

BRIEFING PAPER

SUBJECT: DEVELOPMENT OF SITES IN LORDSHILL
DATE: 10 OCTOBER 2013
RECIPIENT: OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE

THIS IS NOT A DECISION PAPER

SUMMARY:

Further to the Cabinet and Council reports of 16th and 17th July 2013, feasibility work regarding Oaklands Pool has been completed leading to recommendations regarding the procurement and delivery of works that could be complete in October 2014. Consideration to the disposal of three related development sites in Lordshill (Oaklands Community School, Lordshill Housing Office and Lordshill Community Centre) has also been taken forward leading to a proposal to combine the disposal of the sites in a single package to secure best value for the Council.

BACKGROUND AND BRIEFING DETAILS:

1. Further to the Cabinet and Council reports of 16th and 17th July 2013, a considerable amount of work has been carried out to assess the works needed to deliver a viable future for Oaklands swimming pool.
2. Recommendations were made at those meetings to shorten the timescales for delivery of capital works as far as possible, and procurement methods to address the aspiration for quick delivery have been considered.
3. A method of procurement known as Prime Cost has been recommended and it is anticipated that this will enable works to be completed in October 2014. There will subsequently be some time required for the operator of the pool to prepare for opening before public access will resume.
4. The works proposed are planned to deliver a 15 year lifetime for the building and the mechanical and electrical elements. They include a comprehensive replacement and refurbishment of the pool plant, repairs to the roof and ceilings, alongside the provision of new flooring.
5. The procurement approach will secure contractors on site in January 2014. In the interim, it is proposed to implement some roof repairs, required as a result of vandalism in recent months. This will keep the building watertight over the next few months and will not be abortive work. The site will also be made secure.
6. Prime Cost is not a procurement route that the council tends to use as there are potential cost risks associated with this approach. The contractor is not able to tender on a firm contract sum as the exact nature and extent of the work is not known at the time of the appointment. Full design documents are not completed until after work has commenced. Options for mitigating the risks associated with this approach are limited and focus mainly on additional quantity surveyor resource which can be provided on site to value the works as they are carried out and to monitor the resources being used. In addition Capita recommend a larger than normal contingency, in this case of 20%. It is also important to have a list of items that if necessary could be removed from the contract if the costs involved in the early

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stages of the works are higher than anticipated. In essence this approach shifts the risk from the contractor to the council. However, Capita advise that this would be the only route possible to secure a 15 year life for the building by October 2014. The more conventional and potentially less risky method of procurement would not deliver the completed pool until December 2014 at the earliest. An earlier completion allows some preparation prior to the start of a school term, which subsequently enables a positive start to the trading period as lessons and group bookings are often based on school terms.

7. The Community group has formed a Company Limited by Guarantee (Oaklands Pool Ltd) and has done an extensive amount of work to produce a business plan. The Consultants assisting them with their development recognise some strengths and weakness in the current plans and structure:
- “The business plan is now much improved and has significantly developed, ...there is a rationale for how the income projections have been developed... the income is considered to be realistic and achievable with the correct marketing and promotion”
 - “we have concerns that the present committee requires bolstering with expertise from the Financial and Legal profession.....Without upfront financial assistance and an improved level of Business Expertise on the Board namely Finance and Legal expertise OCP will not be in a position to manage and operate Oaklands Swimming Pool.”

8. The business plan projects a loss in year 1 with surpluses rising from then on, as set out in the table below:

	Profit (loss)
Year 1	(£10,249)
Year 2	£1,526
Year 3	£43,603
Year 4	£45,371
Year 5	£47,336

A sensitivity analysis shows that should income fall by 10% from projections, losses of £35,000 - £40,000 would be incurred in years 1 and 2.

9. The current business plan allows for paying full business rates. The groups' intention is to apply for charitable status, which would create further headroom in the business plan. This will take some time and initial costs. As reflected in the consultants advice above, the business management skills and experience in the community group are currently limited and there remains a reasonable risk of the community group failing to meet its business and income projections, with the subsequent risk of the organisation failing. This could lead to the closure of the pool while an alternative operator was sought.
10. It is proposed that ongoing support from the consultant is provided, to help address the weakness identified above, so that the Council's investment is safeguarded and sufficient reassurances regarding preparing appropriately for opening can be secured.
11. In order to prepare properly for opening, to cover the projected deficit in the first year and to secure necessary equipment that fall outside of the capital works the organisation requires start up funding. The total is estimated at £73,000. It is

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proposed to offer a loan payable back over 10 years, with payment starting in the third year of operation. It is hoped that the group will seek and secure external funding to reduce the amount of funding required, whilst any reduction in the business rate bill may also help to reduce the term of the repayment.

