

COMMUNITY SCRUTINY COMMITTEE – WEDNESDAY, 9 FEBRUARY 2022

ITEM 9 - MARLBOROUGH SQUARE PUBLIC REALM – SUPPLEMENTARY PAPER

1.0 BACKGROUND

- 1.1 The objective of the Marlborough Square Public Realm Project has always been to create a quality space that will underpin the broader programme of regeneration planned for Coalville.
- 1.2 The proposed technical solution has recently been discussed at length with members representing the Coalville Wards, at a Coalville Members meeting on 20 January 2022 and at a follow up Design Review Presentation held on 3 February 2022. The confidential presentation in full can be found [here](#).
- 1.3 Construction contract procurement has been supported by the council's procurement team and undertaken through a two stage process using a national Framework list. The project Quantity Surveyor has advised that in the current market this provides the council with the best balance between competitive price and the financial security of the contractor.
- 1.4 Stage 1 of the procurement process was undertaken in late 2021, with all contractors on the Procure Partnerships framework being approached to determine if they were interested in the bidding. Of the Seven contractors approached, five declined to tender on the basis of being too busy or the job considered financially unattractive. Two contractors agreed to provide a price and submitted their stage one submissions. These were reviewed by the project team with the Project QS and, following a scoring exercise looking at cost and quality, a preferred contractor was selected to proceed to stage two. The project QS stated that our preferred contractor offered a competitive balance between Preliminary costs and Overhead and Profit (OHP) rate. These being the only variable elements where the works are fully designed, the construction methodology is regulated and the materials to be used have been fully specified.
- 1.5 The Stage 2 tender submission by our preferred contractor was not due to be submitted until 2 February 2022. This was after the publication deadline for papers for the Community Scrutiny Meeting to be held on 9 February. It was noted in the substantive paper that details of the tender price would be provided to Scrutiny by way of additional papers.
- 1.6 It should be noted that whilst previous attempts to deliver public realm at Marlborough Square have been supported by cost estimates. This is the first occasion on which a tender price has been obtained and should therefore be recognised as the price required by the market to deliver the project to the specification taking account of the impact of Covid and current construction industry cost inflation.

2.0 OUTCOME OF TENDER EXERCISE

- 2.1 The Stage 2 tender return was received on 2nd February. The price submitted is £2,265,000 inclusive of contractor's preliminaries, overheads and profit. Note – Preliminaries are the costs the contractor has to incur in order to deliver the project such as welfare accommodation, hire of plant and energy costs etc. Overheads are the contractor's labour costs both for employees on site and also a proportion of the

company running costs, whilst Profit is the money that the contractor expects to make on delivering the contract.

- 2.2 In addition to the tender sum there are some additional costs to be borne by the council in order to deliver the project. These include client supervision costs, market equipment and connection and permit fees. Not all of these costs are 100% quantified at this time and therefore the project cost estimate as set out in paragraph 5.3 of the substantive paper and reproduced at paragraph 2.5 below continues to contain some block provisions and contingencies.
- 2.3 Alongside receiving the contractors tender price, Leicestershire County Council Highways have notified us of their standard Inspection fee for S278 works. This is 10% of the works value and for Marlborough Square would equate to the sum of £226,500. This is identified as a specific line in the cost table below.
- 2.4 The anticipated full cost of the Marlborough Square Public Realm project is therefore £2,711,500.
- 2.5 A fuller explanation of the build up of this figure is given below.

Expenditure Item	Amount
Fees (Supervision, Legal, QS)	£55,000
Permits, Connections and Utilities	£25,000
Construction	£2,265,000
Equipment	£40,000
Commuted Sums	£50,000
LCC Inspection	£226,500
Contingency	£50,000
Total	£2,711,500

3.0 COST AND SPECIFICATION ISSUES.

3.1 There are a range of factors that have influenced the post tender project cost estimate and these are explored in the following paragraphs.

3.2. Additional Fees

3.2.1 LCC Highways have quoted their Standard Inspection Fee of 10% (of works value) for their inspection services. This is the same rate as they charge developers for S278 agreements on commercial developments. The project team are currently in discussion with the County Council about whether some or all of their fees can be waived on the basis that:

- They were paid a significant fee previously for the abortive scheme they proposed but was undeliverable.
- The Supervising Agent that NWLDC are employing to represent its interests and ensure the work is of the highest quality is a former LCC senior engineer capable also of representing LCC.
- Marlborough Square is a public realm project not a commercial development and the 10% fee would be massively in excess of the actual time cost of inspections by LCC.

