

Taunton Deane Borough Council

Full Council – 15 December 2015

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

Report of the Community Leisure Manager

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

Executive Summary

This report shares an update on the construction project at Blackbrook Sports Centre and makes requests to Members for additional funding. This is largely to deal with fitting out the new facility, and to progress some design change opportunities that have arisen for the Council during the construction phase.

The construction project itself continues to be managed within budget by our construction partners BAM and they are making excellent progress on site.

2. Background

- 2.1 In May 2013 Full Council agreed to the closure of St James Street swimming pools to replace it with new swimming facilities and a health & wellbeing spa at the existing Blackbrook Sports Centre site in Taunton. A capital construction budget of £5.353m was approved – funded from a combination of resources from the Growth Reserve, General Fund Reserve and borrowing.
- 2.2 In December 2014 following detailed design and market testing work, Full Council approved a further budget of £0.398m to provide sufficient capital to enter into the construction contract.
- 2.3 In February 2015 a Design & Build contract was signed with BAM Construction for the value of £5.723m. A Design and Build contract essentially means that the majority of the design is done up front by the Client (the Council and its appointed consultants) which is given to the contractor to provide a contract price to deliver. This provides certainty over costs as this is known and agreed from the outset, but means any changes requested incur cost. BAM construction are proceeding with the works on this basis. Construction began on site on the 31st March 2015 and BAM are making excellent progress to date.

3. Areas of Spending Pressure To Date

Unplanned Costs

- 3.1 During the construction period to date, the Council and Tone Leisure have met regularly on site with BAM and all advisors to discuss progress and to deal with any issues emerging from the programme.
- 3.2 There have been some minor unplanned costs that we have had to deal with to date – these total £26k and have been met from the construction contingency budget.

Design Choices

- 3.3 There have also been opportunities at these meetings to review design choices and to, where appropriate, make changes. Not all opportunities have been progressed – due to affordability issues – but there have been some where it made sense to do so (when it improved the Councils “asset” and improved the offering to the Community for a marginal cost to the construction contract).
- 3.4 The timely nature of such decisions (ie often needed within days due to construction programme implications) meant they have been made by the Project Board (which includes the Councils Asset Management Service as well as our advisors and our operator partner Tone Leisure) with regular briefings shared with the PFH and Leader. The changes to date amount to £71 k and have been funded from the construction contingency budget.
- 3.5 Whilst we have “managed” these issues and opportunities to date from our construction contingency – this is now fully utilised. In order to continue the construction project in a safe and risk appropriate manner we need to re-instate the construction contingency budget.
- 3.6 Very recently we have been given the opportunity to view the finishes of the new spa facility. Whilst generally the proposed design and brand image is coming together positively, the quality of the changing rooms is disappointing. It is imperative as part of the spa experience that the guests can identify a discernible difference in quality between the swimming pool changing facilities and those in the spa. For example, push button showers and coin operated lockers are not acceptable in a spa environment. It is our view that it is necessary to upgrade the shower facilities and changing areas/lockers to match the expectation of the spa business plan. The cost of doing this is £20k and we currently do not have any funding to progress this. If the Council approves this funding request we can build this into the construction project within the required timescale.

Fitting Out Costs

- 3.7 In addition to these design choices, we are now in a position where we better understand the requirements for “fitting-out” the new facilities. We made some estimates earlier in the project but always expected to come back for

funding for this when we better understood the total requirement, how the facility would be used (e.g. the programming plan), and what equipment could be transferred from the existing St James Street site and reused.

- 3.8 Together with Tone Leisure we have conducted a full audit review of the St James Street site fittings to ascertain what items can be brought over to the new facility. Much of the equipment isn't suitable to be transferred (as it is in imperial sizing as the new facility will be metric).
- 3.9 Other items are either at / or approaching the end of their functional life and not in keeping with a brand new facility or the new programming opportunities for different activities provided for at the new facility.

