

Helensburgh Waterfront Development (HWD) – Development Funding

1. EXECUTIVE SUMMARY

1.1. The purpose of this report is to seek approval from the Policy and Resource Committee to drawdown an additional £235,000 of development funding, from the Approved Budget of **£19,510,680**, to cover the costs of the project through to September 2019.

1.2. In August 2016 the Policy and Resource Committee approved the drawdown of up to £1,000,000 to develop the project through to Full Business Case. The funding requirements were based on the project delivery model and programme as they stood at that time, and which have subsequently been subject to revision and change as set out in Sections 5.1 through 5.20 of this report.

2. RECOMMENDATIONS

The Committee is asked to:

2.1. Approve the drawdown of up to a further £235,000 in development funding to take the project through to the completion of the Full Business Case and Contract Award Recommendation Report, scheduled for September 2019.

Helensburgh Waterfront Development – Additional Development Funding

3.INTRODUCTION

3.1.The Helensburgh Waterfront Development Project is all about creating a vibrant and attractive waterfront for the town. The main feature of the project will be a new leisure facility incorporating a swimming pool, with associated parking and public realm works to meet the needs of the local community. At the same time the flood defences will be increased to address current flooding issues on the site. The new leisure facility will be run on behalf of the Council by the recently formed trust LiveArgyll.

3.2.The principle aims and objectives for the project are to:

- Develop Helensburgh as a great place to live, work and visit, by delivering a new state-of-the-art leisure facility and swimming pool which meets the needs of the Helensburgh and Lomond community
- Add to what has been achieved through other projects such as CHORD and Hermitage Park regeneration, which have created an attractive, vibrant and contemporary town Centre that is attracting residents, businesses and visitors to the area.
- To support the provision of a permanent Skate-park
- Encourage additional private sector investment in the waterfront area and town centre
- Through the steps above, support the Helensburgh and Lomond economy with increased opportunities for existing and new businesses

3.3.In August 2016 the Committee approved the drawdown of *'up to £1,000,000 from the Helensburgh Waterfront capital budget allocation to enable the project to be progressed to detailed design, secure statutory approvals and to bring forward the FBC.'* At that time the indicative programme for the delivery of the project anticipated a start on site in June 2018 with a completion date of April 2020. It was anticipated that the detailed design would be presented for approval by the Helensburgh & Lomond Area Committee in spring 2017, with the FBC coming forward to local members and the Policy & Resources Committee in August 2017.

3.4.Changes to the project delivery model, delays in securing statutory approvals, and additional design work, have all contributed to programme delays and/or additional costs. The background to these issues, along with an update on the current status of the project, are set out in more detail at Section 5 of this report.

4.RECOMMENDATIONS

The Committee is asked to:

- 4.1.Approve the drawdown of up to a further £235,000 in development funding to take the project through to the completion of the Full Business Case and Contract Award Recommendation Report, scheduled for September 2019.

5.DETAIL

Development Costs

- 5.1.In August 2016 the Committee approved the drawdown of 'up to £1,000,000 from the Helensburgh Waterfront capital budget allocation to enable the project to be progressed to detailed design, secure statutory approvals and to bring forward the FBC.' The estimation of development costs was made up as follows:

Cost Heading	
Professional fees for the delivery of project estimated at £1.1m (Allowance of 60% of total professional fees, used to enable project to be taken through to detailed design, planning and full business case development)	£660,000
Planning, Surveys, Site Investigations, BREEAM etc.	£240,000
Internal Costs – Project Management Function	£100,000
Total	£1,000,000

- 5.2.For the reasons set out in Sections 5.6 through to 5.9 of this report, the costs of developing the project to FBC and Contract Award Recommendation, have been revised as follows:

Cost Heading	
Professional fees, Planning, Surveys, Site Investigations etc. for the delivery of project estimated at £1.34m (Allowance of 73% ¹ of total, used to enable project to be taken through to detailed design, planning and full business case development)	£972,077.71
Planning, Surveys, Site Investigations, BREEAM etc.	Now included in above figure
Internal Costs – Project Management Function	£236,935.19
Sundries	£5,000.00
Total To Date	£1,214,012.90

- 5.3.The Anticipated Final Cost (**AFC**) for the project overall will be fully updated in the Full Business Case, as this takes account of the tender prices from the preferred bidder organisation. It will be these prices and the Live Argyll operational business model, which will ultimately be required to demonstrate the 'affordability' of the project to the Council.

