

**Report to the Leader**

**Subject:** Arnold Market Place Redevelopment Phase 3 Delivery

**Date:** 22 April 2021

**Author:** Head of Regeneration and Welfare

**Wards Affected:** Ernehale

**Purpose:**

To seek approval, in accordance with the Council's Financial Regulations, for an addition to the Arnold Market Redevelopment capital budget to enable the implementation of the approved scheme to secure the delivery of the agreed project outcomes.

**Key Decision**

This is not a key decision.

**Recommendation(s)**

**THAT the Leader:**

- 1) Approves by virement the establishment of an addition to the Arnold Market Redevelopment capital programme budget of £464,000 to be funded by a contribution from the earmarked revenue reserves and revenue budgets as detailed in paragraph 4.6;**
- 2) Delegates authority to the Head of Regeneration and Welfare, in consultation with the Leader of the Council, Deputy Leader and Portfolio Holder for Growth and Regeneration, to make any minor amendments to the approved scheme as required during the construction phase.**

**1 Background**

1.1 The project to acquire and redevelop Arnold Market Place, includes three distinct phases:

- **Phase 1 (complete):** the initial purchase of the site and securing external Local Enterprise Partnership (LEP) grant funding of £1.25m (which allowed the site to be purchased from the private owner

under a pre-compliance agreement), which stipulates conditions for the delivery of 32 full time equivalent jobs as part of the overall scheme);

- **Phase 2 (complete):** the operation of a temporary market, the renewal of market stalls and the demolition of existing market buildings whilst the redevelopment plans were being prepared; and
- **Phase 3 (the current phase):** the proposed redevelopment of the site including a commercial building and creation of a new public square for the market to be operated.

1.2 In August 2020, Cabinet approved the final phase, Phase 3, of the redevelopment scheme for the Arnold Market Place and full Council approved the additional budget to enable its delivery in September 2020. Shortly after this, planning permission was secured on 27 October 2020 and then work began with appointing a main contractor to deliver the scheme through the SCAPE framework.

1.3 The proposed final scheme for the redevelopment of the market place was prepared (see Appendix A). As part of the business case prepared to support this scheme, a number of outputs were approved:

- Construction of 850.57sqm of commercial floorspace over 2 floors (including ground floor NIA of 321.11sqm across 7 small retail outlets and first floor NIA of 330.56sqm commercial office accommodation);
- creation of 721 sqm of flexible public realm to hold events/ market;
- market office and toilet facilities for the traders at the rear of the building;
- outdoor storage and 10 parking spaces (including 2 disabled bays); and
- delivery of 32 new jobs.

1.4 The new building will primarily focus on delivering a scheme for local small, start-up businesses across 6800sqft (NIA) of lettable space and provide space for over 32 FTE jobs (as required by the pre-compliance agreement the Council entered into with the LEP when the market was first purchased). This building will provide opportunities to increase the number of businesses located within the primary retail area of Arnold town centre. The ground floor provides seven small units that are designed to be attractive for small independent businesses who want a shop front on the high street, but within a nurturing environment to grow and establish as a business. The first floor is a flexible commercial space which is expected to be office accommodation, but can be altered to reflect the changing market demand in the future.

1.5 The scheme overall will deliver a number of wider outcomes as detailed in the business case, including:

- **Improve the footfall within this part of primary shopping core of Arnold** – the building and units within it will support (and not

compete) with the existing high street retailers/traders. The public square will also provide a central area for events and activities to take place, increasing the footfall within this part of the town centre;

- **Support the wider regeneration of the town centre** - The quality of the new ground floor outlet units and upper commercial space will focus on providing a different offer to the town and encourage more local businesses to the area. In turn, this will provide a greater choice of local providers, products and experiences to shoppers, visitors and residents using the town, thereby stimulating the regeneration of the town centre;
- **Install more confidence in investment within the locality** – the redevelopment of the site is intended to improve the visual appearance and character of the townscape by providing a modern and contemporary landmark building and public realm. It is expected that investing in the town will help convey a sense of place and instil confidence amongst local traders and attract new businesses and entrepreneurs.
- **Increase the desirability of the market to a variety of new trader** - The new public square will create a more attractive environment for the market and the increased footfall in this area should make it more attractive to new traders.

