

Princes Parade – Financial Overview

This note sets out the financial background for the decision to progress with the Princes Parade and sets out the next steps. It explains the basis of those calculations, the limits as set out and the proposed funding arrangements.

The key decision was made at the Cabinet meeting of 13 February 2019. The report sets out:

- The leisure centre business case (a redacted version within the public papers and an unredacted version in private papers)
- The design proposal
- The stage 2 capital cost plan as prepared by quantity surveyors Betteridge and Milsom (for phase 1 and 2 of the project)
- The capital funding strategy
- The project execution plan

The report sets out the process which is followed which is a staged one based on basis of the calculations and the stages needing to be worked through the standard Royal Institute of British Architects (RIBA) phases used for most construction projects.

- RIBA Stage 2 - Concept Design.
- RIBA Stage 3 – Developed Design.
- RIBA Stage 4 – Technical Design.
- RIBA Stage 5 – Construction.
- RIBA Stage 6 – Handover and Close Out.

The assessment was based on a stage 2 concept design. As the scheme progresses through its design stages, the procurement routes are completed and the site investigations are completed, a clearer financial position will evolve. Once stage 4 is reached, the contractor will have gone out to its supply chain and will be able to provide a firm quote for the build out.

The report also presents a funding package which, notionally, fully funds the project. Essentially this consists of:

- S106 agreements (Nickolls Quarry and Hythe Imperial)
- Land receipts from the Princes Parade site and the South Road site (where the existing Hythe Pool is situated)
- CIL contribution (currently within the Infrastructure list)
- Accelerated Construction Programme Grant from Homes England

The capital receipts from land sales now need to be revisited to understand what the market will now offer as this will have changed from when the report was originally prepared. It should be noted that the expected positive financial impact of the new leisure centre operator has not been factored into the financial assessment.

Overall the business case set out proposed expenditure of £28.988 million with total income sources totalling £30.140 million. All these figures will need to be revisited given the stage in the process and also the time lag involved since the delay caused by the judicial review.

The report itself sets out that “It is important to highlight that the financial estimates remain indicative at this stage. The actual cost to deliver the scheme and operate the new leisure and commercial facilities will not be known until the outcome of the procurement process and further work on the disposal options for both the Princes Parade and South Road sites are known. Once these are known, a final detailed business case will be prepared for the scheme that will include its full financial implications” (para 4.4).

Next Steps

The appointed contractor (BAM) are currently in the process of carrying out site investigation works. This will identify whether there are any significant abnormal which have not been previously identified. This will allow them to develop a stage 3 cost plan. This will give a better indication of the likely costs of the project although it should be noted that the final cost will not be known (and fixed) prior to the final stage 4 process when BAM will receive costings through its supply chain. This is stage 3 costs are likely to be known by the end of April. .

As a parallel exercise, work is being undertaken to establish the market for the residential and commercial land sales. It is hoped to get this information by early June which will give an informed view as to how the market has changed since the last set of valuations. This will provide a key element for the funding of the leisure centre and the wider project.

There will also be a separate procurement exercise being undertaken to select a Leisure centre operator. Initial advice from the Sports Consultancy, who are advising us on the project, is that the leisure market is looking forward to recover from the effects of the pandemic and that the leisure offering would be extremely attractive. It is anticipated that there will be a positive contribution to the revenue costs from the management fee however the level of this will not be clear until the procurement process is completed.

If there are significant cost / revenue changes from the original approvals, then this may require further discussion and possibly a further Council decision.