

LEISURE COMPLEX AND BUS STATION PROGRAMME BOARD

Monday 10 July 2017

Present:-

Councillor Bialyk (Chair)
Councillors Denham, Edwards, Mrs Henson, Pearson and Prowse

Also Present

Chief Executive & Growth Director, Deputy Chief Executive, Chief Finance Officer, Director of Communications and Marketing, Client Lead (Build), Communications Officer, Principal Project Manager (Development), Client Lead (Leisure Operations) and Democratic Services Officer (Committees) (SLS)

Justin Pickford – Baker Ruff Hannon
Iain McNeill – WSP Group

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MINUTES

The minutes of the meeting held on 22 March 2017 were taken as read and signed by the Chair as correct.

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DECLARATIONS OF INTEREST

No declarations of disclosable pecuniary interest were made.

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PRESENTATION AND PROPOSAL TO COMMENCE LEISURE COMPLEX AND SWIMMING POOL AND BUS STATION

The Client Lead (Build) presented a report which sought a recommendation for additional funding of £7.67m to deliver the Leisure Centre, St Sidwell's Point and the new Bus Station scheme. The proposal also sought approval for authority for officers to enter into a building contract with the successful tenderer to undertake the construction of the development as one Building Contract. The development of the Leisure Centre and Bus Station, the closing of upper Paris Street and future development by Crown Estate and TIAA Henderson Real Estate on the adjacent site which would include a leisure extension of Princesshay, a new mix of shops, cinema, restaurants, cafes, public open space and an amphitheatre at the site would all provide for a long term regeneration of a strategic site within the city centre.

A presentation by the Client Lead (Build) was made which provided an overview update of the Leisure Complex and the Bus Station. It also highlighted the reasons for the cost disparity between the Project budget cost and the tender return figures. A substantial increase in construction costs was a consequence of a number of factors, including the impact of Brexit, the shortage of skilled workers and workforce in the south west and general uncertainty within the economy and construction marketplace. At the last meeting of the Programme Board, it was reported that tenders for the project had not met the approved budget and due to the complexity of the tender documentation, they would be subjected to a full tender analysis. Five companies had originally been invited to tender. Two tenders were finally submitted. Both tenders exceeded the project budget allocated for construction. The presentation also set out what measures had been put in place to mitigate the cost

increase including a Best and Final Offer (BAFO) process led by an external independent consultant. The six month BAFO process involved the engagement of the whole design team, with one contractor, to identify areas of value of engineering, and where necessary to redesign aspects of the buildings to deliver them within a more attainable tender sum. The process included a review of the specification and risk allocations within the contract, and further engagement with the supply chain/market to achieve a more favourable position for the City Council.

At the end of the BAFO period, a detailed Tender report and Value for Money report was produced, once a preferred option had been ascertained. The options appraised were as follows:-

- Option 1 - develop the Leisure Centre and Bus Station aligned to the already approved Council total project cost budget. However, the top floor of the Leisure Centre would be removed, (including the Spa and two studios) and 40% of the gym area removed. The enclosed gazing wall would also be removed from the Bus Station concourse. The buildings as designed would be compromised. This option did not provide the mix of facilities or quality of building required, with a revenue position significantly lower than the other two options;
- Option 2 - develop the new Leisure Centre and Bus Station aligned to the revised BAFO figure (incorporating value engineering). The building would remain largely as designed, with amendments to products and some aesthetic matters. The facility mix would remain as identified in the Feasibility Study, with a positive revenue position;
- Option 3 - develop the Leisure Centre and Bus Station aligned to the most favourable tender return figure. The facility mix and design of the buildings would remain exactly as issued in the original Tender documents to provide the quality and facilities required, with a positive revenue position. Due to the additional borrowing necessary to fund the increased capital costs of the project, this option provided a far less favourable choice for the Council. However more funding than Option 2 was required, with the same facility and operational outcomes.

Members were asked to consider the three options, with Option Two being presented as the preferred option. This resulted in a request for additional funding of £7.67m, with an increase of the current budget of £32.25m to £39.92m. The additional funding included £1.4m from Section 106 receipts and £6.27m of borrowing. The cost, at current interest rates of financing £6.27m, would be £231,500 per annum and would be covered by the anticipated income generated from the Leisure Complex. It was anticipated that, following the contract award and mobilisation, work would commence on site by December 2017, with construction completed in Autumn 2019. The Leisure Complex and Bus Station would be scheduled to open in late 2019. It was noted that the adjacent Crown Estates site was scheduled to be completed in May 2020.

