

REPORT TO LEISURE COMPLEX & BUS STATION PROGRAMME BOARD

Date of Meeting: 27th November 2018

REPORT TO EXECUTIVE

Date of Meeting: 11th December 2018

REPORT TO COUNCIL

Date of Meeting: 18th December 2018

Report of: Chief Executive & Growth Director

Title: St Sidwell's Point, Exeter Bus Station, & Paris Street/Sidwell Street Future Development

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1 What is the report about?

- 1.1** To seek approval for additional funding on the development of a new swimming pool and leisure complex (St Sidwell's Point) and new bus station, and to enter into contract with the successful tenderer. The report also provides context for the wider redevelopment of the bus and coach station site in the wake of the decision of The Crown Estate not to proceed with their proposed redevelopment scheme, and seeks authority for the City Surveyor to progress plans to bring forward the wider development site for housing, offices and a range of city centre uses including an option for a multi-purpose performance venue.

2 Recommendations

That Executive recommend to Council:

1. That members welcome the conclusions of Jones Lang LaSalle on the development demand and potential for the Sidwell Street and bus and coach station site and authorise the City Surveyor to progress work to identify options and potentially a preferred development partner, or partners, for a comprehensive scheme for the redevelopment of the wider Sidwell Street/Bus Station site (including options for the redevelopment of the Civic Centre site, Paris Street) and fund up to £300,000 to cover the associated costs of this work.
2. Fund up to £90,000 to cover the costs associated with exploring the potential, opportunity and viability to provide a multi-purpose performance venue as part of the wider development of Sidwell Street/Paris Street.
3. The allocation of an additional £11.88m to cover the programme costs and contract price of building a new leisure complex and bus station.
4. The Chief Executive & Growth Director be authorised to enter into written contracts with the successful tenderer for the construction of both projects

3 Reasons for the recommendations

- 3.1** In July 2017 Council approved a budget of £39.92million for the construction of a new leisure complex and swimming pool (St Sidwell's Point) and new bus station on the site in the city centre known as the Bus & Coach Station redevelopment site. At the time officers informed members that the project team was concluding the tendering exercise after the submitted bids were higher than the anticipated construction costs; and officers had sought a best and final offer. Unfortunately we could not secure a contractor to build the projects. In October 2017, Members were informed that this was the case and, as a consequence of the decision of The Crown Estate and TH Real Estate not to proceed with their scheme for redevelopment of the wider area, we would need to rework the St Sidwell's Point project to take into account changes necessitated by their withdrawal from the scheme.
- 3.2** An amended scheme was required to address the practical implications of not having a wider scheme, such as elevations now being exposed instead of being obscured by buildings, and pedestrian connections and levels being amended; all of which would have cost implications. This would require the City Council going back out to tender, and based on the previous experience we would have to work to de-risk the chances of failing to secure a contractor willing to build both projects. We anticipated additional costs would arise from these changes and an inflation cost associated with the delay would almost certainly come through the tenders.
- 3.3** Following an extensive period of working with contractors to de-risk the process, value engineering where practical, such as: ceiling changes, simplifying roof lines and balustrades; and working with the supply chain on sub-contractor packages, we have arrived at a final contract price for both the leisure complex and swimming pool, and the new bus station. To put the tender outcome into context, the project was originally tendered in late 2016, with the tenders returned in January 2017. At this time the market price for the scheme as informed by the two returned tenders was in the region of £44m and £46m. The team then attempted to establish a lower cost through the Best And Final Offer process, however – ultimately – the £39.92m scheme was not contractually concluded with the bidder. The team retendered the project, including an increased scope incorporating the additional interface works and a changed risk profile (enabling the contractor to accept more risk). This retendered scheme, at £51.8m is comparable to the original market price for the scheme, taking into account tender price inflation since the original tender (at 7.4%), the increased scope of works to include all the interface works, and the altered risk allocation. With two procurements and an open book tender process these costs are the proven market rate to construct the facilities required by the City Council.
- 3.4** The leisure complex with its swimming pools has been a project that the City Council wished to deliver as part of a wider re-development of the city centre and we fully expected to meet the full cost of the leisure complex; the bus station is different. Originally the new bus station was an item that was required to be funded by the lead developer for the wider development, initially Land Securities and then The Crown Estate. The City Council only got involved when it became apparent that the wider development was struggling to prove viability and the bus station was seen as an abnormal requirement that would prevent the whole scheme coming forward. The local transport authority would not contribute to the cost of the bus station and the Local Enterprise Partnership would not support a bid for the project. In recent months, with the support of the local transport authority, a bid was made to the Transforming Cities Fund for £4m of match funding, along with a

bid for Marsh Barton railway Station; both bids failed. Therefore, unless the City Council funds the new bus station the redevelopment of the wider site will be delayed.

