

LEISURE COMPLEX AND BUS STATION PROGRAMME BOARD

Date: Monday 10 July 2017
Time: 2.30 pm
Venue: Rennes Room, Civic Centre, Paris Street, Exeter

Members are invited to attend the above meeting to consider the items of business.

If you have an enquiry regarding any items on this agenda, please contact Sharon Sissons, Democratic Services Officer (Committees) Telephone 01392 265115 or email sharon.sissons@exeter.gov.uk.

Entry to the Civic Centre can be gained through the Customer Service Centre, Paris Street.

Membership -
Councillors Bialyk (Chair), Denham, Edwards, Pearson, Mrs Henson, Prowse and Wardle

Agenda

Part I: Items suggested for discussion with the press and public present

1 Apologies

To receive any apologies.

2 Minutes

To sign the minutes of the meeting held on 22 March 2017.

3 Declarations of Interest

Councillors are reminded of the need to declare any disclosable pecuniary interests that relate to business on the agenda and which have not already been included in the register of interests, before any discussion takes place on the item. Unless the interest is sensitive, you must also disclose the nature of the interest. In accordance with the Council's Code of Conduct, you must then leave the room and must not participate in any further discussion of the item. Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

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

To pass the following resolution:

RESOLVED that, under Section 100A (4) of the Local Government Act 1972, the press excluded from the meeting for item 6 on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act.

5 **Presentation and Proposal to commence Leisure Complex and Swimming Pool and Bus Station**

To consider the report of the Deputy Chief Executive.

(Pages 3 - 30)

Part II: Item suggested for discussion with the press and public excluded

6 **Proposal to commence Leisure Complex and Swimming Pool and Bus Station**

To consider the report of the Deputy Chief Executive

(Pages 31 - 76)

7 **Date of Next Meeting**

The date of the next Leisure Complex and Bus Station Programme Board will be identified to coincide with the programme gateway.

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REPORT TO LEISURE COMPLEX AND BUS STATION PROGRAMME BOARD

Date of Meeting: 10 July 2017

REPORT TO EXECUTIVE

Date of Meeting: 11 July 2017

REPORT TO EXTRAORDINARY COUNCIL

Date of Meeting: 19 July 2017

Report of: Deputy Chief Executive

Title: Proposal to commence Leisure Complex and Swimming Pool and Bus Station

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 To seek final approval for the development of the new leisure complex, St Sidwell's Point and the new bus station, and to seek approval for the additional funding to undertake the project as one construction contract and to enter into contract with the successful tenderer .

2. Recommendations:

- 2.1 That Executive recommend to Council to agree:

- (a) The allocation of an additional £0.62 million for the bus station and £7.05 million for the leisure centre to develop a new leisure complex and bus station;
- (b) 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.

3. Reasons for the recommendation:

- 3.1 To enable the wider development of the Bus & Coach Station to proceed, it is necessary for the public sector to fund a new Leisure Centre and Bus Station as part of the comprehensive regeneration project with the development partners Crown Estate & TIAA Henderson Real Estate (TH Real Estate).
- 3.2 Costs associated with the delivery of a new Leisure Centre and Bus Station have increased as a consequence of shifting market conditions. Costs continue to rise and therefore in-line with the Value for Money Report appended in **Appendix B** it is proposed that additional funds are approved to enable the development to proceed on completion of the build contract with the successful tenderer, subject to Leisure Complex Programme Board approval.

- 3.3 The new Leisure Centre (which replaces Pyramids) and the new Bus Station is a much needed amenity for residents, commuters and visitors to the City. The facilities provide a focal point for the Bus Station and Coach Station redevelopment and will attract more people to come in and stay longer in the city centre with consequent benefits to business, employment and the general local economy.
- 3.4 The new Leisure Centre and Bus Station is part of wider site development with Crown Estate and TH Real Estate the development of which is in part dependent on the delivery of these new facilities.
- 3.5 Maintaining the existing bus station and Pyramids Leisure Centre is no longer deemed a viable proposition given the condition of the premises, the lack of accessibility and limited facilities on offer.

4. What are the resource implications including non-financial resources.

4.1 Project Costs

- 4.1.1 To date the Council has approved a budget of £26 million for the Leisure Complex and £6.25 million for the new Bus Station - total budget £32.25 million. £20 million was first approved on 16th December 2014, followed by an uplift of £6 million on 12th August 2015 and £6.25 million for the Bus Station on 25th January 2016.
- 4.1.2 The proposed total cost of the project is now £39.92 million, covering all costs. This includes the build costs and the on-costs associated with delivering the development such as obtaining vacant possession, off-site temporary bus station works and the procurement of an Operator. The report is therefore seeking an increase of £7.67 million to the budget to cover the entire costs of delivering a new leisure centre, bus station and securing Operators for each.

