

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
HEAD OF REGENERATION AND ENGINEERING	EXECUTIVE COMMITTEE	23 MAY 2024	6
FAIRHAVEN KIOSK/ICE CREAM BAR – STANNER BANK			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

RELEVANT LEAD MEMBER

This item is within the remit of Lead Member for Tourism and Leisure (Councillor Nixon)

PURPOSE OF THE REPORT

To provide a detailed update to the committee concerning the progression of the Fairhaven Kiosk/Ice Cream Bar project and make a recommendation to close the project on the grounds that it is not commercially viable because of increased construction costs.

RECOVERABILITY

This decision is recoverable under section 7 of part 3 of the constitution.

RECOMMENDATIONS

It is recommended that:

1. The council does not proceed with the procurement and delivery of the Fairhaven Kiosk/Ice Cream Bar capital scheme (also known as Project Vento) because of significant cost increases which have rendered the project economically unviable when reconciled with the council's commercial strategy and the Duty of Best Value that the council is required to consider; and
2. Planning application 23/0651 for the scheme be withdrawn.

REPORT

BACKGROUND

1. In July 2021 Council approved a fully funded budget increase of £360,000 to deliver a new ice cream kiosk facility on Granny's Bay. The funding did not include demolition of the existing kiosk, or any landscaping/remediation required because of the demolition.
2. In March 2022, the council's commercial strategy was revised post-pandemic which required commercial investment opportunities to achieve a minimum entry requirement of a 5% yield. All projects and council services are also subject to the Best Value Duty under which authorities should consider overall value, including economic, environmental, and social value.

3. The Technical Services team led the project following approval of the budget and a cost estimate for the scheme was prepared by a Quantity Surveyor in September 2022 which totalled £448,219.68. This estimate included significant unknowns and caveats related to the concrete and steel elements of the building. These elements of the cost plan had not been informed by suppliers/manufacturers input, and material prices can be subject to significant fluctuations. No allowance for prices inflation was made in this cost estimate.
4. This cost information was considered by Leadership Board and the Project Board, officers provided advice on alternative options including re-engineering of the design. A steer was given by lead members to officers to re-design the scheme, with a simpler architectural arrangement to reduce costs, and retaining the building footprint in the same location as previously proposed.
5. At that stage of the process, costs had been incurred on the scheme totalling £20,458.

A REVISED SCHEME

6. The original design team were retained to produce plans for a revised scheme. The building footprint was made smaller to reduce the quantity of substructure and superstructure elements. The design was simplified to rationalise the number of complex building interfaces and to minimise the visual impact and scale of the building in the location. The process of redesign included a pre-application meeting with the planning service to discuss the previous application and the approach for the revised scheme.
7. A pre-tender estimate for the revised scheme was prepared by a Quantity Surveyor. This totalled £457,400.92, which included the measured works, contractor preliminaries, professional fees, inflation, and contingency. The estimate was prepared using RIBA Stage 4 information which is the most detailed construction information to be produced ahead of obtaining tenders through a 'traditional' procurement methodology. (See link to background paper detailing the different construction procurement methodologies).
8. The pre-tender estimate figure exceeded the project budget of £339,542. The scheme had been subject to comprehensive value engineering throughout the development of the detailed design. Members of the Project Board considered the options in response to the pre-tender estimate figure and decided to proceed with a competitive tender process to obtain a fixed price and review this figure against the available budget.
9. The lowest tender submitted was £493,500. Officers in the project team (including council officers and appointed architect and engineers) reviewed the tender breakdown and tabled possible options to the Project Board for further cost reduction without compromising the operational viability of the scheme or moving away from the design principles proposed in the approved planning application. The schedule included estimated savings of £50,000 against the lowest tender price, whilst it was felt the suggested savings were realistic and achievable it would require further liaison with the preferred contractor and their supply chain to confirm.
10. The estimated tender price would be £443,500, subject to further commercial discussions with the preferred contractor. However, professional fees of £50k are required to be added to the above to bring the project total to £493,500.

COMMERCIAL STRATEGY

11. The financial business case justification for the project flows from the council's commercial strategy, which requires property investment opportunities to have a minimum entry requirement of a 5% yield. It was necessary to review the proposed annual rental income for the revised scheme. This resulted in a reduction in rent from £25k per annum to £20k per annum, to reflect the reduction in covers and commercial space in the building.
12. The resultant yield when factoring in the revised project costs and annual rental return is 4.06%. This does not factor in a first year rent free period. Rent review dates were proposed to be built into the lease arrangements, however increase in rent would also be offset by capital depreciation and increased repair and maintenance cost required in the long term.