- 3.5** The bus station is tired and presents a poor impression of the city with facilities that are less than satisfactory. The services are predominantly aimed at serving communities outside of the city and it is appropriate that the city provide a high quality first impression of the city and have facilities that are fit for purpose, attractive and accessible.
- 3.6** The bus station is on land owned by the City Council and it is occupying land that could deliver a density and mix of uses that would strengthen the offer of the city centre. Jones Lang LaSalle has been brought in to advise the City Council on the viability of a scheme for the redevelopment of the wider area, and this suggests potentially a better financial outcome for the City Council than the previous scheme promoted by The Crown Estate and TH Real Estates. Importantly it establishes that a viable scheme can be brought forward for a mix of development that will address the mix of uses identified at the Extraordinary Council in October 2017. As a point to note, the value of the wider scheme would be stronger if the City Council would allow purpose built student accommodation (PBSA). For the sake of clarity the scheme appraisal has not considered PBSA, the value of land receipts would be considerably strengthened with PBSA included.
- 3.7** The argument about the new bus station design, size and location has been set out at length elsewhere, planning permission has been secured for the scheme and that was the appropriate forum for any concerns to be aired and debated. The recommendation recognises the role of the bus station in freeing up the wider site and this report makes the case that it is in the interest of the city centre to bring forward the whole site.
- 3.8** The £11.88m additional cost of delivering both the leisure complex and bus station projects can be funded without negatively impacting on the Council's medium term financial plan. Due to the way the Council has saved for the leisure complex and has used Community Infrastructure Levy (CIL), Section 106 funding, capital receipts and loan arrangements, we can cover the total cost of the projects £51.8m without the revenue budget having to make additional savings to fund the project. This is a long term capital asset that has been designed for a life span of over 50 years, modelled for 80 years against climate change, and will provide a high quality architectural leisure complex on this most conspicuous site that will set the tone for the redevelopment of the new quarter of the city centre. It will set the standards on new swimming pools for environmental performance, with best in class energy savings. These projects represent a significant investment in the long term future of Exeter City Centre. Importantly it enables the wider redevelopment of the Sidwell Street/Paris Street area to come forward, and in the process unlock value to the City Council and secure a range of uses that will complement the city centre and help support and protect the long term revenue sources that arise from the city centre for the City Council.
- 3.9** The City Surveyor will initially need to progress the proposals for the redevelopment of the wider area without a developer partner. The process for selecting a developer partner or partners will need to be funded in the short term by the City Council. At the point a developer partner is selected the cost of making a planning application and progressing the property considerations will be covered by the development agreement. There are options for developing the site including doing the development work ourselves but with any option, if momentum is to be

maintained, the city council will need to meet the immediate pre-development costs.

- 3.10** The City Council is actively reviewing the accommodation needs of delivering services in a digital age, like all organisations the direction of travel is pretty clear, smaller accommodation footprint supported by technology that allows agile working in flexible spaces. The City Council, like all local government, is reducing our space requirements, and there is a growing appetite for public services to group together, already the Civic Centre has become home to the police, Citizens Advice Bureau, and a variety of agencies. The existing Civic Centre would make a good site for residential development or offices, whilst the criterion of a new Civic Hub would enable the council to anchor a new city centre office quarter. There is a lack of grade A office accommodation within the city. There is a market failure in provision of new office space, and the City Council could address this failure and generate an income strip to support the income of the City Council.
- 3.11** At 851,190ft² the amount of accommodation envisaged is significantly larger than the 530,000 ft² that constituted the Princesshay redevelopment built out in 2006. The leisure complex and bus station would be additional to the 851,190 ft². The accommodation mix identified by Jones Lang LaSalle baseline appraisal is exciting: 250 units of private rented sector (PRS) built to rent housing, 250 open market housing, 193,900ft² of offices, a new Civic Centre Hub and 27,100 ft² of flexi workspace, 39,000 ft² of retail, 15,500 ft² of food and beverage outlets and pavilions, and a 4 star hotel (175 rooms) and budget hotel (80 rooms). The retail and food and beverage content is much more modest than the previous scheme envisaged and reflects the changing trends in the high street. This is an accommodation mix designed to complement the high street.
- 3.12** We have an opportunity to consider whether a multi-purpose performance venue could be delivered within this wider development. The assumption is that a venue would replace one of the proposed office accommodation blocks. It is appropriate that this option be explored as part of the process of identifying the preferred development partner and the content of the scheme. In recognition of the work that would need to be done to assess the feasibility of delivering such a venue, this paper identifies funding to cover the cost of this work.

4 What are the resource implications including non-financial resources

- 4.1** The costs of identifying a developer partner, and progressing a scheme prior to the appointment of a developer partner, will have to be borne by the City Council and a budget of £300,000 will be required to take through the OJEU process. The £90,000 cost of feasibility works for a multi-purpose venue is not included in any budget. Both costs would be funded from an enhanced business rates arising from the additional business rates receipt in 2018/19 associated with the 100% business rates pilot and for which the Devon authorities have agreed should be used to support economic growth.