4.2 Funding for the Project

- 4.2.1 As identified, the amount of additional funding being sought is £7.67m (the total funding requirement has moved from £32.25m to £39.92m)
- 4.2.2 The current budget (£32.25m) is funded as follows:
- New Homes Bonus - £18m (to date £10.9m received, the rest to be recovered over the next 7 years);
 - CIL - £ 8m
 - Capital Receipts - £ 6.25m
- 4.2.3 The additional £7.67m will be partially funded via section 106 receipts that have been identified with the balance from borrowing as no further financing is available.
- Section 106 Contributions - £1.4m (to date £0.589m received);
 - Borrowing - £6.27m
- 4.2.4 At current rates the annual cost to the General Fund of financing £6.27m is £231,500 per annum. This charge can be managed, when considered in conjunction with the forecast profit share from the facility.
- 4.2.5 Therefore the cost of servicing this debt will be covered by the anticipated income generated from the Leisure Complex.
- 4.2.6 Contained within **Appendix C** is a Funding Report.

5. Section 151 Officer comments:

- 5.1 The Section 151 Officer has prepared Appendix C, which sets out how the additional budget requirement will be funded. In preparing the paper, the cost of borrowing has been assessed against the assumed income that the Council will generate from the Leisure complex. It can be concluded that the additional income will comfortably cover the borrowing costs envisaged. Indeed the Council would still maintain a surplus from year 2 if interest rates were to rise by a full 1% (additional £46,000 cost) and income was 10% lower than anticipated.
- 5.2 If members approve the additional expenditure, the medium term financial plan will be amended to reflect the additional borrowing costs.
- 5.3 The Section 151 Officer has considered the value for money report from Randall and Simmons and agrees with the conclusion, that whilst the costs are to the higher end, the wider benefits to the City and the beneficial impact of the additional costs on ongoing revenue expenditure means that the Council can be satisfied that the project provides value for money. Members will be reassured that our independent external auditors will be reviewing the project as part of their value for money conclusion this year.

6. What are the legal aspects?

- 6.1 Please see paragraph 9 below.

7. Monitoring Officer's comments:

- 7.1 Members will recall that the legal work to support this project was outsourced to Ashfords solicitors and they will have given advice as to the Councils' powers to undertake this development together with procurement advice leading up to this point where the development is being recommended to you.
- 7.2 Members now have to make a decision as to whether going forward with this development represents Value for Money. Members will see from the appendices attached to this report that the Section 151 Finance Officer has looked at this project carefully and has concluded that "...the Council can afford to service the additional funding required to deliver the project under option 2".
- 7.3 In addition to this Randall Simmonds (Chartered Quantity Surveyors) have been instructed by the Section 151 Finance Officer to advise on whether the project spend represents Value for Money. Randall Simmonds have considered the position and the Executive summary of their expert report states as follows:

"The report compares the capital costs of the Exeter Bus Station and Leisure Centre with similar projects on a like for like basis. The report finds the Bus Station and Leisure Centre are generally comparable to others and within our expectations... The report concludes that the project provides value for money..."
- 7.4 Clearly this is a very large investment for Exeter City Council and members are therefore reminded that they should read the report and each of the appendices attached before making a decision as to the way forward.

8. Report details:

- 8.1 The regeneration of the Bus and Coach Station site is a long-held aim of the City Council. The Council agreed to £20 million of funding for a new leisure centre with a consequent uplift of £6 million in project value agreed by Full Council on 12th August 2015. On 25th January

2016 Council approved the allocation of £6.25 million for the delivery of a new bus station in Exeter bringing the total budget allocation to £32.25 million.