Transition Costs

- 3.10 As we get closer to the closedown of the existing site, we are better able to plan the actual transition. With our partner Tone Leisure we have started the detailed planning necessary to carry this out safely – to ensure the impact on our community is minimised, and our staffing arrangements are planned safely.
- 3.11 We need to plan to manage the closedown of a much loved local facility (and celebrate its life and impact on the community of Taunton Deane) alongside the opening of a brand new facility. The logistics need to be carefully thought through and expectations managed to ensure we do this to our best advantage.
- 3.12 Inevitably there will be a period of "interrupted" business, as this will be necessary to ensure the smooth and safe transition of staff and customers from St. James Street to Blackbrook Pavilion and Taunton Pool. We are working closely with Tone to produce a 'transition plan' that will minimise disruption, although this will to some extent be predicated upon no 'unplanned' delays in project completion. For the purpose of the report we have estimated a period of 2 weeks' business interruption. These four issues (unplanned costs, design changes, fitting out costs and transition costs), form the basis of our request for further funding as summarised in the table below.
- 3.13 A full list of each category is set out in **Appendix A**.

Table 1 - Summary of Funding Request

	£'000
Contingency (to re-instate contingency used to meet Design and unplanned changes)	98
Design Changes - SPA	20
Fitting Out – Estimate	100
Additional Capital Resources Needed	218
Transition Costs - Estimate	24
Additional Revenue Resources Needed	24
TOTAL REQUEST	242

- 3.14 This request will allow the construction to continue on plan (by effectively reinstating the contingency budget) and the site to be fitted out in a cost-effective way.

4 Overall Project Position

- 4.1 The overall project budget (expenditure) is set out below together with a reminder of the funding plan. Members have supported requests for capital funding for the construction element, and below is a reminder of the overall project position and funding.

	Current £k	Request In This Report £k	Projected Total £k
Project Expenditure:			
Construction Contract (BAM)	5,722	20	5,742
Professional Fees	236		236
- Architectural			
- Mechanical & Engineering			
- Structural Engineering			
- CDMC			
- Cost Consultancy			
Clerk of Works	10		10
M&E Advisor	9		9
Temporary Reception Works	21		21
Existing works – planned maintenance	68		68
Fitting out	42	100	142
Project Contingency	98	98	196
TOTAL CAPITAL EXPENDITURE	6,206	218	6,424
Funded By:			
Capital Approvals (march 13 and Feb 15)	5,751		5,751
Leisure Maintenance Reserve	218		218
Virement of Underspends 2014/15	157		157
Climate Change Fund (PV Panels)	80		80
New Homes Bonus Reserve		218	218
TOTAL	6,206	218	6,424

- 4.2 The one-off additional transition costs of £24k, as revenue expenditure, is not included in the above table, but is included in the recommended additional funding request – see 3.13 and 6.7.
- 4.3 The existing Leisure Maintenance reserve has been partly used, as planned, to part fund the overall project (instead of being used on works on St James Street site and other sites).
- 4.3 Our project management support, Gleeds and costs consultants, and MACE

have worked closely with BAM construction to review, verify and obtain best value costs for the Council. Both teams have worked flexibly to accommodate and minimise the costs impacts as much as possible whilst ensuring the programme continues to be delivered.

- 4.4 We still have some way to go on the project but we feel the estimates above are reasonable to completion. Our Cost Consultants Mace have provided us with a robust figure for contingency funds required between now and the end of construction of £98,000 based on the project risk register. Their advice is “The register now includes such risks as one in ten year weather events, issues with design coordination, supply chain management, building control approval and latent defects. Whilst the total figure is high at £98,000 bear in mind that is highly unlikely that all project risks would occur, therefore only a small proportion of the £98,000 may get spent – or maybe not at all”

