

Taunton Deane Borough Council

Council Meeting – 9 December 2014

Swimming Pool Project at Blackbrook Pavilion Sports Centre Update on Capital Budget

Report of Alison North, Community Leisure Manager

(This matter is the responsibility of Executive Councillor Catherine Herbert)

1 Executive Summary

- 1.1 In May 2013 Full Council agreed to the build of a new pool, learner pool and spa facility at the existing Black brook Leisure Site following
- 1.2 Council approved a capital budget of £5,353,000 funded from the Growth & Regeneration Reserve, General Reserves and borrowing
- 1.3 Since approval was given detailed design and market testing work has taken place to provide a final contract price. This has identified a need for increased capital budget and funding of £398,000 which requires a supplementary budget approval by Full Council.

2 Background

- 2.1 Full Council approved a scheme to provide a Community Pool, Learner Pool, Changing Village and Café. Councillors also approved the provision of a Spa facility to provide extra income generation supporting the affordability of the project. The business case and affordability of the investment in this service to the community remains on track.
- 2.2 Since approval was granted to proceed with the scheme in 2013 the project has:
 - Procured a Project Manager
 - Procured a design team – Cost Consultant, Architect, M & E Consultants, Structural Engineers & CDM Coordinator
 - Procured a Contractor – BAM Construction
 - Obtained Planning consent
 - Obtained a Licence from Natural England to relocate Dormice on the site and the work has been completed
 - Land purchase price agreed with the Hawkins Family, transfer in progress
 - Lease agreements nearing completion with Tone Leisure
 - Undertaken detailed surveys and site investigations
 - Progressed detailed design work with our operators Tone Leisure

- 2.3 As reported to Members anticipated construction start time is early 2015 and the programme remains on track to achieve this.
- 2.4 The design has reached RIBA Stage E which is an advanced level of design development. The tender price is currently being finalised and supply chains investigated in order to produce a final contract price and programme between the Council and our contractors BAM Construction. The original costing in 2012/13 was compiled from a data base of comparable projects previously delivered in the 'market'. Since then the improvement in the economy has resulted in some significant market changes which have increased costs.

3 Capital Costs

- 3.1 Following completion of the work described above the revised capital cost estimate requires additional budget:

Approved Capital Budget	£5,353,000
Required Capital Budget	£5,750,958
Additional Funds required	£ 397,958

- 3.2 The additional funds required represent 7.4% of the original project budget
- 3.3 When Council gave approval for the project in May 2013 the construction market was stagnant with little optimism for an imminent up-turn in the economy. Over the last 18 months however the construction industry has seen a resurgence in activity with labour and material shortages putting significant pressure on development budgets. Although inflation is often driven by rising input costs and rising demand, recent years have demonstrated that tender price inflation is affected by demand much more than cost. When demand increases, contractors and the supply chain are able to increase their profit margins and still win new work. It is this ability to increase margins which is fuelling the current tender price inflation, rather than rising input costs, which are relatively subdued.
- 3.4 Our Cost Consultant's (Mace) regular survey of supply chain has shown an improvement in the market that was established last year. Respondents reported that workload over the last 12 months has increased by an average of over 20%. The outlook for the next 12 months is also positive with workload expected to increase by an average of 14% and sales prices by 4.3%.
- 3.5 The Q3 RICS Construction Market Survey continues to show growing momentum across all sectors and all parts of the UK. The report notes concerns regarding labour and materials shortages with supply chains struggling to cope with the acceleration in activity levels. Surveyors expect workloads and employment to continue rising over the coming 12 months together with an increase in profit margins.
- 3.6 The BCIS All-in Tender Price Index (TPI) confirms an increase of 8.47% between May 2013 and November 2014, with a further 4.24% increase to the mid-point of construction in 2015. The overall tender price percentage change

from May 2013 is therefore 12.71%. The TPI uplift is £680,366 which would give a revised budget of £6,033,366.

- 3.7 The fluctuating market conditions have been managed tightly by the project team as part of the general design development and risk management of the project. This has ensured that a lean design solution has been developed whilst maintaining the Council's brief. The engagement of BAM Construction has also allowed direct feedback to be undertaken between the design team, the contractor and their supply chain allowing design solutions to be optimised.
- 3.8 Specific value engineering workshops have also taken place between our Cost Consultants (MACE), BAM Construction and the wider team which have identified further cost savings which are captured as part of the £5,750,958. This has been undertaken whilst ensuring the project as a whole, remains on track for delivery as expected. The result of this process is an increase of £397,958 from the approved budget, inside the forecast TPI uplift of £680,366.
- 3.9 To date the team have marked tested approximately 90% of the subcontract works packages, giving a high degree of confidence on the figures reported above.

4 Financial Implications

- 4.1 As set out above the capital costs of the scheme have been affected by market prices. The project team have worked effectively to manage the overall costs of the scheme and help mitigate the impact. The higher costs and funding of the scheme require additional budget approval.
- 4.2 The council has a number of options to normally consider to fund capital expenditure. These include:
- Capital reserves: capital reserves include capital receipts and grants. Uncommitted capital reserve balances are low and therefore not available at this point to support this project.
 - Borrowing: The council can borrow to fund capital costs. This has ongoing revenue implications through debt repayment and interest costs.
 - Revenue Contributions: Capital spending can be funded through contributions from the revenue budget (traditionally known as "RCCO"). There is no current budget approval to support a contribution to this scheme, and projected in year underspend is not sufficient to absorb an additional contribution to this scheme.
 - Revenue Reserves: Capital costs can be supported through use of general reserves and/or earmarked reserves.
 - External funding: There is no external funding available to support the proposed change to the capital budget for this scheme.
- 4.3 The table below shows the previous and updated cost estimates and funding.

Based on the current funding availability and the aim to mitigate the impact on the affordability of the business case, it is recommended that the increase to the capital budget is funded from the Growth and Regeneration revenue earmarked reserve. This reserve currently has an uncommitted balance of £0.58m.

	Original Estimates £k	Revised Estimates £k	Change £k
Capital budget requirement	5,353	5,751	398
Funded by:			
Growth and Regeneration Reserve	1,500	1,898	398
General Reserves	1,500	1,500	-
Borrowing	2,353	2,353	-
Total Funding	5,353	5,751	398

- 4.4 Using cash reserves will have a negligible impact on the business case, and is affordable within available balances.

5 Link to Corporate Aims

- 5.1 This project aligns to the Corporate Aims of 'A vibrant social, cultural and leisure environment' and objective 7 'Facilitating and supporting cultural and leisure opportunities.

6 Equalities Impact

- 6.1 The new building at Blackbrook will significantly improve and fully address access issues of the current pool provision at St James Street. With the refurbishment of Station Road the community will have access to two quality pools that meet modern day customer expectations and provide opportunity for balanced provision. An equalities impact assessment has previously been undertaken for this scheme.

7 Partnership Implications

- 7.1 The progression of this project will require continued partnership working with Tone Leisure as our Leisure Operators Continued consultation with the swimming clubs, schools, Sport England and Taunton Disability Group will also be necessary.

8 Recommendations

- 8.1 It is recommended that Full Council approve a Supplementary Estimate of £398,000 to the Blackbrook Pool Capital Budget.
- 8.2 It is recommended that £398,000 is allocated from the Growth and Regeneration Earmarked Reserve to fund the additional capital budget requirement.

Contact:

Alison North, Community Leisure Manager

01823 356 576

a.north@tauntondeane.gov.uk