

REPORT TO COUNCIL

REPORT OF: Grow the Economy – Economic Development Portfolio Holder
Strategic Resources – Well Run Council Portfolio Holder

REPORT NO: PD021

DATE: 11 September 2014

TITLE:	St Peters Hill development - budget allocation & project update	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	Budget Provision	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Frances Cartwright Grow the Economy and Economic Development Councillor Mike Taylor Strategic Resources - Well Run Council	
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INITIAL IMPACT ANALYSIS: Equality and Diversity	Carried out and Referred to in paragraph (7) below	Full impact assessment Required:
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	PD019- Redevelopment of St Peters Hill, Grantham. Procurement and Budget allocation update.Cabinet, 04 August 2014. http://moderngov.southkesteven.gov.uk/mgConvert2PDF.aspx?ID=13291 HOF267- Determination of Budget 2014/15 and indicative budgets to 2016/17 – General Fund, Housing Revenue Account and associated capital programmes. Council, 03 March 2014. http://moderngov.southkesteven.gov.uk/mgConvert2PDF.aspx?ID=3018&T=10 PD015- Redevelopment of St Peter's Hill Grantham Cabinet, 03 February 2014. http://moderngov.southkesteven.gov.uk/mgConvert2PDF.aspx?ID=12666 http://moderngov.southkesteven.gov.uk/mgConvert2PDF.aspx?ID=12667	

1. RECOMMENDATIONS

- 1.1 That Council note the progress made on developing the scheme and agree to amend the allocation in the capital programme for this scheme to £4.95m from the £6.1M currently allocated to “Town Centre Projects – St Peters Hill Development” for the period 2014/15 – 2016/17.

2. PURPOSE OF THE REPORT

- 2.1 The report provides an update on the makeup of the components of the proposed scheme, the procurement route being progressed and allocation of capital towards the scheme. Cabinet has supported this project at its meeting on 4 August 2014 and is seeking approval from Council for the investment in line with the revised costings obtained as part of the project development.

3. DETAILS OF REPORT

- 3.1 The General Fund capital programme is focussed on the delivery of priority projects particularly in relation to Grow the Economy – economic regeneration.
- 3.2 This ambitious proposal involves the redevelopment of land and premises at St Catherine’s Road which will create a 6 screen multiplex cinema with adjacent restaurants thereby bringing significant improvements to the leisure and cultural offer in the vicinity. This level of investment in the town centre will provide an economic boost to the local economy and ensure the Council continues its track record of delivering its priorities.
- 3.3 In order to compliment the enhanced Cinema offer and existing Guildhall Arts Centre a soft marketing exercise has been carried out to ascertain the likely level of interest from A3 (Restaurant) operators in locating new offers to Grantham in the space adjacent to the cinema.
- 3.4 The level of confirmed interest in the scheme has been strong. Taking only those operators that confirmed definite interest in having space in the scheme, there is currently more demand than available space on the ground floor. We have therefore looked to include approximately 4000 sq ft of A3 space on the first floor.
- 3.5 Typically first floor space for A3 use is less attractive to operators; however the concept of a food court with multi cuisine and live cooking areas sits well with a quality fast food offer for those seeking a quicker dining experience before or after a film. A reconfiguration of the space at first floor level will suit this use. Placing the entrance immediately adjacent to the Cinema entrance ensures footfall passes the entrance to the first floor A3 outlet.
- 3.6 The balance of the first floor, approx 5800 sq ft net, is allocated to office use. The space could be let as one unit or split into smaller units to meet some of the demand recently identified, but without any business support or services.

4. Procurement route

- 4.1 The procurement route being progressed for the construction of the new Community Hall, Cinema, A3 units and public realm is via the East Midlands Property Alliance (EMPA) framework.
- 4.2 This framework has been used recently by the Council to deliver new housing and is an expedient and efficient way of procuring the works whilst having transparency and certainty of the cost model and programme early in the project.
- 4.3 The EMPA Framework also ensures a target spend through the local supply chain and typically 50% of site labour lives within 20 miles of the site and 80% within 40 miles.
- 4.4 The contractor has provided feasibility information in support of the project.
- 4.5 Following completion of the Feasibility Stage, the Council may, at its sole discretion, issue a Project Order to the Contractor to proceed to the Pre-Construction Stage. This will obviously be dependent upon the cost model and programme meeting expectations of financial viability and deliverability when fully tested.

5. Budget Allocation.

- 5.1 The cost plan from the EMPA framework contractor has indicated an overall project cost for the elements to be provided by the Council of circa £4,740,331. At this point the overall cost needs to be caveated in respect of the elements of fit out to be undertaken by the cinema operator. Whilst the framework contractor has met with the cinema operator there is still some work to do on the interface between the Cinema shell and fit out works.
- 5.2 In addition the following cost elements have been identified and included in the overall project cost.
 - Preliminaries
 - Professional Fees
 - Design and construction contingency & risk @ 6%
 - Overheads and profit
 - Materials and labour inflation costs @ 8%. This reflects the current trend in the market

6 Conclusion

- 6.1 At this point the overall viability of the scheme is enhanced by the increased income potential for A3 space on the first floor. There is some further opportunity to improve the overall financial return on the scheme. The levels of rent potential occupiers have identified they are prepared to pay for the A3 space is higher than previously modelled.
- 6.2 The recommendations are set out to support the amendments made to the scheme and progress on to the feasibility phase of the procurement route.

7. OTHER OPTIONS CONSIDERED

7.1 The other options considered for procurement are:

- Design and build with contractors design via OJEU compliant procurement process.
- Traditional design package commissioned by SKDC and bill of quantities for contractors to competitively price via OJEU compliant procurement process.

7.2 The above options would add between 3 to 6 months to the overall timeline before construction commenced on site and have therefore been discounted at this stage.

8. RESOURCE IMPLICATIONS

8.1 External project management support has been appointed to move the project forward in line with the overall project programme.

9. RISK AND MITIGATION

9.1 Risk has been considered as part of this report and any specific high risks are included in the table below:

Category Risk	Action / Controls
A risk register has been developed as part of the project governance	
The framework contractor has provided a construction phase risk register.	

10. ISSUES ARISING FROM IMPACT ANALYSIS

10.1 None applicable

11. CRIME AND DISORDER IMPLICATIONS

11.1 An initial response has been received from the Police Crime Prevention section which is generally favourable to the scheme and suggests some improvements to be considered as part of the design iteration.

12. COMMENTS OF FINANCIAL SERVICES

12.1 The General Fund capital programme includes an allocation for 'Town Centre Projects – St Peters Hill Development' for £6.1M for the period 2014/15 – 2016/17. This report proposes a reduction to this allocation which will result in a corresponding reduction in the financing arrangements underpinning the original allocation.

13. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

- 13.1 The delivery of the proposed building works can be achieved through a framework agreement in accordance with the Council's Contract and Procurement Procedure Rules.
- 13.2 The recommendation to Council is required because the decision proposed is not wholly in accordance with the budget approved at full Council on the 3rd March 2014.

14. COMMENTS OF OTHER RELEVANT SERVICES

- 14.1 None Applicable

15. APPENDICES:

- 15.1 None Applicable