13. Officers have advised that the proposal does not meet the council's commercial strategy for investment opportunities and as a result there is no longer a justified financial business case for the project to proceed beyond the current stage.
14. Every project and service must be subject to best value, the requirement to consider the overall value, including economic, environmental, and social value. The Granny's Bay kiosk project is a commercial venture subject to a lease, the primary best value consideration is the financial return rather than environmental or social value.

PLANNING

15. A planning application (22/0491) by the council for the original scheme was validated on 11 July 2022, but was withdrawn without being determined on 1 December 2022 following the abandonment of that scheme.
16. A planning application by the council for the revised scheme (23/0651) was validated on 6 October 2023 and approved by the Planning Committee on 8 March 2024. Though the approval is extant at the time of writing this report, it will be quashed by the court as a result of judicial review proceedings in which the council has conceded that the officers' report to the committee contained an incorrect interpretation of an aspect of planning policy.
17. Ordinarily, the application would be reconsidered by the Planning Committee against the correct interpretation of planning policy. However, given the recommendation to close the project on the grounds of economic viability, the committee is asked to approve the withdrawal of the application, which would then not be determined.

COST TO DATE

18. The total cost incurred on the scheme to date are estimated at £58,548 including fees for invoices yet to be received. As noted at point 7, the cost incurred in relation to the previous scheme led by Technical Services totalled £20,458. The previous scheme was developed to RIBA Stage 2. The costs incurred to date on the revised scheme total £38,090. This reflects the scheme being delivered up to and including RIBA Stage 4 (Technical Design) and includes expenditure on professional fees, surveys, and statutory applications.
19. The construction industry standard is that professional fees tend to be procured at approximately 15% of the construction value of a project and those fees tend to be profiled on a 70:30 basis, where 70% of fees are expended through RIBA Stages 0-4 (pre-construction) and 30% are expended through the delivery of RIBA Stage 5 and 6 (Construction and Handover).

OFFICER RECOMMENDATION AND CONCLUSION

20. The latest proposals for the scheme do not align with the council's commercial strategy and therefore do not represent value for money. It is recommended that the project is closed with immediate effect and no further expenditure is incurred beyond that already committed.

CORPORATE PRIORITIES

Economy – To create a vibrant and healthy economy	√
Environment – To deliver services customers expect	√
Efficiency – By spending money in the most efficient way	√
Tourism – To create a great place to live and visit	√

IMPLICATIONS

Finance	To date £58,548 has been expended on the Fairhaven kiosk capital scheme, which has been funded from the council’s Funding Volatility Reserve in line with previous Council & Committee decisions. The recommendations in this report to not proceed any further with the project will mean that no further call on the Funding Volatility Reserve will be required for this project.
Legal	Statutory review proceedings are summarised in the body of the report.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	None arising from this report

SUMMARY OF PREVIOUS DECISIONS

SUMMARY OF PREVIOUS DECISIONS

Planning Committee 6th March 2024

Planning application no. 23/0651 granted approval.

Executive 5th December 2023

Agree to the creation of several project and programme boards as detailed within the report which includes the appointment of members from the Executive Committee.

Finance and Democracy 28th March 2022

Following detailed discussion, it was RESOLVED to approve the revised Commercial Strategy for Fylde as set out in Appendix 1 of the report.

Council 5th July 2021

1. To approve a new fully funded scheme ‘Fairhaven Kiosk / Ice Cream Bar Project’ to the Council’s Capital Programme to the sum of £360,000 (£180,000 for 2021/22 and £180,000 for 2022/23), to be met in full from the Funding Volatility Reserve.

Tourism and Leisure Committee – 10th June 2021

1. To recommend to Council, approval of a fully funded addition to the Councils capital programme in the sum of £360,000 to the Fairhaven Kiosk/ Ice Cream Bar project, within the approved Capital Programme (£180,000 for 2021/22 and £180,000 for 2022/23), to be met in full from the Funding Volatility Reserve;
2. Subject to approval by Council to approve the spend of £15,000 to develop the project to RIBA stage 3.
3. To agree the principal of letting the new facility on a lease on the basis of the terms as set out in the report.
4. Subject to approval by Council that a further report will be presented to committee to seek agreement of the final design, scheme costs and procurement route along with the fuller provisionally agreed heads of terms of a lease for the new facility.

BACKGROUND PAPERS REVELANT TO THIS ITEM

Name of document	Date	Where available for inspection
RIBA Plan of Work	2020	RIBA Plan of Work (architecture.com)
Best Value Statutory Guidance	2011	Best value statutory guidance (publishing.service.gov.uk)
RICS Professional Guidance – Developing a construction procurement strategy and selecting an appropriate route.	2013	RICS Professional Guidance
The Fylde Commercial Strategy	28 March 2022	The Fylde Commercial Strategy

LEAD AUTHOR	CONTACT DETAILS	DATE
Charlie Richards	Charlie.richards@fylde.gov.uk 01253 658520	13 th May 2024