- 8.2 The City Centre is an important driver of the economy of the city and ensuring its continued success is important despite the positive contribution made by major investments in recent years. In order to remain competitive to attract and support investment by current and new businesses further regeneration of the City Centre including one of its major gateways, the Bus and Coach Station, is essential. The redevelopment of the Bus and Coach Station site adding to the leisure dimension of the City Centre is important to enabling it to respond to changing consumer behaviour, to continue to attract high numbers of visitors into the heart of the city and help maintain the city's reputation as one of the best places to live.
- 8.3 As businesses and organisations become more dependent on and are competing to attract specialist talent, the ability of the city to attract and retain high calibre employees is also a key aspect of the development and success of the city's economy going forward. Remaining competitive is about maintaining the momentum of investment and not falling behind in terms of the quality and nature of the experience provided by the "place" as a whole.
- 8.4 Regeneration will bring direct financial benefits in terms of additional employment and expenditure in the City Centre but also through the generation of additional business rates income.
- 8.5 The Council's ambitions along with Exeter City Futures to make Exeter Congestion Free by 2025 means that every effort is required to entice commuters and visitors to Exeter out of their cars and onto public transport. A new bus station, replacing the existing dilapidated facility will provide enhanced facilities to encourage greater use of public transport in a convenient and well-serviced location.

9. Procurement Process:

- 9.1 A comprehensive tendering process was undertaken for the combined construction works of a new Leisure Centre and new Bus Station. The Council's ExeSeed Contractors Framework was used and 5 contractors invited to tender for the works. The Tender Report is contained within **Appendix A**.
- 9.2 Following the completion of a 19 week tendering process, two contractors submitted compliant tenders.
- 9.3 The tender returns were higher than anticipated. In part due to localised market conditions, availability of contractors, the detrimental impact of Brexit (in particular to the cost of materials and availability of labour) and market uncertainty. This resulted in the need to invite the two tendering contractor to submit their 'Best and Final Offer' (BAFO) to the Council based on some value engineering modifications to the design and materials of the new development.
- 9.4 At the end of the BAFO period a price has been reached with a Contractor which has resulted in the overall total project cost being exceeded by £7.67 million. This contractor has been assessed and is determined suitable to be appointed and enter into a building contract with the City Council.

9.5 The results of the BAFO provided three options for consideration:

Option 1: Develop the new Leisure Centre and Bus Station aligned to the already Council approved total project cost. To achieve this the top floor of the leisure centre would need to be removed (the Spa and 2 studios), and 40% of the gym area removed. The enclosed glazed wall would also need to be removed from the Bus Station concourse. The buildings as designed are therefore compromised.

Option 2: Develop the new Leisure Centre and Bus Station aligned to the revised BAFO figure (incorporating value engineering). The facility mix would remain as identified in the Feasibility Study. The buildings would remain largely as designed, with amendments to products and some aesthetic matters.

Option 3: Develop the new 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.

9.6 Re-tendering the works was an option but discounted after consideration of construction market analysis, projected tender cost indices and the availability of constructors in the South West. It was considered unlikely that any improvement in tender price will be achieved by re-tendering, if anything it was highly likely that tender submissions would be returned higher.

9.7 In reviewing these options, consideration was given to the following issues:

- Impact of facility mix on operational costs / revenue surplus
- Impact of increased funding requirement and affordability
- Impact on Value for Money
- Impact on the Site's planning permission and design constraints
- Effect of Tender Price Inflation on programme delays for re-design
- Impact of any design changes or delays on the Crown Estate Development Programme

9.8 To assist with the review of the options, the professional services of the following consultants were utilised:

- Continuum Sports Consultants
- Baker Ruff Hannon, Project Managers and Technical Experts
- Randall and Simmonds, Quantity Surveyors and Cost Consultants

9.9 The Table below provides a summary of the options and the impact on the operational viability of each option.

		Total Project Cost	Facility and Design Considerations	Forecast 25 year Surplus Revenue
Option One <i>Budget Compliant</i>	Leisure Centre Bus Station Total	£26m £6.25m £32.25m	The top floor of the leisure centre is removed (the Spa and 2 studios), also 40% of the gym area is removed. The enclosure glazed wall is removed from the Bus Station concourse. The buildings as designed are compromised.	'Base Revenue'
Option Two <i>BAFO Scheme</i>	Leisure Centre Bus Station Total	£33.05m £6.87m £39.92m	The facility mix remains as identified in the Feasibility Study. The buildings remain largely as designed, with amendments to products and some aesthetic matters.	+ £14.3m above 'Base Revenue'
Option Three <i>Original Tender</i>	Leisure Centre Bus Station Total	£36.21m £8.06m £44.27m	The facility mix and design of the buildings remain exactly as issued in the original Tender documents.	+ £12.4m above 'Base Revenue'

9.10 The 25 year surplus revenue makes allowance for the lifecycle costs (repair and replacements). The higher the total project costs, the higher the lifecycle costs as appraised within the Operator Business Model. This explains the revenue difference between options two and three.