5. Asset Management

- 5.1 The Councils Asset Manager has been part of the Project Board and has helped ensure the Council keeps focus on the “end product” delivered by this project. The Council will have a significant asset and it rightly needs to ensure it is getting the best it can for its funding, that the asset will have a reasonable lifespan, and that we are ensuring the choices we make on the asset now are sensible for the operation of the asset during its life.
- 5.2 The Council needs to be mindful of the contract with Tone Leisure ending in 2019 and the importance of utilising this current opportunity whilst we have contractors on site to ensure that we have an asset which puts the Council in the best possible position when the future of Leisure Services is being considered.
- 5.3 Now that the Council is clearer on Tone Leisure’s programming schedules and due to concerns generally around lack of parking at this facility, it is considered appropriate to review the transport assessment to ensure that with the building, the site itself is designed to enable both use in short term but also provide for growth. If the need for further permanent parking is deemed to be necessary, there would be a request for further funding. The pool facility will already have capacity for growth in user numbers but perhaps not the site itself and the parking arrangements.
- 5.4 It is important that the spa facility is fitted out to such standard that it can deliver a successful service in its own entity and not rely on operational or financial support from the wider Leisure Centre. This is important not only through to 2019, but potentially beyond.

6. Financial Implications

- 6.1 The main financial implications are set out within the report, and are summarised here.

Project Budget and Funding

- 6.2 The current approved total budget for the new pool and spa is £6.206m. The additional budget requested is £0.218m, an increase of 3.5%, which would increase the total approved budget for the investment to £6.424m.
- 6.3 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 whilst there is currently an underspend forecast on the General Fund (per Q2 financial monitoring report) the position could vary before the financial year end.
 - 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.
- 6.4 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 New Homes Bonus Reserve. The current unallocated balance on this reserve, taking into account grant received to date and already approved commitments against this reserve, is £2.1m. This indicates that the funding is available and affordable from current balances, and it is therefore a matter of prioritising resources. The funding for the project is therefore summarised as follows:

Capital Costs and Funding

	Current Budget £k	Additional Requirement £k	Updated Budget £k
Capital expenditure	6,206	218	6,424
<i>Funded by:</i>			
New Homes Bonus	1,898	218	2,116
General Reserves	1,500	0	1,500
Borrowing	2,353	0	2,353
Virement from Climate Change reserves (for Solar PV)	80	0	80
Leisure Reserves and Underspends	375	0	
Total Funding	6,206	218	6,424

- 6.5 Members are advised that proposals for future commitments of New Homes Bonus are included in the Budget Update and Savings Options report presented to Corporate Scrutiny on 17 November 2015, to inform budget setting and MTFP expenditure projections. This set out a significant range of investment areas in support of growth and infrastructure developments. Whilst

the amount of New Homes Bonus income beyond the current year is not confirmed – this will be subject to annual funding announcements from Government – the current projections indicate that the approval of the amount requested in this report will not adversely impact on other identified priorities (if approved).

- 6.6 By funding this from existing unallocated reserves there is an ‘opportunity cost’ in terms of interest on investments but this is not material to the previously approved business case or the Council’s MTFP projections.

Revenue Costs and Funding

- 6.7 The additional funding request includes an amount of £24k for transition costs. This would be a revenue expenditure item, and as such it is proposed to fund this from revenue underspends in the current financial year. It is therefore proposed to transfer £24k in the current year to the leisure assets earmarked reserve, and then withdraw this sum in 2016/17 to add to the leisure services budget to fund the transition costs.
- 6.8 Tone Leisure have also continued to review their operational business plan and the overall position remains very similar to previous assessments therefore there are no material issues to report in terms of viability or risk. The proposed investments in improved facilities will feasibly reduce risks regarding the commercial assumptions included within their business plan, which also benefits the Council by reducing risk of increased funding requirement for our key leisure partner.

7. Link to Corporate Aims

- 7.1 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

8. Equalities Impact

- 8.1 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.

9. Partnership Implications

- 9.1 The progression of this project requires continued partnership working with Tone Leisure as our Leisure Operators (and their Group Company GLL). Continued consultation with the swimming clubs, schools, Sport England and Taunton Disability Group will also be essential to the success of this project and the eventual running of the new facility.