12. Should the community group fail to make the necessary progress towards securing the additional skills and experience and enable the business consultant, or officers, to present a positive recommendation to the Council it will still be possible for the Council to secure an alternative operator for the swimming pool. Equally, should the community group start to operate the pool, but fail to deliver a sustainable model; the Council would regain the property under the terms of the lease and seek an alternative operator. The Council would not be liable for any losses that the group would accrue, although it would be unlikely that any outstanding loan payments would be secured.
13. Works to assess the potential development value of the former school site, the Lordshill Housing Office site and the Lordshill Community Centre site, both individually and collectively, have progressed. A confidential appendix in the Cabinet and Council reports will detail these.
14. Discussions with Lordshill Community Association have been taking place about the occupation of buildings on the former school site. Their current facilities are on a site close to the former school, in two interlinked buildings; an older porta-cabin style building and a more recently constructed modular building. Discussions about the former SEN building have concluded that this will not meet their needs, but the Association have expressed an interest in locating to the former nursery building which is part of the pool building and negotiations are ongoing as to the detailed terms of any such occupation. The decision on the SEN building means that this can now be included in the demolition, incurring additional costs in the short term, but increasing the scope of the site for development.
15. An assessment of the impact, if any, of the works to the pool building will have on the nursery area is required. The site has significant variations in levels and a means of providing access to the Nursery building from the new car park will have to be provided, should the occupation of the building proceed. Some indicative costs have been included in the capital implications, but further work is needed to clarify costs of these works.
16. Should the negotiations with Lordshill Community Association regarding the occupation of the nursery building, prove fruitful the Association will vacate its current site. This will free up the site to contribute to the development values. Some minor works will be required to ensure the former nursery building is fit for purpose as a community centre.
17. The disposal of the rest of the former school site is to be combined with the disposal of the Lordshill Housing Office and Community Association sites, to provide a larger land deal to secure the best value for the Council. This is subject to the Community Association moving to the nursery building on the former school site, and vacant possession being obtained.
18. Receipts from the sale of the sites could be achieved in 2015/16, subject to vacant possession being achieved for the community centre site.

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RESOURCE/POLICY/FINANCIAL/LEGAL IMPLICATIONS:

Capital/Revenue

19.	Total cost of pool works including fees and contingency	£1,520,000
	Estimated car park costs based on £3,000 per space	£150,000
	Total estimated costs	£1,670,000
	Funding approved on 17 th July 2013	£1,258,000
	Additional capital funding required	£412,000

The costs of providing access to the nursery building entrance have yet to be assessed, and could require additional funding.

20. In order to achieve the October deadline for completion of the works, design and procurement activity is underway. Costs of £90,000 will have been incurred up to the point of the Council decision on 20th November 2013
21. The revenue requirement to assist the projects are summarised below:
- | | |
|--------------------------------|-----------------|
| Start up support | £73,000 |
| Immediate repairs and security | £13,000 |
| Demolition of SEN building | £30,000 |
| Consultant Support | £17,000 |
| Total Revenue | £133,000 |

Property/Other

22. It is proposed to offer the Swimming Pool on a 25 year full repairing lease. This length has been requested by the community group to assist in attracting external funding, whilst the business plan shows reasonable levels of maintenance budgets, and the building will have been subject to a comprehensive refurbishment. It is not anticipated that revenue funding will be ongoing, and so the site will be disposed of through a lease with permitted uses clauses directing the anticipated uses. There is not expected to be a management agreement or service concession to influence service design or delivery.
23. The pool building will need ongoing investment and care to ensure it can last beyond the 15 years delivered by the refurbishment programme. The business plan shows over £80,000 p.a. from year 3 onwards available for building and equipment maintenance and repair. This, alongside the projected surpluses, demonstrates an acceptable allowance for meeting this need.
24. The indicative values of the three sites are identified in confidential appendix one to the Cabinet report. In order to maximise receipts it would be preferable to locate the affordable housing elements of the scheme on the current housing office and community centre sites.

Legal Implications

25. Pursuant to section 19 of the Local Government (Miscellaneous Provisions) Act 1976, a local authority may provide such recreational facilities as it sees fit, including indoor or outdoor swimming pools and any related facilities.
26. It should be noted that the prime cost procurement method described within the paper carries with it certain risks also identified within the paper, and particularly

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the potential for cost overrun or a partially unfinished project. This should be balanced against the potential advantages of this approach, notably a project finish date approximately 2 months earlier than possible if utilising a more predictable procurement method. State aid rules may apply to the proposed arrangements with the community group, depending on the overall value of the assistance provided.

Policy Implications

27. The proposals are consistent with the Council's priorities to improve health and keep people safe and to help individuals and communities to work together and help themselves.

Appendices/Supporting Information:

1. None

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