9.11 Based on the review of each of the options it is recommended that Option Two is adopted for the following reasons:

- (i) The option delivers value for money without compromising the facilities and accommodation mix, see **Appendix B** and the Value for Money Statement.
- (ii) The option prevents the need to stop the programme and undertake a redesign to align with an original budget allocation
- (iii) The option prevents any facilities being omitted and therefore promotes a positive revenue to the Council
- (iv) The option maintains the aesthetics of the facilities without compromising the planning permission already in place
- (v) The option remains aligned to the Crown Estate Development programme and offers an integrated solution to the bus station redevelopment.
- (vi) The option removes the risk of re-tendering the works, delaying works on site and incurring additional costs due to tender price increases.

10. Operational viability:

10.1 Continuum Leisure consultants have undertaken modelling and business plan projections (June 2017). Their financial analysis shows that Option 2 would remain profitable and provide a return to the Council even when accounting for any proposed operator profit share and financial costs associated with the development.

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

11.1 The new Leisure Facility would deliver the Council's declared priority of a new swimming pool and leisure complex that is fit for a growing population and meets the Health and Wellbeing Board's objectives of increasing levels of physical activity in the city.

11.2 The new Bus Station would deliver enhanced public transport facilities to align with the City Council's aspirations to create a congestion free City by 2025.

11.3 The delivery of a successful redevelopment of the Bus Station Site is a key priority of the City Council.

11.4 If the Council does not deliver the new facilities then it is unlikely that the commercial redevelopment of the bus station site will proceed, leaving the existing, unsatisfactory bus station in place. It would also result in the need to make a substantial capital investment of at least £7 million to bring the Pyramids Swimming Pool and existing Bus Station up to modern standard. This capital expenditure would not be recoverable as it is anticipated there would not be any resultant uplift in operator revenue profit share.

12. What risks are there and how can they be reduced?

12.1 There are a number of risks with the project. The Risk Report contained within **Appendix D** provides the details of the pertinent risks for this decision point in the project and how these will be mitigated.

12.2 An active risk register is maintained and actively monitored to avoid and mitigate risk throughout the timeline of the development.

13. 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?

13.1 The new Leisure Complex will provide a building and facilities which will be much more accessible than the Pyramids can provide and be more flexible in allowing more people to use it without having to be a member of a local sports club or association. It is intended that through discussions with the commissioning body for health services that there will be availability of activities and advice specifically to promote and support health and well-being included within the operation of the complex.

13.2 The new bus station will provide a better quality environment for bus users and public transport along with improved accessibility.

Are there any other options?

14.1 If additional funding cannot be secured, then it is likely that the whole, private sector development for the bus station site will not proceed.

Mark Parkinson
Deputy Chief Executive

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

Background papers used in compiling this report:-

None

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

Appendices

Appendix A – Tender Report (Part 2 only)

Appendix B – Value for Money Report (Redacted version)

Appendix C – Funding Report

Appendix D – Risk Report

RANDALL SIMMONDS



Value for Money Report

for

Exeter Bus Station & Leisure Centre Project

June 2017

Chartered
Quantity
Surveyors

Employers
Agents

CDM Advisors

Exeter Bus Station & Leisure Centre Project Value for Money Report

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Version Control

Version	Date of Issue	Amendment	Reviewer
DRAFT	27 June 2017		Randall Simmonds
ISSUED	27 June 2017	Minor & formatting	Randall Simmonds

For more information see our website: www.randallsimmonds.co.uk

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1 Executive Summary

The report compares the capital costs of the Exeter Bus Station and Leisure Centre with similar projects on a like for like basis. The report finds the Bus Station and Leisure Centre are generally comparable to others and within our expectations.

The report also comments on the long term value benefits and the savings projected from the capital expenditure.

The report concludes that the project provides value for money.

2 Introduction

The project comprises the following works:

- a. The leisure Centre, built to Passivhaus certified standard and healthy building biology principles, including
 - i. 25m competition pool
 - ii. Learner pool
 - iii. Splash pool
 - iv. Gymnasium and spa area
 - v. Spin and studio spaces
 - vi. Creche and changing facilities
 - vii. Café area
- b. The Bus Station, its hardstanding and bus parking
- c. Works carried out on behalf of Crown Estates to form a joint entrance to the site (commonly known as 'Street C works')

The tender process has resulted in a proposed contract sum for the works of £[REDACTED].