5 Section 151 Officer comments

- 5.1** The 100% business rates pilot is expected to deliver a one-off cash windfall in the region of £580,000 - £900,000. Therefore the allocation of £390,000 is below the minimum that the Council expects to receive. The terms of the pilot require the Council to prioritise expenditure that supports economic growth within the area. As the funding is one-off in nature, it is not appropriate to fund ongoing expenditure

commitments. The proposal fits in with the Governments intentions surrounding the use of this windfall.

5.2 The £11.88 million, if approved, will be borrowed at the appropriate time and the impact has been added to the medium term financial plan along with the estimated income to be generated by the new Leisure Complex and Bus Station. An alternative method of debt repayment will be used that does not extend the repayment of debt from 50 years, but does smooth the cost to the General Fund. Taking account of all these factors means that the savings required over the medium term financial plan have not changed as a result of the additional funding requirements.

5.3 No income has been included in the updated medium term financial plan in respect of the wider redevelopment.

6 What are the legal aspects?

6.1 No new legal implications have been identified.

7 Monitoring Officer's comments

7.1 The key issue that remains to be determined by Members is whether these developments continue to represent Value for Money. Randall Simmonds have been instructed to advise on this and they will report on this issue specifically at the Programme Board, Executive and Council meetings.

8 Report details – Background

8.1 In January 2016 outline planning permission was granted for the provision of a new leisure complex and swimming pool, and a new bus station on the site of the Exeter bus and coach station and layover area (Ref15/0791/01).

8.2 In July 2017 Council approved funding of £39.92m and authorised officers to enter into a written contract for the construction of both the leisure complex and new bus station. As members will be aware the council was proceeding with the building of the new bus station, even though originally it was expected that The Crown Estate and TH Real Estate would deliver this as part of the comprehensive redevelopment of the bus and coach station site. The challenge to the viability of the scheme meant the City Council had to pick up this, regrettably, even with this intervention by the City Council, the viability of the comprehensive scheme ultimately failed. The Crown Estate and TH Real Estate withdrew from the comprehensive scheme.

8.3 In October 2017 Members were informed that The Crown Estate/TH Real Estates were no longer able to proceed with their plans citing market conditions, and, as a consequence, the impact of the withdrawal on the leisure complex and bus station would need to be fully analysed, and addressed. The project and design team were instructed to undertake this work. The report also referred to the remaining site and the need to investigate opportunities for any interim use of the site as well as a permanent solution. The report indicated a retendering exercise would be carried out in the period March to August 2018, with an expectation that the appointment of a contractor would be made by September 2018. It was envisaged that the project build would commence in November 2018, with the site delivered by December 2020. Members were asked to consider these as indicative high level dates and best estimates at this point. Members agreed to continue with closing the bus station, developing design solutions for the interface elements of the

scheme and to look at a permanent solution for the remaining site. In February 2018 the indicative time table was revised and it was confirmed the existing bus station could remain open until the new bus station opened. Subsequently authority was given to proceed with the procurement of the main contractor using the Southern Construction Framework.

- 8.4** The costs associated with the building of the leisure complex and new bus station have increased over the months since the original tender exercise was undertaken, normal inflationary pressures result in prices increasing with any delay, this has been expected, but in addition, as we found with the original tender exercise, many of the wider uncertainties facing the sector have combined with the challenge of simply getting construction companies to bid to do work - order books are healthy in the sector. The challenges and context for securing a successful tender were set out in the report to Members in July 2017. Since then Randall Simmonds and officers have been working with contractors to talk them through the projects, to remove as much of the uncertainty and risk assumed by the project so that contractors have been encouraged to bid for the works and a successful tender exercise has been achieved. Kier Construction was successful in winning the contract for site enabling works and the principles of the main contract have been agreed, we have spent many months working with Kier to price sub-contract packages to finalise the overall contract price for the two projects. The level of work that been put into an understanding of the building of this project and in its performance as a *Passivhaus* building has been considerable.
- 8.5** The approved budget for the projects is £39.92m; this will not cover the construction cost of building the leisure complex, the new bus station and overall programme costs. There is an argument to say that with The Crown Estate not proceeding with the wider development we do not need to proceed with the new bus station. The new leisure complex and swimming pool could be constructed without demolishing the bus station. Therefore, it is appropriate to examine this question, but before turning to answer this question it is appropriate to remind ourselves of the role this site has in the wider strategy of supporting the city centre.

