

REPORT TO MAJOR PROJECTS CABINET COMMITTEE

1 Purpose

To update Members of the Major Projects Cabinet Committee on progress with the major projects namely Waitrose/Travelodge, National Enterprise Academy, Council Offices, Waterside Theatre and Public Realm and Aquavale.

2 Recommendations/for decision

Individual project recommendations are included in the project update section of this report

3 Executive summary

Good progress has continued on all the major schemes with the Waterside Theatre achieving initial 'get-in' for Ambassador Theatre Group (ATG) on schedule on 16 July.

The public realm works continue to progress on schedule. More detailed business planning and works package assembly has commenced on Aquavale with the architects Faulkner Browns and the Waterside retail and hotel development has achieved its target affordability level and submission of the planning application is imminent.

4 Supporting information

4.1 Waterside Retail and Hotel development - Waitrose /Travelodge Project

Project Summary

Development of a food store of approximately 3,000 square metres (30,935 square feet), an 81 bedroom hotel and 270 car parking spaces, on land to the south of Exchange Street. It is proposed that the food store will be leased to Waitrose, the hotel will be leased to Travelodge and the car park will be managed by the Council.

The development was initially due to be undertaken by Warner Estate under the Aylesbury Waterside Development Agreement between Warner Estate and the Council, entered into in August 2008; however, Warner Estate confirmed late in 2009 that it did not have sufficient funds to submit the planning application and progress the scheme. As a result, the Council is progressing direct development of the scheme to deliver it within the Council's and tenants' desired timescale.

The development is considered an important element of the wider Waterside area, including the theatre and the proposed National Enterprise Academy

Commercial Model

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The financial elements of the Heads of Terms with Waitrose and Travelodge have been renegotiated successfully to increase the annual income received from the scheme, so that – as a minimum – the income from the scheme covers the cost of the interest and repayment on prudential borrowing for the scheme. .

Financial Appraisal

As considered previously

Project Programme

| Key Completion Dates | Planned | Revised | Actual |
|------------------------------------------|----------------|---------------|--------|
| Initial viability study | 14 May 2010 | 28 May 2010 | |
| Exchange lease Agreement with Waitrose | 31 May 2010 | End Sept 2010 | |
| Exchange lease Agreement with Travelodge | 31 May 2010 | End Sept 2010 | |
| Submit Planning Application | 30 July 2010 | | |
| Commence Construction | February 2011 | | |
| Opening Waitrose and Travelodge | September 2012 | | |
| | | | |
| | | | |

Summary

Pre Planning Application public consultation has been conducted and the submission is imminent. This programme has been developed following discussion with both Waitrose and Travelodge's technical teams.

Risks and Opportunities

A full risk register is maintained and regularly updated. In summary the following risks are considered to be the key risks to the successful delivery of the project:

- Timely completion of a licence with ACS for temporary relocation of boats and site clearance.
- Delay to progress of Planning Application for any reason.

4.2 National Enterprise Academy (NEA)

Project Summary

The Academy, to be housed in a building of 3,880 sq m plus a commercial area of 570 sq m, will comprise teaching facilities and headquarter functions, along with associated car parking, a restaurant / kitchen with public access and a part of the public realm which is to be created as part of the waterside development. There is the opportunity for a future extension to the building by 1050 sq m. The building facilities will be bespoke to the requirements of the NEA.

Commercial Model

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|-------------------|-----------|--|--|
| Land acquisition | 2,000,000 | | |
| Construction | 6,505,000 | | |
| External Works | 522,000 | | |
| Preliminaries | 917,000 | | |
| Contingencies | 480,000 | | |
| Equipment | 610,000 | | |
| Professional fees | 1,179,000 | | |

The initial work on the project has been carried out by consultants, to achieve sufficient information to complete the business case with Peter Jones Foundation and to process the funding application to the Learning and Skills Council

Options: in order to progress the project to meet the Council's procurement obligations the Council sought tenders from appropriate suppliers under a national OGC Buying Solutions framework for a complete project management and design team solution.

Since the procurement process was commenced two major factors have intervened. Firstly, whilst we have received positive feedback on the grant application made in March 2010, final approval is awaited and is subject to the current Government expenditure review. Secondly, meetings with the NEA to refine the detailed scope of work, the preferred design and construction procurement process and the funding package are ongoing with further site meetings planned for July and August. These discussions have led us to conclude that the current procurement process is unlikely to deliver an appropriate solution for the NEA at this time.