This is split as follows:

Exeter Bus Station £[REDACTED]

Exeter Leisure Centre £[REDACTED]

This report compares the costs proposed with other similar projects and comments on whether the proposed contract sum constitutes value for money.

3 Capital Cost to Construct

Benchmark Data

Benchmark data can be used to compare projects to understand whether a project demonstrates value for money. It should be noted that benchmark data does not necessarily compare like-for like buildings and is a broad measure.

Bus Station

In order to assess value for the Bus Station we have compared like for like elements with BCIS (national cost data).

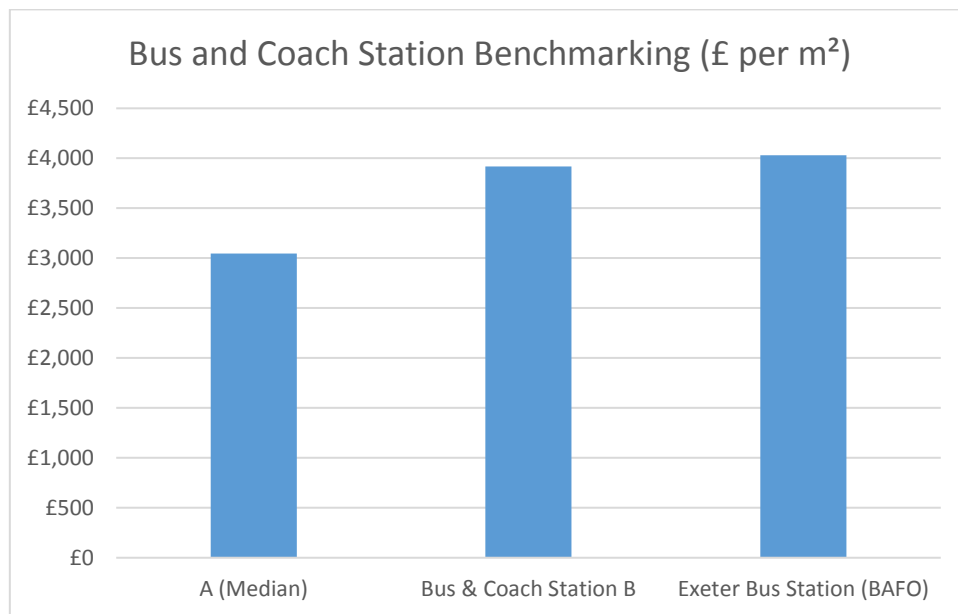
BCIS gathers data for similar schemes over a period of time and inflates historical data for tender price inflation.

The pool of projects similar to the bus station is limited (only 7 schemes over the past 40 years) but gives an indication of comparative value. All schemes are assessed excluding external works (which vary significantly depending on site area) and contractor's overheads and profits.

In order to make a sensible comparison with other bus and coach stations we have removed the following items from our assessed value for the Exeter Bus Station:

- Abnormal foundations (the foundations for the Exeter Bus Station are deeper and therefore more expensive than you would generally encounter due to the ground conditions)
- Retaining structure to the flank wall for adjacent development.

The graph below shows the comparative cost of the Exeter Bus Station to comparable data.



The graph reflects our expectations for the Exeter Bus Station, with abnormal costs removed it is generally in line with the most recent scheme we have data for, but above the historical average (at current prices). This will be prominently due to regulation change (we now build to higher standards).

It is interesting to note that Bus and Coach Station B and Exeter Bus Station are designed with enclosed canopies, earlier schemes that contribute to the BCIS median cost have open canopies (a historical change in the quality of provision).