The Client Lead (Build) offered the following responses to Members' questions:-

- that all tender returns remained confidential until the final contractor was appointed.
- information relating to the revenue generated by the varying facility mix was commercially sensitive until an Operator has been appointed.
- a fixed sum of money for the project would be agreed with the main contractor and a fixed sum contract entered into with any additional costs borne by the contractor. The only exception to this related to ground

conditions, the risk of which sat with Exeter City Council. Every effort had been made to mitigate this risk with extensive investigations of the ground conditions of the site.

The Principal Project Manager (Development) offered the following response to a Member's question and stated that a Section 106 Agreement dated 8th July 2016 was attached to the outline planning permission Ref. 15/0791/01 at Schedule 1, Part 3, Section 5, which required that all costs reasonably incurred by the First Developer (ECC) and the County Council relating to the Section 249 application and subsequent implementation of the Order are met by the Second Developer (Crown Estate).

The Deputy Chief Executive offered the following responses to Members' questions:-

- there had been rigorous scrutiny of the project gateways via the Project's formal Control Point process with any major decision being reported to this Programme Board.
- a request for a financial contribution from Devon County Council, as the Highways Authority, had been made in the early stages of the project when the responsibility of the Council to deliver the Bus Station was not included in the project. Members of Exeter City Council had submitted a written submission and subsequently met their Devon County Council counterparts. The Chief Executive & Growth Director stated that in addition, a formal approach for funding had also been made to the Heart of the South West Local Enterprise Partnership, without any success. The agreed contract value with the preferred Contractor was only available for a limited period of time and any delay waiting for the County Council to consider a request through their formal budget process was not desirable. The Member stated there was nothing to stop the City Council seeking a retrospective contribution.

A Member also stated that the Conservative Group had expressed support for the pool at the beginning of the process and believed that the city does need a new pool. She commented on the reasoning and timing for the delay in pursuing the project.

A Briefing was due to be held after this meeting for all Members of the City Council. The report and recommendation for additional funding would be considered by Executive on 11 July 2017 with a recommendation to the Extraordinary Meeting of Council to be held on 19 July 2017.

The Chair thanked officers for the report and presentation.

8 **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 EXCLUSION OF PRESS AND PUBLIC**

RESOLVED that, under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the consideration of the following item on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part I, Schedule 12A of the Act.

9 **PROPOSAL TO COMMENCE LEISURE COMPLEX AND SWIMMING POOL AND BUS STATION**

The Client Lead (Build) presented a report which sought a recommendation for additional funding of £7.67m to progress the Leisure Centre and Bus Station

scheme. The proposal also sought to undertake authority for officers to enter into a building contract with the successful tenderer to undertake the construction of the development as one Building Contract.

The Client Lead (Build) responded to a number of Members' questions including the work by Continuum Sports Consultants who had reviewed their independent business modelling for the project; an explanation of the lump sum/fixed price clause, and a reminder that whilst a retrofit of solar panels may be retrofitted at a later stage, the design would be compatible with the District Heating system once it reached the City Centre. The Chief Finance Officer also addressed Members' questions on the Medium Term Financial Plan and future income levels from the project. The Client Lead (Leisure Operations) commented on Members' comments on future operator performance and confirmed that he had carried out a series of soft market testing as part of his work within the contract mechanism.

The Chief Executive & Growth Director also provided a short statement and referred to the city centre strategy set out in the City Council's Development Plan. The Leisure Complex and Bus Station development was a challenging site both physically and also in looking at ways to address the growing competition from internet shopping. This project would help safeguard the long term future of the city centre.

A Member referred to the lengthy debate at this meeting which was necessary to ensure that there was full confidence in the project. They were happy to support the recommendation to help deal with the threat of out of town developments. A Member also agreed that it was not about looking back but about looking forward.

RESOLVED that the Leisure Complex and Bus Station Programme Board support Option Two set out in the report and request Executive to recommend approval by Council of the following:-

- (1) allocation of an additional £0.62 million for the Bus Station and £7.05million for the Leisure Centre to develop the new Leisure Complex and Swimming Pool and Bus Station; and
- (2) once the overall budget of £39.92 million is agreed by Full Council, the Deputy Chief Executive be authorised to enter into a written contract with the successful tenderer prior to the commencement of any works on site.

Two Members abstained from voting on this matter.

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DATE OF NEXT MEETING

A further meeting of this Board would be arranged to coincide with the revised programme gateway.

(The meeting commenced at 2.30 pm and closed at 4.40 pm)

Chair