Exeter City Centre

- 8.6** Since the redevelopment of Princesshay in 2007, Exeter has made sound progress in securing a strong position within the national retail rankings. In December 2013 Executive approved the City Centre Strategy for 2013-22, at the time Exeter was ranked at 38 within the top 50 UK centres and we were keen to strengthen the city centre to establish Exeter as a top 30 centre. The latest rankings from CACI show Exeter as the 20th Strongest town centre in the UK, second to Bristol in the south west, and a comparison market catchment now larger than Southampton, and Cardiff. Because of the changes occurring in the retail sector, our judgement was that retail rankings would be increasingly important, with a growing trend towards major retailers focusing their investments in a reducing number of large centres. It was our view that it was essential that Exeter continue to hold a strong position relative to competitive centres so as to continue to attract investment. In simple terms, in the future new brands would probably only launch in a select number of high ranking (top 30) centres; and, if anything, competition between centres has sharpened and digital retailing has brought about major changes to the sector at an alarming pace. Major high street names have become casualties of the changes. House of Fraser and Debenhams are closing many branches. The focus on the redevelopment of the bus and coach station site recognises the importance of this development to supporting the strength of the city centre both as enabler for the wider site and as an attractor generating footfall and linked trips.

- 8.7** The current Exeter City Centre Strategy highlights the need to improve the leisure and cultural offer in the city centre and the potential to increase the number of people living in an attractive city centre and the potential to support the current growth in independent retailers, particularly in the West Quarter. Our strategy has been to create an all-round visitor experience rather than a focus on retailing, and by creating the experience encourage visits to the centre, and extend dwell-time and spend. Support for culture, festivals and events has been part of the support package we have put in place to continue to support the city centre. Directing the swimming pool and leisure complex to the city centre was part of this strategy. Moving away from retail to food and drink, leisure and entertainment should maintain footfall and support the high street in the long term. A conservative figure of some 500,000 visits a year will be made to the St Sidwell's Point Leisure Complex, double the number that visit RAMM. The quality of the development also sets a design quality for both new buildings and public realm.
- 8.8** Our strategy has also recognised the importance of the wider city centre economy, and the role offices and employment from hotels and educational institutions play in supporting footfall and spend during lunch hours and early evenings. In recent years the city centre office quarter has reduced as properties get converted to residential use without the need for planning permission. This has reduced the space available for companies wishing to locate in the city centre and we are struggling to meet demand particularly from the digital sector. We have seen a large increase in the number of people living in the city centre, particularly students. A consequence of these trends has been rising prices for properties in the centre, higher land value transactions and declining availability of vacant office accommodation. The opportunity to deliver a variety of uses within the "Grecian Quarter" is a vital component of the City Centre Strategy.
- 8.9** The City Centre Strategy was informed by the document 'A City Centre Vision For A Green Capital' published in April 2011. The City Centre Vision set out: a number of development framework principles, designed to emphasise and build on those principles that are, or could be, memorable and great about Exeter; the first big move in the regeneration of a compact centre was creating space beyond the historic walls at the East Quarter (Grecian Quarter – the Bus and Coach station development site).

The Bus & Coach Station Site

- 8.10** The redevelopment of the Bus & Coach Station site is identified in the Exeter Local Plan as the key strategic priority for the city centre and the best opportunity of delivering city centre uses. The principles of the Vision document and the City Centre Strategy remain sound and provide strategic direction that consistently point to diversifying the offer of the city centre, creating an improved sense of arrival and visitor experience, providing an opportunity to deliver a leisure and entertainment experience complementary with retailing and the functioning of the city centre.
- 8.11** Initially with Land Securities and, then, with The Crown Estate the City Council has attempted to deliver a comprehensive scheme that complemented Princesshay and met Development Plan policies. Whilst there has been a great deal of public scrutiny and discussion about the optimum mix of uses and the form of development, planning permission has been granted for the redevelopment of the site, but the demand for particular uses has changed dramatically during the time it has taken to develop the scheme. Within a few months of having served notices on

short term tenancies to vacate units on Paris Street, demand for retailing and restaurants and cafes fell away dramatically. This caused The Crown Estate to rethink its commitment to the comprehensive scheme and they withdrew from the scheme. In the meantime Aviva took the concept of leisure and implemented something similar with the Queen Street Dining Quarter. This has proven to be successful and very popular and has allowed Aviva to reduce its retail footprint and diversify the mix of the Guildhall. This demonstrated that the underlying concept of more restaurants was sound, but not necessarily the right answer going forward for the Bus & Coach Station site.

- 8.12** More generally we continue to see retail stores shrink their requirements for space. John Lewis pioneered at Exeter a new format of store, significantly smaller than their hitherto flagship store size (70,000sqft rather than 250,000sqft) and conceived to positively engage with internet click and collect. The store was set up almost as a showroom with sales converted within the catchment area through the internet. As a response to reduced demand, business rates and rents, retailers and shopping centre managers are exploring opportunities to reduce the footprint of their stores and to diversify with units being created within the shell of larger stores for eating and drinking, cinemas and entertainment. Therefore, whilst the mix of retail, cafes, and restaurants is appropriate the scale of the provision needs to be carefully worked through.