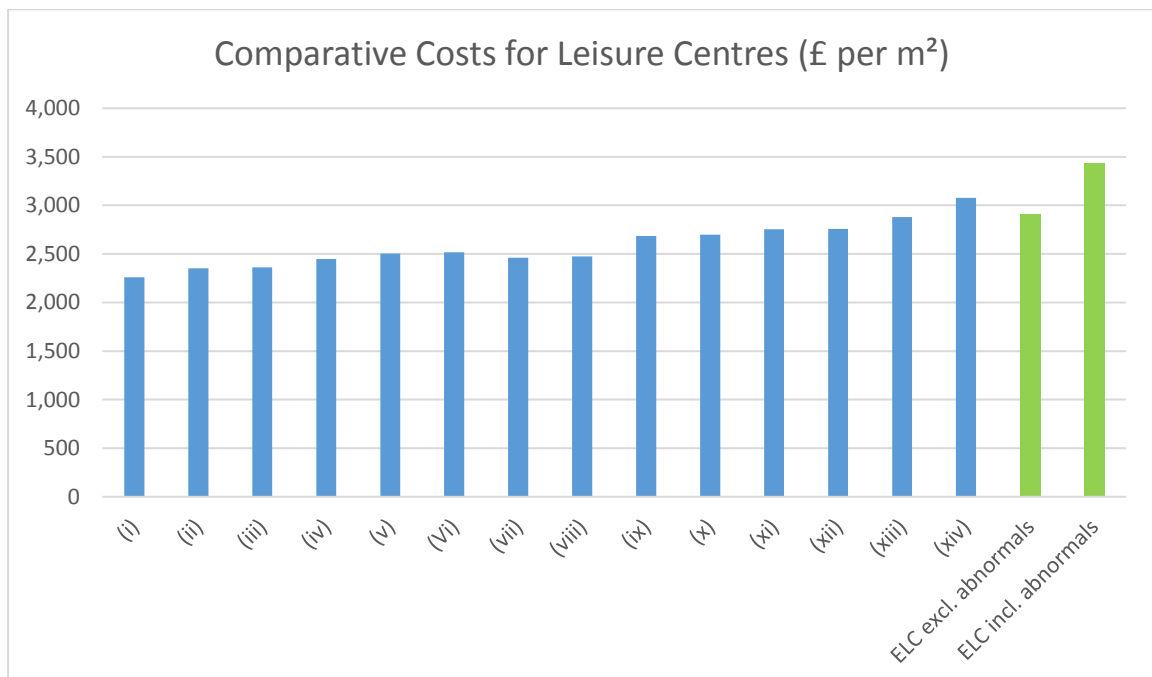
The contractor for Exeter Bus Station has also taken the risk on Sterling movements over the next 2 years which is reflected in the price.

Leisure Centre

The comparative data for the Leisure Centre needs to take into account the following:

- Leisure centres are generally out of town single or two storey facilities that are industrially clad. The Exeter Leisure Centre is built over four storeys and therefore the frame is more expensive. This is evident in the images of other facilities that are contained in Appendix A.
- As the building is designed to provide a prominent design as the access to the city centre development the cladding is a more expensive element than comparable schemes. We have therefore adjusted the benchmark to take into account 'stacking' and the cladding systems employed.
- The Exeter Leisure Centre is also constructed to Passivhaus and Healthy Building Biology principles. This has been adjusted for comparative purposes. This on-cost is reflected in the life cycle costs below.
- The design is also future proofed for climate change following advice from the University of Exeter and this is also reflected in the life cycle costs for the facility.

The graph below highlights the cost of the facility (excluding external works) against other comparable facilities. Both the full scheme and comparable scheme costs are shown (green columns). All schemes have been adjusted to reflect current prices.



The graph shows that the Leisure centre including the non-comparable abnormal factors listed above is above the other schemes shown.

When the non-comparable abnormal factors are removed the cost of the Exeter Leisure Centre is at the higher end of the range of facilities costs but directly comparable with project XIII (which was the reference project given to the design team to demonstrate the quality of the finish required).

This also reflects the current uncertainty regarding Sterling movements which the contractor has taken the risk on. This is significant for the Leisure Centre as major elements such as the cladding, cross laminated timber roof structure, filtration equipment and other pool equipment can only be sourced via the European Union.

We therefore believe the Exeter Bus Station and Leisure centre represent good value for money based upon comparative capital cost.

Market Engagement

Alongside benchmark data, tendering and market engagement are key determinants of value for money. The market rate is the true reflection of value for money and the Exeter Bus Station and Leisure Centre project has been through extensive market testing.

The scheme was market tested via the EXESeed Framework which selected capable contractors for the scheme.

Tenders were received from contractors and after the initial tender, a robust re-engagement with the construction market was undertaken with the preferred main contractor. This re-engagement included:

- Re-engaging with sub-contractors to review the best products and construction techniques to add value (over 200 items tested for best value).
- Challenge to the design team to make the construction as efficient as possible.
- Challenge of main contractors direct costs including profit.

The delivery team believe that this scheme has benefitted from additional market testing and that this process provides best value to the client.

4 Non – Capital Value

The Exeter Bus Station and Leisure centre has further economic benefits that are in addition to other comparable schemes.

