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Award

## **Queen Alexandra Hospital, ground leases of land at the Main Entrance and North Entrance**

Portsmouth Hospitals University NHS Trust

F15: Voluntary ex ante transparency notice

Notice identifier: 2022/S 000-036583

Procurement identifier (OCID): ocids-h6vhtk-039443

Published 23 December 2022, 3:50pm

### **Section I: Contracting authority/entity**

#### **I.1) Name and addresses**

Portsmouth Hospitals University NHS Trust

Queen Alexandra Hospital, Southwick Hill Road

Portsmouth

PO6 3LY

#### **Contact**

Mark Magrath

#### **Email**

[mark@magrathconsulting.com](mailto:mark@magrathconsulting.com)

#### **Telephone**

+44 7824625139

#### **Country**

United Kingdom

**Region code**

UKJ31 - Portsmouth

**Justification for not providing organisation identifier**

Not on any register

**Internet address(es)**

Main address

<http://www.porthosp.nhs.uk>

**I.4) Type of the contracting authority**

Body governed by public law

**I.5) Main activity**

Health

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## **Section II: Object**

### **II.1) Scope of the procurement**

#### **II.1.1) Title**

Queen Alexandra Hospital, ground leases of land at the Main Entrance and North Entrance

Reference number

F16089

#### **II.1.2) Main CPV code**

- 45000000 - Construction work

#### **II.1.3) Type of contract**

Works

#### **II.1.4) Short description**

Portsmouth Hospitals University NHS Trust ("PHUT") intends to enter into a series of leasing agreements with Noviniti Dev Co 7 Limited ("Noviniti") in respect of a new retail use and lecture theatre and clinical space development ("the Development") at land at the Main Entrance and North Entrance at the Queen Alexandra Hospital, Portsmouth ("the Hospital") with Compass as Noviniti's initial tenant and retail operator. The contractual arrangements are structured as a land transaction exempt from the Public Contracts Regulations 2015 ("PCR") and the Concession Contracts Regulations 2016 ("CCR").

Noviniti has drawn down two 46 -year ground leases ("GL") of the site in exercise of an option agreement with PHUT. The GLs have break clauses in favour of PHUT after 2 years (so PHUT can recover the site if the Development is not commenced); after 6 years (so PHUT can recover the site if only one of the two entrances is completed) and 40 years from practical completion of the Development.

#### **II.1.6) Information about lots**

This contract is divided into lots: No

#### **II.1.7) Total value of the procurement (excluding VAT)**

Lowest offer: £1,320,000 / Highest offer: £46,500,000 taken into consideration

## **II.2) Description**

### **II.2.2) Additional CPV code(s)**

- 45213100 - Construction work for commercial buildings

### **II.2.3) Place of performance**

NUTS codes

- UKJ - South East (England)

Main site or place of performance

Queen Alexandra Hospital, Southwick Hill Road, Portsmouth

### **II.2.4) Description of the procurement**

PHUT intends to enter into an Agreement for Underlease in respect of the Main Entrance & North Entrance sites with Noviniti Dev Co 7 Ltd ("Noviniti") and Compass Contract Services (UK) Limited ("Compass"). Compass commits to accepting the grant of two 15 year underleases (with rent obligations to Noviniti) on practical completion ("PC") of the retail space. PHUT (as head landlord) will have insurance obligations owed to Compass and a repairing covenant for the retail space. PHUT will be required to step-in to take the underlease if Compass fails to do so on PC. PHUT must enter into an Overriding Lease (to become Compass' landlord) if Compass becomes insolvent or defaults on its Underlease, in order to maintain the rental payments to Noviniti. PHUT will enter into a 25-year Reversionary Lease (with rent obligations to Noviniti) to take effect from expiry of Compass' underlease. Some education space, research and development space and common parts will be delivered as part of the scheme.

### **II.2.11) Information about options**

Options: No

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## **Section IV. Procedure**

### **IV.1) Description**

#### **IV.1.1) Type of procedure**

Award of a contract without prior publication of a call for competition in the cases listed below

- The procurement falls outside the scope of application of the regulations

Explanation:

PHUT considers that the arrangements fall within the land exemption under Regulation 10(1)(a) Public Contracts Regulations 2015 and/or Regulation 10(11)(a) Concessions Contracts Regulations 2015.

The GLs were only drawn down by Noviniti when certificates for lawful development had been secured. As the certificates for lawful development are referenced under the OA and must be complied with when carrying out the permitted alterations under the Licences for Alterations the Trust has had input to the details of the Development.

On execution of the GL Noviniti is not obliged to undertake the Development. Once Noviniti serves notice electing to carry out the Development this engages enforceable obligations for Noviniti to carry out and complete the Development for PHUT under the terms of the Agreement for Lease and the Licence for Alterations.

However, as Noviniti is under no obligation to serve notice to elect to carry out the works PHUT considers that no public works contract arises for lack of an enforceable obligation and Noviniti is able to "walk away" from having to deliver the Potential Development.

#### **IV.1.8) Information about the Government Procurement Agreement (GPA)**

The procurement is covered by the Government Procurement Agreement: No

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## **Section V. Award of contract/concession**

A contract/lot is awarded: Yes

### **V.2) Award of contract/concession**

#### **V.2.1) Date of conclusion of the contract**

20 December 2022

**V.2.2) Information about tenders**

The contract has been awarded to a group of economic operators: No

**V.2.3) Name and address of the contractor/concessionaire**

Noviniti Dev Co 7 Limited

The Stables, Churchfield Farm, Harley Way, Oundle

Peterborough

PE8 5AU

Email

[jonathan.houlston@noviniti.co.uk](mailto:jonathan.houlston@noviniti.co.uk)

Country

United Kingdom

NUTS code

- UKH - East of England

Companies House

12938566

The contractor/concessionaire is an SME

No

**V.2.4) Information on value of contract/lot/concession (excluding VAT)**

Initial estimated total value of the contract/lot/concession: £13,200,000

Total value of the contract/lot/concession: £13,200,000

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## **Section VI. Complementary information**

### **VI.3) Additional information**

The Trust approved a decision to proceed with Noviniti on 20th December 2022 subject to a further approval on 25th January 2023 with documents to be signed immediately after that.

The estimated value range in II.1.7 and V.2.4 represents rental to Noviniti (with an estimated value of approximately £13.2m (subject to RPI under the terms of the lease arrangements)) and projected operator turnover, subject to deduction of circa £330k per annum in respect of rental obligations to Noviniti). The rent that Compass has agreed to pay Noviniti is calculated on the basis of an expected level of turnover. In the event that the retail facilities do not achieve the expected level of turnover (whether as a result of some action the Trust has taken or otherwise) the Trust is liable to share some of the risk of this with the retail tenant.

If Noviniti chooses to go ahead Noviniti currently anticipates that any development would begin at the Main Entrance site, with development of the North Entrance to follow. In the event that Noviniti chooses to proceed with the Potential Development, the 15 year underlease to Compass in respect of the ground floor of the Main Entrance site will be granted on completion of the development at the Main Entrance. On completion of the development of the North Entrance a replacement underlease in respect of the ground floor Main Entrance will be granted to Compass to take account of the build period of the work at the North Entrance so that the underleases to Compass of both areas on the ground floor

### **VI.4) Procedures for review**

#### **VI.4.1) Review body**

Royal Courts of Justice

The Strand

London

Country

United Kingdom