3.3 Commuted Sum

3.3.1 Leicestershire County Council have indicated they will require a commuted sum of £50,000 to cover the extra difficulty in carrying out any future repairs to the granite surface and the enhanced cost of replacement materials (when compared to tarmac).

3.3.2 We are proposing that no commuted sum be paid based on the following justification:

- Granite is a more durable material than concrete or tarmac and should require less replacement over the life of the space.
- NWLDC have included within the project cost the purchase of 15% surplus granite materials in order to provide for future maintenance.
- The proposed works include a full width plane and resurface of Jackson Street when in reality only a half width repair is required. We are electing to do this work for aesthetic reasons but it will also bring a benefit to LCC in that they will have a zero life expired wearing course and will therefore not need to resurface this road as early as they would otherwise have had to.

3.4 Enhanced Specification

3.4.1 Officers have recognised throughout the development of the project that the objective was not simply to create a public space, but that the quality of the public realm should be of the highest order. Severn Trent Water's insistence that they will not permit substantial trees and structures within the sewer easements that cross the square has required us to think more creatively about how the desired environment can be created. The following inclusions have been necessary to protect quality aspirations:

- Planting – There is a requirement to use high impact, shallow rooting, low height planting. This in itself then creates problems linked to ensuring the planting thrives. An automated irrigation system is required which has an associated cost of circa £13,000.
- Street Furniture – Bespoke street furniture which makes significant use of timber for sustainability and to reflect the town's link to the National Forest has been selected.
- Feature Lighting – An LED based lighting scheme for the planting areas benches and bollards has been specified with a colour change facility. This will allow the creation of attractive environments after dark with the potential for creating variation at different times of the year.
- Surface Thickness and Bedding – It is proposed to increase the thickness of the granite surfacing across the square and elected to bed on mortar rather than sand. This will increase the bearing capacity of the surface giving it the strength needed to accommodate fairground rides. Use of a thick surface will also allow cleansing using mechanical sweepers rather than labour intensive manual sweeping.
- Part of the cellar within the Marlborough Centre is to be used as the plant room for Marlborough Square. This will house electricity meters and distribution boards plus the control systems for the

irrigation system. This has removed the need to include a sizeable and ugly GRP utility services box from the square.

3.5 Market Infrastructure

3.5.1 Whilst the ability to accommodate an outdoor market has always been part of the brief for Marlborough Square, the specification has been developed to include all infrastructure needed to establish the market. The budget for Marlborough Square now includes market stall purchase (£25,000) and 36 twin electrical outlets within recessed chambers within the square's surface. The cost of these electrical connections within the tender is £110,000.

3.6 Reducing Future Revenue Spend

3.6.1 A number of items have been included within the specification that result in a capital cost now but reduce future revenue expenditure. Examples include:

- Purchase of spare benches, bollards and bins.
- Purchase of 15% spare granite to facility speedy and reduced cost future surface repairs
- Provision of posts and ducts to support future replacement or upgrade of CCTV system.

4.0 FINANCIAL IMPLICATIONS

4.1 The projected scheme cost post tender is currently £2,711,500, which is £1,103,938 more than remains in allocated budget. Through negotiation with the County Council around inspection fees and commuted sums it is hoped that the projected cost can be reduced to by up to £275,000. A LLEP grant of £250,000 is also available to help fund the project. Assuming all reductions and grants are realised the project will require additional funding from the council of £827,438 in order to proceed. This additional funding can be made available by transferring budget from the Coalville Regeneration Framework, which is already included within the proposed capital programme for 2022/23 with £1.5 million of capital funding available.

4.2 This investment will allow the Council to generate rent from 36 outdoor market stalls, with a projected income of around £71,300 pa. The table below summarises the financial case for the development as a whole compared to the do nothing option. It shows that this market stall rental income is expected to cover the additional costs of running the outdoor market, and the capital costs and generate a small additional revenue to the Council of £10,600 per annum. Whilst this is lower than the return the Council could expect to receive from investing the capital costs, it shows that the project remains financially viable, despite the higher budgeted capital costs.

Estimated Annual Revenue Position

	Do nothing option £	Marlborough Square Proposal £
Total Runnings costs	0	10,000
<i>Allowance for incidental running costs</i>	0	10,000
Total Income	12,175	71,300
<i>Market stalls</i>		71,300
<i>Treasury income</i>	12,175	
Capital Financing Costs	0	50,700
<i>Minimum Revenue Provision</i>		50,700
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Net Revenue income	12,175	10,600

Five year Capital Position

	£	£
Capital Costs	0	2,435,000
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Net Capital Cost	-	2,435,000

- 4.3 This assessment is based on an assumed average occupancy of 88% and daily market rental rates of £14.75 per stall per market day. There is also a prudent allowance of £10,000 for additional cash costs that the Council may incur in running the market, such as electricity costs and additional cleaning costs. With a projected net income of £10,600, there is some tolerance for these figures to move and the project still be considered financially viable. If occupancy fell to 75% then the project, or expected additional running costs doubled, the project would still break even and be considered financially viable.