Jones Lang LaSalle study – the redevelopment of the wider site

- 8.13** Since the decision of The Crown Estate to pull out of the scheme for the redevelopment of the Bus and Coach Station site we have engaged Jones Lang LaSalle to advise the City Council on the potential of the wider site and to consider viability and density of development to deliver strategic objectives. Other than a blanket no to purpose built student accommodation the advisors have been given a free hand to test the market against the planning framework to consider a form and mix of uses that could deliver a viable commercial development.
- 8.14** The City Council owns much of the land within the wider site along with The Crown Estate who have an interest in Sidwell Street. The redevelopment of the site has been significantly de-risked by the removal of the bus depot and the relocation of Stagecoach and their layover area to Matford, and a scheme could come forward relatively quickly. The St Sidwell's Point Leisure Complex anchors the scheme with a major leisure use and the initial urban design framework informed by planning policies provide a structure to pedestrian connections and public spaces. The content of the indicative scheme is exciting, delivering the type of uses that support the core city centre function: 4 star hotel, budget hotel, offices, relocation of the civic centre, flexi-workspaces, private rented sector (PRS) accommodation, residential accommodation, retail, and restaurants. The density of the scheme is arguably better than the previous comprehensive scheme and provides a richer range of uses. It could become the new city centre office quarter and provide a choice of residential accommodation including private rented sector accommodation that in the south of the country has only been built in Bristol and Southampton. The redevelopment of the Paris Street/Sidwell Street site together with the leisure complex and bus station could deliver close to a million ft² of accommodation. Just short of double the size of Princesshay. Whilst it is important to point out this is not a planning scheme, and a lot of work would have to be done to address more detailed planning considerations, the basic ingredients of the scheme show an appropriate density and range of uses, that will provide confidence to the development sector in the long term prospects for the city centre.

Multi-purpose performance venue

8.15 The current content of the scheme assessed by Jones Lang LaSalle is predicated on delivering a commercially viable scheme. We have ruled out purpose built student accommodation - which would give us the best income – and we have not yet asked Jones Lang LaSalle to explore the potential to accommodate a performance venue. Members will recall that this was explored in the context of the South Street Corn Exchange area and we have indicated this would be our preference for a venue – that steer was given when the Council was pursuing a comprehensive scheme with the Crown Estate. The Council also been explicit that we would expect a performance venue to have to pay for its on-going revenue costs. In other words we have not assumed that it was the City Council's responsibility to provide a multi-purpose venue.

8.16 It is worth retracing what has happened to date: in January 2017 the council and the New Entertainment Venue Advisory Group commissioned Fourth Street to undertake a needs assessment for a new entertainment venue in Exeter. The overall aim of the assessment was:

- To evaluate current and likely future demand for a new large-scale entertainment venue (minimum 1,000 capacity) across Exeter and its cultural catchment area
- To identify options that could meet Exeter's needs for a new performance venue in terms of scale, operating model, programming approach and facility mix

8.17 Some key points from the final assessment are:

- there is an opportunity for developing a venue with a mixed-programme and capacity of around 1,200 seated, which could be reconfigured to a standing venue of say, 2,000 to 2,500 capacity
- a new venue of the scale being considered should be located in the city centre
- if located in the city centre, a new venue could contribute significantly to the regeneration agenda, helping to reverse Exeter's '4pm exodus' and improve the night-time economy specifically
- large auditoria, with the exception of arenas, are rarely privately financed in the UK since they offer limited (if any) financial return. Instead, they rely on a cocktail of funding with significant contributions typically derived from public, lottery and third sector sources.
- capital funding can often be secured easily, compared to the ongoing revenue requirements needed to sustain the longer-term operation and successful programming of a facility
- the needs assessment is not an outline business plan or a design brief and further feasibility work and more detailed appraisal of the options resulting from this study would be required to produce these.

8.18 In April 2018, Exeter City Council commissioned Marketing Means to conduct an in-street survey of the local general public in order to collect opinions on current provision of live entertainment venues in Exeter and the potential establishment of a new entertainment venue in the city. Some important findings are:

- The types of events most likely to be attended if a new entertainment venue were to open in Exeter were again led by drama, pop and rock, musical theatre and comedy, with close to half of respondents stating that they would attend such events.
- More than three-quarters of respondents (77%) stated that any new entertainment venue in Exeter should be built in the city centre. Only 17% preferred a site on the outskirts of the city.
- The most important aspects of a new entertainment venue were felt to be that it is multi-purpose (rated very important by 78%), and can offer multiple stage configurations/ flexible seating/standing (very important to 72%).
- Approximately two-thirds of respondents strongly agreed with four statements about a potential new entertainment venue in Exeter that it would attract visitors and tourists, enhance Exeter's reputation, have a positive impact on the night-time economy in Exeter, and help regenerate parts of the city centre.