City Regeneration

The scheme will act as a key constituent to the regeneration of the city area around the current bus station and will be an anchor for retail or other development to this zone.

Climate Ready

The Leisure centre is designed to accommodate predicted climate changes over the next 50 years.

Climate ready design increases resilience against expected changes in future climate and will extend the useful life of the facility and long-term economic viability.

By implementing an adaptation strategy the project team has reduced the risk of the building failing or the need for expensive retrofits to respond to the changes in future climate.

The strategy reduces the long-term maintenance costs and energy costs (e.g. cooling).

5 Impact on operating costs

Utility costs

As the Leisure centre is built to Passivhaus Certified standard the future operating costs will be improved as follows:

The building will use less water than a conventional build than other leisure centres. This is in part due to:

- Installation of a Grey water system that reuses water to flush toilets
- Reduced pool evaporation due to the reduced humidity levels (a significant issue in leisure pools).

The building will cost less to heat and cool due to the additional expenditure on air tightness and thermal insulation.

Overall utility saving compared to Passivhaus investment.

A study carried out during initial feasibility for the project projected utility savings of 65% by implementing Passivhaus certified design compared to national building standards. This saving equates to £5m at today's prices over the initial 25 years of the buildings operation.

6 Conclusion

Randall Simmonds conclude that:

- The capital costs for the scheme are comparable to other projects of a similar nature when compared on a like for like basis.
- The overall life cycle costs of the scheme are improved significantly by the added initial capital to raise the build standard to Passivhaus.
- The scheme provides value for money.

Appendix A

Photographs of other Leisure Centres used in the benchmarking exercise



Fraserburgh Sports Centre



Bletchley Sports Centre



Plymouth Life Centre



Exeter Leisure Centre

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LEISURE COMPLEX FUNDING PAPER

1. Purpose of the Paper

- 1.1 To set out the current funding position in respect of the Leisure Complex and how the potential additional costs of option 2 will be funded including an appraisal of the impact on the anticipated income and the medium term financial plan.

2. Current Funding Plan

- 2.1 The current budget (£32.25m) is funded as follows:

New Homes Bonus (to date £10.9m received, the rest to be recovered over the next 7 years)	£18m
CIL	£ 8m
Capital Receipts	£ 6.25m
	<hr/>
	£32.25m

- 2.2 The impact of this has been built into the medium term financial plan and as it is using existing resources to finance the build, has no negative financial impact on the Council's revenue position.

3. Additional Funding Required

- 3.1 The additional funding required has been identified as £7.67m increasing the total budget for the two schemes to £39.92m.
- 3.2 Owing to the legal constraints around CIL and existing commitments, it is not prudent to allocate any further funding to the project. This would in any case require an amendment to the existing resolution around the use of CIL.
- 3.3 There are no further identified capital receipts available in excess of the £6.25m allocated. It is however within the Council's gift to sell additional assets to finance the additional requirement. However no surplus assets have been identified.
- 3.4 Owing to changes in New Homes Bonus, the existing commitment will take longer than originally anticipated to be delivered.
- 3.5 A number of recent section 106 agreements have included contributions that may be used towards funding the Leisure Complex. To date some £0.589m has been received by the Council and this is expected to increase to a total of £1.4m.
- 3.6 The balance therefore will be funded by borrowing (over 50 years) to match with the useful life of the asset. Borrowing is still cheap and using the annuity method of financing the repayment of debt will result in an annual cost to the Council of approximately £231,500.

4. Revenue Impact of Overall Project

- 4.1 In overall terms the costs of financing the project will be £231,500 a year. This will be fixed for 50 years and therefore be inflation-proof. The current projections for income received by the Council from the profit-share with the Operator mean that although there is anticipated to be a small loss in the first year. The income received will more than cover the cost of financing the debt from year two onwards.
- 4.2 Therefore it is still projected that, based on the information provided by our Consultants, the Leisure Complex will have a positive revenue impact year on year for the Council.

5. Impact on the Medium Term Financial Plan

- 5.1 During the 2017-18 budget process, an amount was added to the Medium Term Financial Plan to reflect an estimate of the likely benefit to the Council from the new Leisure Complex.
- 5.2 Therefore although the project will, in isolation have a positive impact, it will not be as high as anticipated in the short-term. At the lowest point against the current Medium Term Financial Plan, the cumulative reduction will total approximately £600,000 (year 4), before the estimates turn positive. The section 151 Officer has identified funds to offset this shortfall, without having to require savings from services, however it does mean that any future priorities will more likely require additional savings from the outset.

