. However, this is a fixed, capped sum, which is the Council's contribution towards the capital costs of the project. With this option the Council could take a more equal share in the risk surrounding the canal infrastructure works, with any additional costs being shared between both parties or to continue to pass that obligation on to the developer.
	Council resources for contract administration/management would be limited to a single project delivery with potential efficiency benefits.
	Passing the canal infrastructure D&B contract over to the developer partner to manage and co-ordinate will ensure that the partner is able to manage the design co-ordination and site phasing to their design and delivery requirements, for the residential element. The planning application process for the redevelopment works can commence whilst the infrastructure works are underway.

Disadvantages	
Option 1 – SDC Procures and Delivers	Option 2 – SDC procures and novates delivery
Where do the infrastructure works stop and the redevelopment works start? The finish for the canal would need to be decided ahead of a planning application for the redevelopment being submitted. The co-ordination of the whole development would be split between two parties.	Option 2 may not be as desirable to the market as Option 1, however, will still give confidence to the market that the works are procured, prices are fixed (as far as possible) and the risk that the current commercial risk is reduced.
There is a risk that the canal infrastructure would be completed ahead of a partner being selected. If the procurement was unsuccessful then the redevelopment may not follow on. However, the infrastructure is part of the overall canal project to see the canal reinstated up to Bourne Mill and so has wider benefits.	The procurement of the development partner will need to be linked to the procurement of a fixed price for the infrastructure works. The fixed price will be required to support the Bidders development appraisals to demonstrate overall site viability. The SQ stage can commence in advance of this but the dialogue phase could not start until this information was provided.
The Council would need to fund the full cost of the infrastructure upfront ahead of selecting a partner together with the risk of project overruns in terms of time and cost.	
The Council would need to procure a further resource to manage the delivery of the canal and infrastructure works.	
Approval would need to be sought from Homes England to use the £2million loan to deliver the infrastructure with no guarantee about the delivery of new homes.	