8.19 Should members wish to explore the potential to deliver a multi-purpose performance venue as part of this wider development, ideally work should be carried out immediately. The assumption is that any development that contributes value to the scheme that is removed from the accommodation mix to make way for an alternative use would need the accommodation to be re-provisioned in the wider scheme. For example, if residential or office value was being lost because of the need for space for a venue, the housing/office accommodation would be repositioned elsewhere, such as increased height. However, at present offices are not attracting value. The value that would be assigned to the scheme from offices would reflect the fact that currently in the city rental levels would not support a speculative office development. Therefore, in practice offices do not bring value into the mix but they are important for the health of the local economy and in the absence of space it can constrain the growth of businesses in the city. But it is a cautionary note for us to consider, namely the scale of office provision. In this context it would be reasonable to consider the potential to deliver a multipurpose venue as part of the wider scheme and to undertake feasibility work looking at the massing requirements of a building, its likely costs, i.e., quantity surveying in order to strike an appropriate mix and form of development. The design and quality of the investment the City Council is making in the site with the leisure complex and bus station provides an opportunity to create a genuine civic space.

8.20 Given the time sensitivity of this work, if there is any prospect of funding to provide such a venue, whether from the private sector or grant from Arts Council England, it is recommended that this be resolved in the coming months. Further, if this is to be progressed in a timely fashion it is recommended that funding is provided for this work. The expectation is the Director and the Portfolio Holder for Culture would lead this work.

St Sidwell's Point Leisure Complex

8.21 The St Sidwell's Point Leisure Complex is an important investment, providing new swimming pools and leisure facilities in the most accessible location by public transport. Planning permission has been granted for the scheme, and it is entirely consistent with planning policy which seeks to direct this type of use to the city centre. The architecture of the building and its environmental performance reflect a commitment to design, sustainability and environmental practise. This is a site with frontages visible on all sides that could be unforgiving of a poorly designed building. The sculpture of the building, the attention to detail and to the quality of

the finishes is reflected in the cost of the scheme. It is a healthy building designed with input from researchers from the university of Exeter, modelled with climate change in mind. The *Passivhaus* construction will set a new bench mark for environmental performance for leisure centres in the UK. The *Passivhaus* Institute is closely involved in understanding and monitoring its performance. The design of the scheme was shaped by a desire to connect with the wider development of the new quarter, and therefore the principal access to the development would be from a new space that faced into the development. To improve pedestrian connectivity with the wider area it was necessary to address demanding changes in levels. This has a cost impact on the scheme. The true-value of what is being done will only be realised when the comprehensive scheme is built out. But a sense of what will be achieved can be understood from the illustrative images that will be shown at the Leisure Complex and Bus Station Programme Board.

8.22 Civic leadership comes in many forms, a commitment to quality public spaces, quality architecture, investment in culture and leisure are just some of the discretionary areas of council business that we do not have to do but “leadership of place” commands us to do. Invariably we know to be truth that quality matters, that investment in architecture, and whole life costs return value. The quality of the architecture that is reflected in the post-war redevelopment of Exeter shows some fine examples of real commitment to good quality design, such as the 1950’s High Street. It is right to ask what legacy are we to leave to future generations. This will be a building that will announce itself to visitors to the city centre for the next 50-80 years, and this has been weighing heavily on our minds as we look at the merits of the scheme. Many of the current on-going issues we are having with current leisure assets arise from the fact they were constructed cheaply with a short life span, and we are now paying the price.

8.23 The City Council and our partners across the city region have a transformational growth agenda for the city region. Our unique asset is environmental science and world leading expertise in the area of environmental data, we have published a vision that says in twenty years’ time Exeter will be recognised as a leading sustainable city and a global leader in addressing the social, economic and environmental challenges of climate change and urbanisation. Further, that we will encourage high-quality contemporary design that complements and enhances the city’s heritage. There is a strong argument that the design quality and environmental performance reflects this aspiration to be a world leading city. There is a cost premium in building to a high standard of design and high environmental performance, but just as with the outlay on a new ultra-low emission vehicle, the on-going revenue savings should be factored into the assessment.

The new Bus Station

8.24 The City Council doesn’t have to replace the bus station in order to build St Sidwell’s Point Leisure Complex. The City Council could leave it to a future developer to take on the challenge, but the current bus station structure, so poor in many respects, sterilises an important development opportunity, the best opportunity to deliver much needed investment in the city centre. It would sit uneasy with our ambition to be a leading city aspiring to be a leading knowledge economy to retain the current station. Many of the town centres that are now showing visible decline refused to do the thing that was required of them at the time when it mattered. It would be inappropriate to name the places that have regrets that they did not take the opportunity when it was presented, but that is the nature of decisions such as this. It is more than thirty years since the local plan identified this site as the place to redevelop in order to strengthen the city centre.