¹ Table 5.1: Professional Fees combined with Planning, Surveys, and Site Investigations etc. Total Cost = £1,340,000, Approved Drawdown = £900,000 or 67%.

Table 5.2: Professional Fees combined with Planning, Surveys, and Site Investigations etc. Total Cost = £1,340,000, Approved Drawdown = £972,077 or 73%.

- 5.4. To enable the project to progress to this stage, it is recommended that we allow for a drawdown in Development Funding, of up to £1,235,000 in total, or +£235,000 on the previously approved drawdown. This would represent some 6% of the Approved Budget of £19,510,680.
- 5.5. As noted previously, various issues have contributed to programme delays and/or additional costs. The background to these issues, along with an update on the current status of the project, are set out in more detail below.

Project Delivery and Design Development

- 5.6. As part of the Council's wider budget setting exercise (FY17/18 the delivery model for Multi-disciplinary Design and Cost Management Services was reviewed. This resulted in the multi-disciplinary design team and cost management services for the HWD project using existing internal resources wherever possible.
- 5.7. The requirement for additional design works to bring all architectural and engineering elements up to Stage 2 Completion status introduced additional time (600 man hours) and professional fees (£30k). This included significant informal and formal public consultation.

Planning Permission

- 5.8. The full planning application was submitted on 20 July 2018. Unfortunately the planning approvals process took significantly longer than expected due to concerns over the impact of new UK Climate Change Predictions (UKCP18) which were not due for publication until the end of November 2019. As a consequence of the UKCP18 Data the project proposals were modified.
- 5.9. Full planning permission was granted in January 2019, subject to a number of planning conditions. Taking the project through the planning application process added a minimum of an additional 12-weeks to the project programme, and incurred additional Design Team and Project Management fees.

CURRENT STATUS OF THE PROJECT

Procurement Process Update

- 5.10. We published the Contract Notice and issued the European Single Procurement Document (ESPD), which replaced the old Pre-Qualification Questionnaire (PQQ), on 4th February 2019. This initiated the formal procurement exercise for the Principal Works Contractor, and the key milestones for the next stages are as follows:
- Deadline for Submission of European Single Procurement Document (ESPD) by interested parties was 11th March 2019 (this used to be referred to as the Pre-Qualification Stage). As at that date we received four submissions from interested parties.
 - Following the assessment of the ESPD submissions, we expect to issue the Invitation to Tender to suitable candidates on 13 May 2019
 - Deadline for returning Tenders would be 27 June 2019
 - Contract award would follow on from the approval of the Full Business Case (FBC) and Contract Award Recommendation Report, and we intend to bring these forward for approval through September 2019.

5.11. Members should note that starting the procurement exercise for the main works contract provides hard market data and prices, which will enable the project team to make subsequent and informed recommendations to the Committees of the Council with respect to the affordability of the project overall. Starting the procurement exercise does not commit the Council to awarding a contract, nor does it commit any significant capital expenditure, over and above the development funding, at this stage.

Full Business Case

5.12. The preparation of the Full Business Case (FBC) is being undertaken in accordance with HMT Green Book Guidance. The FBC development is a mandatory part of the business case development process, which is completed following procurement of the scheme – but prior to contract signature – in most public sector organisations.

5.13. The purpose of the FBC is to:

- Identify the ‘market place opportunity’ which offers optimum Value For Money (VFM);
- Set out the negotiated commercial and contractual arrangements for the deal;
- Demonstrate that it is ‘unequivocally’ affordable;
- Put in place the detailed management arrangements for the successful delivery of the scheme.

Programme Update

5.14. The project’s development has been proceeding on the basis of the key milestones approved by members in June 2018 with the approval of the Stage 3 End Stage Report. We have developed further detail in respect Stage 4, including the procurement of the works contract and the development of the FBC following the determination of our Planning Application.