We are therefore proposing to continue with the existing project management arrangements for the NEA up to the point at which a planning application is submitted. This gives the advantage of enabling the NEA/AVA and AVDC to agree on the detailed arrangements for the procurement of a specialist design team separate from the project management role.

This is considered to be the most appropriate way of keeping the Council's options open with regard to the future procurement arrangements for both the design and construction of the NEA, whilst still ensuring that progress on project approvals and the like can be made up to the point at which the current uncertainties detailed in the preceding paragraphs have been resolved.

Proposed programme milestones are as follows:

| | |
|--------------------------------------------|------------|
| Planning application submission | 30.10.2010 |
| Full Design Services Provider Appointed | 01.01.2011 |
| Planning Approval | 31.03.2011 |
| Constructor Appointment & Mobilisation | 01.04.2011 |
| Practical Completion of construction works | 27.07.2012 |
| Academy Opening | 03.09.2012 |

The preliminary work has been funded from the AVA growth fund of £500,000.

Following meetings in April-July with the NEA, Learning and Skills Council, AVA and the Waterside retail team it is proposed to continue the current appointment of Mace as project managers up to the point of planning submission.

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A fee proposal has been received from Mace the detail of which is shown in confidential Appendix A.

Approval is therefore sought from Members to request that Cabinet waive the relevant requirements of the Contracts Procedure Rules in order to allow the appointment of Mace on the above basis.

Financial Appraisal

- AVA has awarded an initial grant of £500,000 towards preliminary costs of progressing the project.
- A funding application has been made to SFA Capital Committee and feedback is awaited. The Skills Funding Agency (SFA) have confirmed receipt and are reviewing the application, initial requests for NEA financial information have been received from the SFA, further feedback awaited.
- Ongoing discussions with NEA and Peter Jones Foundation on extent of funding.
- NEA and AVDC are meeting to continue ‘heads of terms’ discussions
- AVDC and NEA ‘heads of terms’ outcome will inform alternative investment models.
- Investment model to be validated by the SFA as part of the funding application. Work in hand.

Project Programme

| Key Completion Dates | Planned | Revised | Actual |
|--------------------------------------------|-------------|------------|-------------|
| Initial client brief developed | 26.02.2010. | | 26.02.2010. |
| Capacity study | 09.03.2010. | | 09.03.2010. |
| Capital funding application (see above) | 31.03.2010. | | 31.03.2010. |
| Massing study | 01.04.2010. | | 01.04.2010. |
| Design services provider appointed | 21.05.2010 | 01.01.2011 | |
| Planning approval | 30.01.2011 | 31.03.2011 | |
| Constructor appointment & mobilisation | 01.04.2011 | 02.05.2011 | |
| Practical completion of construction works | 27.07.2012 | | |
| Academy opening | 03.09.2012 | | |

Risks and Opportunities

- Approval by LSC of Heads of Terms and Capital Funding awaited
- Agreement by NEA /AVDC of Heads of Terms and commercial model need to be concluded to release full appointment of design and other professional services providers.
- Delay or failure to execute agreement with ACS for temporary relocation of boats and site clearance.
- Delay to progress of Planning Application for any reason
- High and low voltage electricity supplies and other services that cross the NEA site will require long lead in times to clear site prior to project start.

4.3 Council Offices Phase 3 and Gatehouse regeneration

Project Summary

The proposal for the third and final phase of the project is to bring together all Council staff on one campus - the Gateway. Phase I and II comprised the refurbishment of existing offices and the provision of the new Council Chamber and Conference facilities. Phase III is the development of approximately 4300m² of offices and support facilities to house 300 members of the Council staff.

On 07 April 2010 Aylesbury Vale Enterprise (AVE) made a preliminary presentation of plans for the development of land adjacent to Gateway. These plans, if used to form the basis of development proposals could impact upon the Phase III project. Therefore a period of review is required before Phase III is put forward to proceed. Revised costs, programme and commercial model / Financial Appraisal will then be generated.

Commercial Model

It is proposed that the Council will construct the phase 3 offices, and maintain ownership in the long term to minimise revenue costs. Following discussions with AVE, it is proposed that AVDC will transfer the ownership of the remaining landholding on the Gatehouse site to AVE, and in return AVE will construct the car parking required by the Council and the carriageways and highways required to access the offices. Following a value engineering exercise with Morgan Sindell, it is estimated that the cost of construction of the offices is £8m plus fees.