10. Conclusion

- 10.1 The Council is part way through a significant project that will deliver an exciting new swimming pool facility and a community spa at Blackbrook Sport Centre. Although this is a “no frills” facility, we want to do the very best we can within the funding constraints of the Council.
- 10.2 The construction of the new facility is costing what we said it would. That isn't the issue. The issue is we want to progress some affordable design changes (to the benefit of the Council) whilst we have the opportunity (it's too late once it's built!).
- 10.3 We always recognised we would need to “fit-out” the new facility and would need to request funding for this when we knew more what we needed and what we could reuse from St James Street site.
- 10.4 Should this request be supported we are confident we can progress to project end (barring any construction risks emerging in the second phase of the project!).
- 10.5 The only outstanding issue for the Council to consider on this site is that of car parking. A transport study was carried out in the earlier stages of the project, and we now wish to revisit this in light of a more detailed plan emerging for use of the facility (e.g. programme plan). At this stage we don't know what the outcome of this will be. Should we need to report back to Councillors on this we will commit to do so when all the relevant facts and data are available.

11. Recommendations

- 11.1 Full Council is requested to note the update in this report and:-
 - a) Approve the supplementary capital budget of £218,000 for the New Blackbrook Pool and Spa Pools Project, increasing the total capital budget to £6,424,000;
 - b) Approve the transfer of £218,000 from the New Homes Bonus (Growth) Reserve to add to the Revenue Contribution to Capital (“RCCO”) budget to provide the funding for the capital supplementary estimate above;
 - c) Approve the transfer of £24,000 from 2015/2016 underspend to the Leisure Maintenance earmarked reserve, to fund the additional one-off transition costs in 2016/2017 financial year.

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Appendix:

Appendix A – breakdown of costs and requested funds by category

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Item	Budget	Actual (expenditure to enhance / improve	Extra / over Cost	Information
Design Changes				
SPA audio system	£ -	£ 9,958	£ 9,958	Provides greater flexibility for audio sound throughout the spa to enhance the customer experience
CCTV	£ 3,500	£ 9,872	£ 6,372	Enhanced CCTV provision internally and externally
Showers	£ -	£ 5,732	£ 5,732	Design adjustments providing additional showers for use with shampoo
Learner Pool Glazing	£ -	£ 11,217	£ 11,217	Enhanced viewing area for customers
Temporary Reception	£ 21,130	£ 38,147	£ 17,017	To ensure as minimal disruption to the customer as possible
Additional vending	£ -	£ 2,684	£ 2,684	Provision of hot drink vending to be provided requiring additional drainage
Pool Plant	£ -	£ 3,735	£ 3,735	Upgrade to pool plant gor floc dosing arrangement
Lighting upgrade spa	£ -	£ 1,264	£ 1,264	Upgraded lighting feature in the SPA reception
Poolside door	£ -	£ 2,100	£ 2,100	An additional door on the poolside for H & S provision
Wash-down point	£ -	£ 737	£ 737	An additional wash down point to make cleaning easier
Radiator	£ -	£ 262	£ 262	Addition of a radiator in the reception area
Wet spa feature	£ -	£ 3,788	£ 3,788	To enhance the wet spa further for the best possible customer experience
Catering provision	£ 15,000	£ 20,322	£ 5,322	Additional catering features to provide maximum revenue generating opportunity
Total	£ 39,630	£ 109,818	£ 70,188	
Unplanned Costs			£ -	
Insulation upgrade	£ -	£ 7,000	£ 7,000	Building control requirement for additional insulation to the ground floor

Principal Designer (PD) role (CDM regulations) 2015	£ 750	£ 8,900	£ 8,150	Changes to the CDMC (H & S) legislation has required the appointment of a new role
Carparking survey works		£ 1,500	£ 1,500	To obtain data analysis to support the future proofing of the site as it grows
Temporary car park lighting		£ 2,500	£ 2,500	Identified additional lighting for customer parking
Building control fees	£ -	£ 6,718	£ 6,718	
Total	£ 750	£ 26,618	£ 25,868	
Fitting Out			£ -	