6. Caveats

- 6.1 Interest rates move twice daily and therefore the projection is made using today's interest rate. A 0.5% change in the interest rate will increase / decrease the cost by around £23,000 a year.
- 6.2 The income figures used are estimates. Until the operator is procured it is impossible to know what the actual outcome will be for the City Council.

7. Conclusion

- 7.1 Based on the information provided, the Council can afford to service the additional funding required to deliver the project under option 2.

Dave Hodgson
Chief Finance Officer
27 June 2017



Exeter Bus Station and Leisure Centre Project

Project Control Point 6 : Contract Award

Pertinent Risks :

Senior Responsible Officer & Programme Board Level

June 2017

The project team have a fully detailed risk register for the project which has been refined, updated & reviewed over the past three years. Further consideration of risks is included within the Tender Recommendation Report and a Risk Allocation matrix is included within the draft Contract.

However, this information note is to communicate Programme Board level risks on a more holistic level, considering the risks & mitigation measures being adopted on the project before entering into contract, in the principle areas of :

1. Cost
2. Programme
3. Quality
4. Crown Estates

1. **Risk : Cost Escalation**

The final account figure agreed with the Contractor is in excess of the total amount of the original contract value plus identified contingencies.

Mitigation : Cost Control

- It is a fixed price contract with the contractor, not subject to remeasure.
- The conclusion of any detailed production information / design will not result in increased costs to the Council.
- The cost & risk associated with inflation is held by the contractor
- Exchange rate risk is held by the contractor. Any increase in prices for raw materials, finished products or the like from overseas will not result in an increased cost to ECC.
- Provisional Sums only account for circa 1% of the total contract value, which is within an acceptable level.
- Once the contract is awarded, a stringent Change Control process will be put in place, with any formal contract changes requiring formal approval from the SRO /Client lead.
- All potential changes will request, and obtain, impact information prior to instruction, so that the cost, time & quality impacts of a proposed change are confirmed ahead of instruction.

2. Risk : Programme Delay & Prolongation

The project achieves Practical Completion (& Handover) later than the date stipulated in the Contract Project Programme.

Mitigation : Schedule Management

- The project management team will request a 'bar chart' gantt programme from the Contractor which identifies the critical path of activities on the project.
- The amount of 'float' / contingency for each activity will also be obtained.
- The deadline for client decisions and/or input will also be requested for inclusion in the programme.
- A 'Milestone Forecasting & Reporting' approach will be adopted to continually monitor, discuss and action future activities & deadlines.
- The full team (PM team, Cost consultants, TA team and Client) will work collaboratively with the contractor to continually strive to maintain (or indeed better) the contract programme.
- All potential changes will request, and obtain, impact information prior to instruction, so that the cost, time & quality impacts of a proposed change are confirmed ahead of instruction. Any programme impact instruction will require approval from the Programme Board.

3. Risk : Poor Quality

The quality of the end product does not match the expectations of the Programme Board.

Mitigation : Quality Management & Control

- The facility mix requirements of the Board have been signed off at previous control points.
- The finishes of the building (internal & external) have been subject to review, consideration and approval by the Steering Group.
- The existing design team is being Novated to the contractor in order to help promote consistency of quality ethos
- The design has been developed to RIBA Stage F1 / F2 – which is detailed technical design level. All finishes, etc have been designed already.
- The Employers Agent will monitor the quality of installation, using contractual mechanisms if required to ensure any substandard quality is addressed.
- In addition to the duties of the Employers Agent, there will be a Technical Advisor team to spot check installations on site, including significant site attendance from Clerk of Works specialists.
- A collaborative approach to achieving the project objectives will be implemented on the project, with specialist support from the Passivhaus Institute, Passive House Training Academy, etc.
- All potential changes will request, and obtain, impact information prior to instruction, so that the cost, time & quality impacts of a proposed change are confirmed ahead of instruction.

4. a) **Risk : Crown Estates completion later than our development**

The Crown Estates complete their development significantly later than we complete our facilities. With our facility being surrounded by a live construction site for say 12 to 18 months

Mitigation

Continue to work closely with Crown Estates, looking to align programmes as closely as possible

4. b) **Risk : Crown Estates cannot proceed with their development**

The Crown Estates cannot progress their development.

Mitigation

Should the Crown Estates be unable to proceed, the Council would consider all potential options at that time, including the possibility to seek a new development partner

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