Do we leave it to others to pick up, or do we get on with it and in the process provide homes, offices, and places to eat and drink and shop? We live with the realities of economic cycles, we are in uncertain times, and we need to get on with developing this site whilst the market conditions are favourable. The work undertaken by Jones Lang LaSalle shows that it is possible to deliver homes, offices, hotels, shops, cafes and restaurants, exactly the type of developments the public has demanded the council provide in the city centre.

Options

8.25 There are a number of options open to the City Council:

1. Not to proceed with any project
2. To proceed with the St Sidwell's Point Swimming Pool and Leisure Complex only
3. To proceed with the Bus Station only
4. To proceed with both projects

8.26 An option would be to commit all the allocated funding to the swimming pool and leisure complex and to leave the building of the bus station to the redevelopment of the wider site as, and, when, a viable scheme can be delivered.

8.27 A decision not to proceed with both projects would have a significant reputational impact with the development sector, if the City Council cannot deliver its strategic priority, on land it owns with substantial funding already secured to deliver the project, it would undermine confidence in future plans. The City Council will have spent a significant amount of resource on designing the projects, on project management and professional support. The subject of the bus station redevelopment has been made an election issue through the press and the public have been informed the City Council will be building a swimming pool and leisure complex.

8.28 The building of a new bus station would enable the City Council to deliver in partnership with others or on its own much needed residential and office developments. In my opinion it is a combination of uses that demands to be built. Members have been frustrated in not being able to deliver housing in the city centre and members have watched as purpose built student accommodation has come forward in large numbers across the city centre. This site allows members the opportunity to deliver different forms of flats and housing, such as: built to rent or otherwise known as private rent, and open market housing, and to replace the offices lost in Southernhay with a new city centre office quarter (including an opportunity to relocate the Civic Centre as part of a new public service hub accommodation block).

8.29 The additional cost of delivering both projects at £11.88m can be financed without negatively impacting on the medium term financial plan. There is a persuasive argument in the context of the long term finances of the City Council to deliver these projects to support the long term income to the City Council from business rates, commercial rents, car parking income and council tax receipts. Members have preserved the objective of integrating the new leisure complex into a wider comprehensive redevelopment of this quarter of the city centre, the logic demands the City Council press on with the new bus station as the first stage in securing the comprehensive scheme.

Leisure operator

- 8.30** A business plan for St Sidwell's Point Leisure Complex has been developed to give the City Council an indication of the likely financial position that will be presented by operators during a procurement process. The business plan was presented to the Leisure Complex and Bus Station Programme Board on the 30th October 2018 and this details the assumptions set out by the consultants (Max Associates) in some detail including the market conditions and procurement options. An initial assessment of the need and business case for a new leisure complex carried out by Continuum Leisure Ltd was reported to members in November 2014. The new business plan takes stock of the changes that have occurred in the local market since then including the emergence of budget gyms. As such it now takes into account a number of additional costs and assumptions that were not factored in to the Continuum business plan in 2014. This has had the consequential effect of reducing the overall surplus expected from the new centre. However it is a realistic approach tested by industry standards and benchmarks. Indeed, our approach has been conservative on all counts so as to be cautionary on income forecasts.
- 8.31** For example, the expected benefit from the enhanced performance on energy has not been fully factored into the income of the business plan. There will be an assessment of the actual energy usage two years after opening and this will then set the income to the City Council. This is prudent from the view point of the leisure operator business plan and the likely bid the City Council will receive. However, given that the energy performance has been an overarching principle of the design it is reasonable to assume that the projected income from delivering at least a 65% reduction on energy costs will eventually be available for the purposes of funding capital. Likewise, whilst the car parking income to the council associated with the subsidy is acknowledged, it has not been built into the business plan income. However, it is appropriate to consider this income for the purpose of funding capital as the income will be coming to the City Council.

Funding for the Projects

- 8.32** In the report to the Extraordinary Council meeting of the 19th July 2017, the resource implications associated with developing both projects were set out in some detail, and explained the projected cost and the funding plan. The City Council has saved £18m from New Homes Bonus, £1.4m from Section 106 agreements, £8m from the Community Infrastructure Levy (CIL), and anticipate a further £6.250m from capital receipts for the purpose of delivering the leisure complex, swimming pool and bus station, giving a total of £33.65m. The overall cost of the leisure complex including programme costs and construction costs, taking into account the redesign work to address the challenge as a stand-alone building and enabling works is £43.8m, plus £8m for the bus station, amounting to a total of £51.8m against a total approved budget of £39.92m. Therefore an additional budget of £11.88m is required. The projected income from the business plan plus car parking income & full anticipated energy savings could provide an ability to service borrowing from the Public Works Loan Board (PWLb) to cover the cost of the St Sidwell's Point Leisure Complex. However the potential gains in car parking income and energy savings have not been factored in to how we fund the projects. The income from the operator has not currently been built into the Medium Term Financial Plan. The funding for the bus station would not be covered by income from the bus station operator. The revenue from the bus operator would serve a modest capital investment insufficient to cover the cost of the building.
- 8.33** It is important to note that the original comprehensive scheme with the Crown Estate and TH Real Estate promised to deliver a modest annual income to the City Council,

