



## CABINET

20 November 2013

**Subject Heading:**

Romford Leisure Development

**Cabinet Member:**

Councillor Roger Ramsey  
Lead Member for Value  
Andrew Blake Herbert  
Group Director Resources

**CMT Lead:**

**Report Author and contact details:**

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**Policy context:**

Havering Culture Strategy

**Financial summary:**

The report confirms the Council's commitment to developing a new state-of-the-art leisure centre in Romford and seeks agreement, in principle, to increase the budget for the project to cover additional costs, amounting to approximately £2m. This will ensure final agreement can be secured with Morrisons. The additional costs have arisen since the original pre tender estimated costs were reported to Cabinet in June 2011. These costs can be met from a sum that has already been prudently set aside as an earmarked reserve, so there will be no direct impact on current or future capital, or revenue funding for other Council services or projects.

**Is this a Key Decision?**

Yes - Expenditure above £500k.

**When should this matter be reviewed?**

November 2014

**Reviewing OSC:**

Value

**The subject matter of this report deals with the following Council Objectives**

<i>Ensuring a clean, safe and green borough</i>	<input type="checkbox"/>
<i>Championing education and learning for all</i>	<input checked="" type="checkbox"/>
<i>Providing economic, social and cultural activity in thriving towns and villages</i>	<input checked="" type="checkbox"/>
<i>Valuing and enhancing the lives of our residents</i>	<input checked="" type="checkbox"/>
<i>Delivering high customer satisfaction and a stable council tax</i>	<input checked="" type="checkbox"/>

**SUMMARY**

The Administration is committed to the development of a brand new, state-of-the-art leisure centre in Romford. The centre will feature a new competition ice rink and competition pool - delivering a boost to sport, health and wellbeing in Havering for generations to come. It will also back the Council's wider aim of supporting the viability and vibrancy of the town centre.

This report seeks Member approval to finalise negotiations with Morrisons to ensure that the Romford Leisure Development project can proceed, thus securing all the sporting, culture and regeneration benefits that have previously been reported to Cabinet.

Various costs have increased since the pre tender estimates were reported to Cabinet in June 2011, resulting in a requirement to increase the budget for the Romford Leisure Development project by £2m. This will require final approval by Council.

This decision is therefore subject to Council agreeing to an overall increase in the capital funding allocation for the Romford Leisure Development project, and the agreement with Morrisons becoming unconditional.

**RECOMMENDATIONS**

1. To note the effective current approved budget for the scheme of £26.848m

2. To agree to an increase of £2m to this budget, making a revised capital budget of £28.848m, and to refer this £2m increase to Council for final approval, subject to the Agreement with Morrisons becoming unconditional.

### **REPORT DETAIL**

The original report on the Romford Leisure Development proposals was considered at item 7 and the exempt item E1 of the Cabinet meeting held on 15 June 2011. This was considered in both open and closed sessions of the meeting. The main parts of the decision are set out at minute 57 of the exempt part of the agenda.

The current projected costs for the whole project, including construction costs, fit out costs, tender costs, fees and other client costs, are £28.848m, £2m over the current effective budget and £4.074m over the initial estimated budget of £24.774m. The gap that has arisen since the Cabinet report in June 2011 has been reduced as a result of the Council securing a grant of approximately £2m from Sport England.

There are various reasons why costs have moved since the original pre tender budget estimate was originally reported to Cabinet . The initial estimated budget was prepared over two years ago, since when the market has changed and inflation has also become a factor (construction inflation is now increasing). Project requirements have firmed up, and clearly part of this process involved ensuring that the project delivered Sport England's objectives, plus various planning requirements have needed to be met. The impact of the ground soil surveys has also increased costs. Finally, clearly tendered costs are only actually known at the point of tender, when tenderers have formed a commercial view on the works as specified. While savings have been delivered by reviewing requirements and identifying efficiencies, this has still resulted in an additional budget requirement – though this has been closed down to approximately £2m.

The project cost consultants have provided the Council with a report that identifies a number of reasons why costs have increased. The revised price is considered to be a reflection of current market prices, including items such as ground condition issues that were not known about at the time the pre tender budget costs were estimated and the impact of inflation arising from the timescale associated with progressing a significantly complex project.

Wilmott Dixon were appointed via a competitive process, and the view of CBRE, the Council's advisers, is that the tender reflects market conditions. However, it was felt necessary, given the scale of the contract, to seek some validation. Reviews of the tender figure were commissioned from two sets of consultants; both of whom concluded that market rates were very close to the tendered figure. Additionally, an independent structural review was commissioned.

Accordingly, the Council has rigorously tested the costings for the new leisure centre but there is still a £2m gap between the total anticipated cost and the authorised funding. In order to ensure that sufficient funding is in place to enable the project to proceed it is recommended that an additional £2m be allocated to the available budget.

## **REASONS AND OPTIONS**

### **Reasons for the decision:**

The decision to recommend to Council the allocation of additional funding of £2m for the Romford Leisure Development project has been taken to ensure that the project can be delivered as originally envisaged, securing all the benefits to Havering residents that have been set out in previous reports.

### **Other options considered:**

The option of not recommending an increase in the budget of £2m was considered, but rejected, because the project could not proceed as originally envisaged unless this extra money was provided.

The option of changing the design and /or the mix of facilities provided in the new facility was considered, but rejected, because that would undermine the Council's objectives for the project.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

As regards the required additional funding of £2m, it can be contained within the overall financing envelope available as a result of an earmarked reserve having been prudently set up to cover any possible additional costs that might arise as the scheme developed. This means that there will be no direct impact on the Council's current or planned capital or revenue spending, or any other services or projects.

The allocation of additional capital funding of £2m is subject to agreement by Council.

Additional financial information is provided in an exempt appendix to this report.

### **Legal implications and risks:**

The Council is contractually committed, subject to certain contingent events, e.g.

planning permissions and construction costs, being fulfilled, to constructing a new leisure facility. The increase in construction costs potentially allows the Council or Morrisons to terminate the agreement early next year unless the issue is resolved.

While there is a substantial degree of flexibility around the deployment of the capital budget, an increase in its total size and/or specific budgeted proposals requires the approval of the full Council.

**Human Resources implications and risks:**

None specific to this report

**Equalities implications and risks:**

None specific to this report.

**BACKGROUND PAPERS**

None