AVE proposes to provide housing on the land freed-up by the Council, and some of their own landholdings. The housing will be a combination of private and affordable housing (for rent and shared ownership. AVE is approved for development by the Housing and Communities Agency and is applying for grant funding with support from the Council. Subject to approval of funding an allocation of funding in the current financial year, it will be necessary for construction of the housing to commence by the end of March 2011. AVE is going to provide a design for the housing development by the end of July.

Negotiations are being undertaken with AVE to create a combined project to construct the offices, housing, car parking and highways together to benefit co-ordination and achieve cost efficiencies. As part of this consideration is being given to using AVE's project managers to oversee the construction.

AVE proposes to build commercial offices on the remainder of the site, but on a phased basis as

the market for office space recovers. Early discussions have been had to investigate the possibility for providing incubator offices with flexible sizing, and the NEA have stated an interest to be involved in the development. A meeting is being held with Aylesbury College to better understand their aspirations for providing accommodation on their landholdings to ensure a co-ordinated approach.

Financial Appraisal

As outlined above, it is estimated that the cost of building the offices is £8m plus fees. The cost of this will be partially met by the remaining £3m capital allocation and the transfer of the 66 High Street office to AVE. Investigations are underway to explore opportunities to fund the remaining capital to avoid the need for prudential borrowing.

Project Programme

It is proposed, subject to approval, to submit a report to Cabinet in September seeking approval to enter into agreement with AVE for the transfer of land and, subject to financial negotiations, proceed with the development of the phase 3 offices. In the event that the Council's capital programme is affected a report will be submitted to Council seeking approval.

A revised programme for the construction of the offices has been submitted by Morgan Sindell, which shows that construction could commence in December 2010 subject to approval. The construction period for the offices is 55 weeks, giving an occupation in early 2012. Allowing for a period of mobilisation to move relocate furniture and equipment, the new offices would be fully occupied by the end of the 2011/12 financial year.

Risks and Opportunities

The joint working between AVDC and AVE mitigates the risk of being able to sell the 66 High Street offices, and makes better use of the Council's landholding on the Gateway site.

A construction risk register is in place, and will be amended to incorporate the joint working with AVE if approved.

4.4 Waterside Theatre

Project Summary

The Waterside Theatre work has progressed well during the period with the major milestone of the ATG 'get-in' being achieved on schedule on 16 July. A detailed summary of the current commercial and operational position is attached as confidential Appendix B.

4.5 Aquavale

Project Summary

Aqua Vale has been a hugely popular facility since its opening in 2001 attracting nearly half a million customer visits per year. However, the site has not benefited from any major improvement works since it opened. The Centre's market position has been challenged and weakened following the opening of the Cannons Health Club (now operated by the Nuffield Trust) and the refurbished Stoke Mandeville Stadium which underwent a £10m investment in 2002/03.

Whilst Aqua Vale offers dry-side facilities (i.e. fitness gym) the Centre is predominantly focused around wet activity provision. Leisure facilities rely upon income from dry-side activities to subsidise the high operating costs of wet-side facilities. Aqua Vale has particularly high wet-side costs because the centre has 3 swimming pools one of which is outdoors.

In 2007 it was determined that there was a need to improve the financial performance of the facility in order for the Council to avoid having to incur additional annual subsidy costs of circa £250,000 per annum when the current contract with AVCT ends. A consultants were commissioned to undertake initial feasibility work in 2007 to identify development options to address this matter as well as improve service quality and energy efficiency. AVDC retains ownership of the building and site. Management of the centre was transferred to the Aylesbury Vale Community Trust in June 2009. The Community Trust (AVCT) retained Serco as its Agent. The key elements of the project are as follows:

- 1) **Outdoor pool roof** - The provision of a retractable roof to cover the current outdoor pool and provide a more versatile pool all year round keeping the niche benefit of 'open air' during the summer months and reducing the centre's carbon footprint/utility consumption.
- 2) **Café** - Relocation of the café to the front aspect of the building creating a greater interface between park users and the centre and embracing the café culture with good coffee and comfortable seating, whilst enjoying the pleasures of recreation. This will also support the wider proposals to renovate Vale Park and help revitalise the town centre.
- 3) **CHP (Combined Heat and Power)** - Improved energy efficiency which would reduce the revenue utility costs and carbon footprint with potential to provide the opportunity to supply energy back to the national grid.
- 4) **Extended and enhanced reception and fitness suite facilities** - The infilling of the area between the current reception area and that of the disused soft play area which is currently a shrub bed. This will greatly enhance the reception area allowing customers to queue indoors when necessary, and allow for greater marketing/customer contact opportunities as well as merchandising. A new mezzanine level above would comprise of a secondary gym area which will boast a variety of equipment to cater for different market sectors and enable gym revenues to be almost doubled.
- 5) **Creation of a multi functional room** accessible for community hires, training sessions and/or special bookings. The room which was formerly the soft play area would be improved e.g. through the introduction of air conditioning.

- 6) **Pool and gym changing** - This section of the project would transform the newly vacant café area, kitchen and stores into superior and larger ‘dryside’ changing facilities and see the establishment of additional ‘wetside’ changing facilities for enhanced activity programming.
- 7) **Refurbishment of current ‘dry side’ changing area to become specialist and complimentary treatment rooms** - GP referral, holistic therapy, etc.
- 8) **Reconfiguration of the car park** - within its current footprint to provide up to a further 40 parking spaces.
- 9) **Refurbishment of the existing wetside changing village.**
- 10) **Provision of fixtures and fittings as required to facilitate these developments** - i.e. gym equipment, catering equipment, changing cubicles / lockers etc.
- 11) **Installation of an additional flume (water slide)** - To enhance the leisure water offer to the user and improve market attraction.

A business case was developed during 2008 and was considered by the Council’s Strategic Investment Board (SIB) in 2009. The SIB concluded that the Business Case was as strong as it could be but required further work to be undertaken concerning funding options. Changes within the construction market provide an opportunity to bring forward the project as part of AVDC’s Programme Management Office with current market conditions indicating that now is likely to be the optimal time to progress the scheme.

Further to the above this project is a stated task within the Council’s Corporate Plan 2008/11 and will also support:

- Performance against LAA indicator NI8 (adult participation in sport);
- Performance towards meeting the Council’s Carbon reduction target;
- Improving residents’ sense of place and associated results in the Place survey and the Council objective to make Aylesbury Vale the best place to live and work.

In February 2010 AVDC started a strategic design review of the 2007 proposals and an interrogation of the costs in light of subsequent changes in economic market conditions. This work was completed in March 2010, with the following recommendations:

- A significant reduction in the scheme capital costs could be achieved if the original project proposals were tendered in the current construction market (see financial information on page 2);
- A number of design options should be progressed in addition to more detailed work around the 2007 feasibility study preferred option. Faulkner Brown has been instructed to provide preliminary options.

Commercial Model

The key commercial driver for the project is to improve the surplus income earning potential of the facility and prevent the Council from having to incur additional unbudgeted subsidy payment to its leisure facility operator from the end of the current contract term in March 2012. Given

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previous losses recorded by Serco it is likely that any future tender bids received will be higher to reflect risks associated with matters such as increasing energy costs, impact of recession upon usage etc.

The current operating contract with AVCT is due to expire in March 2012 and AVDC are currently seeking to progress a proposal (as agreed by the Cabinet) to extend this contract to March 2013, however, whilst the need for the Council to allow for a higher subsidy payment has been raised within AVDC's Medium Term Financial Plan from 2012 onwards no such provision has as yet been identified. In any event the Council will have to secure significant improvements to its bottom line budget position over the next few years.

Accordingly, AVDC has considered whether by using its own capital it could improve the service breadth and quality and also provide additional revenue generating opportunity which can be used to help keep down future operating costs. The proposed capital project to improve the facility will need to generate a sufficient additional amount of annual revenue to negate the requirement for additional subsidy payments due to borrowing. This additional revenue generation is required to be within an acceptable capital/revenue ratio and is the key budgetary driver for the capital construction cost.

Financial Appraisal

The Capital budget for Aqua Vale Pool construction costs estimated in December 2007 has been reviewed in each subsequent year by obtaining contractor's estimated prices or 'market testing'. As a result of current market conditions, it is likely that construction costs will be lower than the original capital forecast.