5.15. Delays in obtaining Planning Permission and allowing additional time during the ESPD Assessment process, to clarify requirements with bidding organisations, has meant that dates have slipped back by an estimated four months. Whilst any delay is unwelcome, it is important that we take the necessary time during the procurement exercise to ensure that we get the right contractor for the delivery of the works. Given the complex nature of the project, a few additional weeks now, could save significant time and costs later. The current project programme, which is yet to be informed by the successful contractors Construction Programme, includes the following milestones:

Project Programme		
Stage	Milestone/ Product/ Activity	Target Date
7	Building Warrant Process	July 2018 to June 2019
8	Procure Main Works Contractor	1 February 2019 to 17 August 2019
9	Full Business Case and Contract Award Recommendation Approval	26 September 2019

Project Programme		
Stage	Milestone/ Product/ Activity	Target Date
10	Observe Standstill Period	2 October to 11 October 2019
11	Award Principal Works Contract	14 October 2019
2	Contract Start-up Meeting	Mid October 2019
3	Main Works Contractor Appointment and Mobilisation Period	Mid October 2019 to Mid November 2019
4	Construction Period for Flood Defences and New Leisure Centre	November 2019 to 13 October 2021
5	Staff Migration from existing building and familiarisation with new	October 2021 to November 2021
6	New Swimming Pool Opens	November 2021
7	Demolition of Existing Pool and Completion of Landscaping/Car Park	November 2021 to March 2022
8	End of Defects Rectification Period Stage 1 and Stage 2	October 2022
9	End of Defects Rectification Period Stage 3	March 2023
10	Project Close Out Report	April/May 2023

Note: all dates are indicative and subject to: the award of the main works contract; and the subsequent submission/agreement of the Master Works Programme by the Contractor and the Council.

UPDATE ON BUDGET AND DEVELOPMENT COSTS

Budget

5.16. In December 2018 Members recommended to the Policy and Resources Committee that additional funding should be made available for the delivery of environmental improvements/public realm works at the north of the site. At the 21 February 2019 Full Council Budget meeting, Members approved this additional budget allowance, taking the approved budget to **£19,510,680**. Whilst this is a major commitment of capital, we recognise that there are still expected to be significant challenges to overcome, including:

- Overall affordability of the project at a time of a reduced capital budget within the Council, and with an expectation that the year-on-year situation is unlikely to show an improvement in the short to medium term.
- Reduced availability of capital funding from external sources, with the focus moving away from local authorities and towards community and

third sector organisations.

- Availability of construction resources, including engineering personnel, general labour, plant, equipment and materials with a number of nationally important projects coming on stream e.g. HS2, A9 Dualling etc.
- Impact of Construction Industry Inflation on the affordability of the project e.g. Input prices for materials and fuels rose by 4.7% in the year through January 2018. Construction Industry Inflation is forecasted at a 1% tender price growth for both 2019 and 2020, increasing in the longer term to 1.5% in 2021 and 2022.
- The cost of diverting or tying-in to existing utilities
- Appeal of the contract opportunity to the market place

6.CONCLUSION

6.1.The Helensburgh Waterfront Development project is a complex, multi-disciplinary project that includes a number of: design and construction interfaces; statutory approvals; construction logistics; and utility diversion and upgrading requirements.

6.2.The Project Team has published the Contract Notice for the main works contract, and is on programme to issue the Invitation To Tender on 28 April 2019, and subsequently to bring forward the FBC and Contract Award Recommendation for approval following summer recess in 2019.

7.IMPLICATIONS

7.1.**Policy** - The delivery of these projects fits with, as appropriate, the Council's Corporate Plan, Single Outcome Agreement, Economic Development Action Plan and approved Local Development Plan key actions and policy for safeguarding our built heritage and town Centre regeneration.

7.2.**Financial** - At the 21 February 2019 Full Council Budget meeting, Members approved this additional budget allowance, taking the approved budget to **£19,510,680**. We are now seeking authority to drawdown up to a maximum of £1,235,000 from that Approved Budget.

7.3.**Legal** - Legal Services will provide support as and when required.

7.4.**HR** - The Helensburgh Regeneration Project Manager continues to manage the project on a day to day basis, supported by colleagues from other departments of the Council.

7.5.**Equalities/Fairer Scotland Duty** - An Equalities and Social Inclusion Assessment will be undertaken during the next stage of project development and reviewed on a regular basis as the project progresses.

7.6.**Risk** - The Helensburgh Waterfront Development Project has a costed Risk Register which is regularly monitored and updated, with reports provided to members at key project milestones.

7.7.**Customer Service** - None.

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