the benefit of the development was the support it gave to the wider city centre, helping support the long term future of the city centre. City centre commercial developments were agreed to be non-viable under the CIL regime for Exeter. Unlike the rest of the city where commercial developments pay a tax, the abnormal costs associated with the city centre and were objectively agreed to be non-viable. Therefore the funding of a new bus station was seen as an abnormal cost that the City Council would pick up to support investment in the city centre. The revised scheme with a different mix and now a number of years later with a different demand profile for residential development offers the prospect of an improved income strip for the City Council or a capital receipt. Residential development will bring in additional council tax and CIL payments. It is not recommended that we seek to model the additional income opportunities that will arise from a wider scheme for the purpose of servicing borrowing, it is not needed for the purpose of supporting this investment in the bus station.

9 How does the decision contribute to the Council's Corporate Plan?

9.1 Corporate Plan 2018-2021 focuses on three strategic programmes that address the current major challenges facing the city: Tackling congestion and accessibility; promoting active and healthy lifestyles; and building great neighbourhoods. These key strategic projects touch all three priorities: delivering in the most accessible location in the city a major leisure and sporting facility, providing investment in public transport and opening the way to significant investment in city centre housing and offices, and by so doing strengthening the mix and attraction of the city centre. The City Council's emerging vision says: "By the time they are an adult, a child born in Exeter today will live in a city that is inclusive, healthy and sustainable – a city where the opportunities and benefits of prosperity are shared and all citizens are able to participate fully in the city's economic, social, cultural and civic life." These projects, and the wider developments it will unlock, are in line with this vision: Providing an exemplary sustainable building designed to the very highest environmental standard, funded in large part by the proceeds from new home bonus which is the financial benefit of delivering housing growth; and constitutes a significant capital investment in leisure and active life styles, such that the quality of facility provided by the private sector is now going to be available to all. The City Council's ambitions to make Exeter the most active city in England is reflected in the success of the 2017 application to become a Sport England Local Delivery Pilot and the emerging Physical Activity Strategy due for publication and consultation during 2019. This will set out how it is envisaged that City Council run sports and leisure buildings, playing pitches, parks and play areas will be developed to contribute to achieving 10,000 more active citizens within the target areas and groups.

10 What risks are there and how can they be reduced?

10.1 As part of the project management discipline an active register of risks associated with delivering this project has been maintained and progressed by the project team. We have sought to balance many of the risks in such a way that the council is not paying large sums upfront unnecessarily to contractors as insurance against risk. There are significant risks looming for all of us with Brexit, the uncertainty with city centre retailers and major currency fluctuations. Major construction companies also face significant risk because of these uncertainties, including access to labour supply. The Building Cost Information Service (BCIS) has predicted that over the period to second quarter of 2023, tender prices (cost to client) are expected to rise 22%. They are forecast to rise just under 2% in the first year and between 4% and 5% in the next two years, before rising to around 6% in the last two years. With the

previous scheme we were dependent on the private sector partner, with this particular project we are not dependent on third parties and, subject to Members agreeing the funding, contracts can be signed and work can commence virtually immediately.

11 What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

- 11.1** The new Leisure Complex will provide a building and facilities which will be more accessible than the current facilities can provide and be more flexible in allowing more people to use it without having to be a member of a sports club or association. The contract for the operator will allow the City Council to specify activities and practices that can promote health and well-being and broaden accessibility to all sections of the community.

**Karime Hassan
Chief Executive & Growth Director.**

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

- Proposal for leisure Complex and Swimming Pool, Executive November 2014
- Proposal for additional enhancement of the leisure complex and swimming pool, Council 12 August 2015
- 'A City Centre Vision For A Green Capital' published in April 2011.
- Funding for Exeter Bus Station, Executive 18th January 2016 & Council 25th January 2016
- Outline planning permission (ref 15/0791/01) for redevelopment of the Bus & Coach Station site, report to Council 20th January 2016
- Proposal to commence leisure complex and swimming pool and bus station, report to Extraordinary meeting of Council 19th July 2017
- Leisure Complex and Bus Station Programme Board papers
- BCIS Headlines for October 2018, Building Tender Price Forecast, RICS

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275