The total construction cost in the December 2007 cost plan, completed by Gleeds, was £5,193,000. A budget price obtained from Wilmott Dixon Construction in September 2008 was £5,435,000 and a subsequent price in January 2009 has seen this fall to £5,227,242. We now anticipate that a construction cost in the range of **£4,800,000 to £5,200,000 plus fees** can be achieved and recent additional market testing from another main contractor appears to support this view.

Following meetings in June with the original architect for the pool, Faulkner Browns and discussions with their professional services team including Gleeds (the original QS for the building), Faber Maunsell (M and E), Cundall Johnston (structural engineer) it is proposed to develop a design and further works packages in order to go to the market whilst the climate for construction is still positive from a buyer perspective.

The package of works is likely to be a mix of enhancements to the building and ongoing refurbishment and maintenance. This will not only help to drive additional income in line with the original business plan but will also help to mitigate any rise in revenue cost of the building's operation when the contract with the Trust comes up for renewal in March 2013 (assuming the extension is agreed). The extension to the current contract is currently under discussion with the Trust and any financial investment in the building will need to carefully balance the twin objectives of income and operational revenue commitments. The Faulkner Browns/Gleeds work, leading to a stage E design will be reported to Members in the Autumn with a view to letting a contract in the latter part of this year with a start on site by March 2011.

Options: we have considered going out to tender for the initial design team works but the

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estimated cost of the tendering exercise (c£20k) in addition to the lost time (c8-10 weeks if a framework is used) and the availability of information which another supplier would have to re-create (original drawings, M and E, Cost information and specifications) has led us to conclude that the original design team, led by Faulkner Browns should be used for this next stage. If further project and programme management is required then this could be considered as part of any procurement for a construction contractor. This will help keep down front-end cost until the detailed specification of works and design are approved. Once the design has been progressed further (to stage D and beyond) a value engineering exercise will be carried out and the options brought to Members of this Committee for consideration prior to any works package being offered to the market.

A fee proposal has been received from Faulkner Browns the detail of which is shown in confidential Appendix C.

Approval is therefore sought from Members to request that Cabinet waive the relevant requirements of the Contracts Procedure Rules in order to allow the appointment of Faulkner Browns and their team, at a cost of for each appointment which is below the relevant OJEU threshold, to complete the stage E design and costing appraisal process for reporting back to Members of this Committee in November 2010.

| Project Programme | | | |
|-----------------------------------------------------------------|----------------|----------------|---------------|
| Key Completion Dates | Planned | Revised | Actual |
| Conduct Initial Design and Cost Review of Feasibility Proposals | 26/03/2010 | | 26/03/10 |
| Establish Project Key Dates and Programme | 30/04/2010 | | 30/04/10 |
| Site meeting with Internal team | 09/06/2010 | | 09/06/10 |
| Site meeting with Faulkner Browns | 29/06/2010 | | 29/06/10 |
| Cabinet Committee – major projects | 29/07/2010 | | |
| Stage E design | 30/11/2010 | | |
| Planning submission | 01/11/2010 | | |
| Planning approval | 01/02/2011 | | |
| Contractor appointment | 02/02/2011 | | |
| Commence works on-site | 01/03/2011 | | |

Risks and Opportunities

Due to the preliminary nature of the project, a risk register is yet to be developed, however a number of risks have been identified:

- Existing contractual risk associated with the operator and the proposed service re-tender
- Construction market becoming more buoyant particularly in the leisure market ahead of 2012
- Programme risk in terms of capital investment against ongoing revenue subsidy
- Continued uplift of energy costs drive subsidy higher
- Refurbishment costs ahead of re-tender balanced against new capital investment – relative priority between income generating facilities versus back of house services.

5 Options considered

5.1 Not applicable.

6 Reasons for Recommendation

6.1 The reasons for the recommendations are set out in the body of the report.

7 Resource implications

7.1 The resource implications are set out in the body of the report

8 Response to Key Aims and Objectives

- 8.1 **Thriving communities:** To take the lead place shaping role to ensure that we enable our communities to be vibrant, engaged and safe.
- 8.2 **Quality growth and regeneration:** To deliver landmark new building developments and/or town centre regeneration for our major towns of Aylesbury, Buckingham, Wendover and Winslow, and to take the lead place-shaping role to deliver economic growth in the Vale.
- 8.3 To assist in the delivery of the Sustainable Communities Strategy

Contact Officer
Background Documents

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None