5.0 CONCLUSION

- 5.1 Having received the Stage 2 tender and built up a final project cost model, it is clear that the project cannot be delivered within the existing budget. Applying value engineering to reduce the tender cost is an option and has been explored with the preferred contractor. It is clear that whilst some reductions could be found, they would not be sufficient to bring the project within budget and would compromise the quality of the scheme to well below that which members have previous stated they wish to achieve. As an example, two of the largest cost elements within the project are the granite surfacing materials and the electrical works. By deleting all electrical works for the market and substituting tarmac and pressed concrete paviours instead of granite (both of which would have significant impacts on the usability and look of the finished

project) would likely save only £300,000 of the circa £800,000 required to bring the project back within existing approved budget.

- 5.2 Officers recommend that some of the identified project costs such as the LCC inspection fees and commuted sum should be challenged and significant reductions sought, but that changes to the proposed specification of the project should be resisted.
- 5.3 The council's S151 Officer has confirmed that the additional budget required for the Marlborough Square Public Realm scheme can be funded by transferring budget from the Coalville Regeneration Framework, which is already included within the proposed capital programme for 2022/23 with £1.5 million of capital funding available. Appropriate reference will be included in budget papers to be presented to Council on 24 February 2022.
- 5.4 Whilst it is recognised that project costs have gone above the allocated budget, officers were always clear that a report would need to be brought back to members when the accurate tendered costs were known. As detailed above in paragraph 5.3 the additional capital funding can be found from the council budget which is due to be approved on 24 February. It should also be noted that the investment of this additional capital into the Marlborough Square project can be achieved with nil impact on the council's revenue programme, with income from the new outdoor market more than covering financing costs.

6.0 UPDATED RECOMMENDATIONS

- 6.1 Based on the results of the tender exercise and subject to the consideration of the report by Scrutiny, it is advised that the recommendations to Cabinet should be revised as follows. Members are requested to consider the recommendations below in replacement for those on page 104 of the agenda. The changes to the original recommendation are shown in red.

THAT SCRUTINY COMMITTEE:

- 1) CONSIDERS AND COMMENTS ON THE UPDATE IN THIS REPORT ON THE REDEVELOPMENT OF MARLBOROUGH SQUARE AS A PUBLIC REALM PLACE.**
- 2) SUBJECT TO THE ABOVE AND THE OUTCOME OF THE TENDER EXERCISE, SUPPORTS THE FOLLOWING RECOMMENDATIONS TO CABINET:**

THAT CABINET:

- 1. RECOMMEND TO COUNCIL, AT ITS MEETING ON 24 FEBRUARY 2022, THAT THE ADDITIONAL FUNDS REQUIRED TO IMPLEMENT THE MARLBOROUGH SQUARE PUBLIC REALM PROJECT BE FOUND FROM THE COALVILLE REGENERATION FRAMEWORK BUDGET LINE BEING PROPOSED IN THE 2022/23 COUNCIL BUDGET.**
- 2. SUBJECT TO APPROVAL BY COUNCIL ON 24 FEBRUARY 2022, BASED ON THE OUTCOME OF THE TENDER EXERCISE AND THE ESTIMATED OTHER PROJECT COSTS SET OUT IN THE REPORT, AGREES TO PROCEED TO AWARD THE CONSTRUCTION CONTRACT AND IMPLEMENT THE PROJECT.**
- 3. DELEGATES AUTHORITY TO THE STRATEGIC DIRECTOR (PLACE) TO:**

A) ENTER INTO THOSE HIGHWAYS AGREEMENTS NECESSARY TO DELIVER THE PUBLIC REALM PROJECT;

B) AGREE THE TERMS OF THE CONSTRUCTION CONTRACT; AND

C) COMPLETE SUCH OTHER AGREEMENTS AS SHALL BE NECESSARY TO IMPLEMENT THE PROJECT WITHIN THE APPROVED BUDGET.

D) SEEK TO NEGOTIATE A REDUCTION OR WAIVER OF THE HIGHWAYS AUTHORITY FEES AND COMMUTED LUMP SUM PROPOSED TO BE CHARGED BY LEICESTERSHIRE COUNTY COUNCIL