



CABINET

Romford Leisure Development

Member approval is sought to finalise negotiations with Morrisons to ensure that the Romford Leisure Development project can proceed.

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.

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.

Subject to Cabinet approval, it is recommended that Council agree to an increase of £2m to this budget, making a revised capital budget of £28.848m, subject to the Agreement with Morrisons becoming unconditional.