- 1.6 The total budget approved by Council for the phase 3 redevelopment of the Arnold Market Place is £2.550m The detailed business case was prepared by the corporate project team, supported by an initial cost plan from an external project team.
- 1.7 In order to progress Phase 3, an external project team of local consultants was assembled, led by the Town Centre Project Manager (TCPM), to refine and prepare the final plans in readiness to submit a planning application. The project team consists of Architects, Quantity Surveyors, M&E, Civil & Structural Engineers as well as advice from other specialisms such as highways, land (geotechnical), lighting, drainage, noise and energy (including renewables). Planning permission was secured in October 2020.
- 1.8 Following planning permission in October 2020, and in order to secure Best Value from the main construction, a preferred contractor has been procured via the SCAPE Framework Agreement that Gedling is party to. Under this framework, a contractor was appointed under a preconstruction agreement, to produce a final tender price for the works. Under the framework, the contractor has tendered out all the various aspects of the work to obtain competitive prices (in an open book exercise). The initial tender price for the main contract to deliver the project scope agreed in the business case was £2,834,600 which was in excess of the approved budget for the work and therefore a value engineering exercise was undertaken to consider if any costs could be reduced, whilst ensuring that the original scheme scope and outcomes could be delivered. The proposed value engineering changes enable a reduction of £53,600, and include:

- **Privacy screens** – on the rear of the building. Whilst these are attractive to have, they can be replaced by obscure glazing, which is a much cheaper option and still fulfils the original purpose (this still addresses the overlooking issues to the properties adjacent to the building). This would be subject to planning consent to amend the design of the approved scheme for the windows on the eastern elevation.
- **External store area** – the external store, fencing and gates at the rear of the building will not be installed. The purpose of this area was to allow for storage of any future market stalls that were mobile in nature and could be removed easily from the public realm. As the project does not include the provision of new stalls, this is not essential to the running of the market at this point. The land assigned for outside storage remains.
- **Gate between the Methodist Church and the service yard** – this was included within the original scheme, to allow the dual usage of the car park. This was an initial idea that had been considered to act as a good neighbour to the church. However, the requirement to have access to the parking spaces for the tenants at all times now means that this will not be included within the scheme.

1.9 The revised capital budget requirement for the scheme after accounting for the value engineering detailed in paragraph 1.8 is detailed in the table below analysed by the main construction contract costs and the other project expenses including all fees, project management and site preparation costs. The revised costs are compared to the current approved budget and show an additional budget requirement of £464,000:

	£	£
<b>Current Approved Capital Budget</b>		<b>2,550,300</b>
<b>Main Contractor Cost (SCAPE):</b>		
Pre-Construction Fees	125,000	
Contractor and Design Fees	259,000	
Main Construction Works	2,333,000	
Construction Risk Contingency	64,000	
<b>Total Main Construction</b>	<b>2,781,000</b>	
<b>Other Project Expenses:</b>		
Consultants and Project Mgt Fees	154,000	
Relocation and other costs	12,800	
CIL Fees	66,500	
<b>Total Other expenses</b>	<b>233,300</b>	
<b>Total Capital Budget Requirement</b>		<b>3,014,300</b>
<b>Additional Capital Budget Requirement</b>		<b>464,000</b>

- 1.10 A review of the contract pricing indicates that the primary reason for the additional budget requirement includes higher than anticipated fees for both the pre-construction design and contract development and the contract preliminaries fees. These fees are calculated in accordance with the Framework and are largely set by the competitive process under which the Framework is developed. As the contract is procured via a framework this offers assurance that the prices secured are competitive within the current market. It is possible that Covid and Brexit have impacted on pricing within the construction industry due to an impact on supply chains and changes required in some working practices, however this impact is not separately quantifiable.

## **2 Proposal**

- 2.1 Officers have reviewed the objectives for delivering the Arnold Market Place development scheme and it is considered that, in these difficult economic times, the Council's investment in Arnold town centre and the key outcomes and outputs to be delivered by this project remains relevant, and that a continued commitment to the scheme will send a clear message of support to the local businesses and shops that are designed to benefit from this redevelopment scheme, by attracting new visitors, more footfall and extra businesses to the town centre.
- 2.2 It is proposed that the scheme progresses with the minor amendments to the scheme scope via value engineering which will still deliver the key outputs and outcomes as detailed in the business case that was approved by Cabinet in August 2020. This will mean that the conditions in the pre-compliance funding secured from the LEP will also be met.
- 2.3 To enable the delivery of the Arnold Market Place Redevelopment (Phase 3) in accordance with the scope approved by Cabinet, as adjusted for the proposals for value engineering as detailed in paragraph 1.8, it is proposed that an addition to the capital programme budget of £464,000, to be funded by a contribution from the earmarked revenue reserves and revenue budgets as detailed in paragraph 4.6, be established by virement.
- 2.4 Subject to budget approval Officers will enter into a delivery agreement with the contractor to construct the scheme. Minor amendments to the approved scheme may be required during the construction stages and delegation is therefore sought to enable the Head of Regeneration and Welfare to make any necessary minor amendments. Whilst unlikely, as the detailed designs have been prepared and costed in detail, there remains a risk that events may occur which are more significant and which have a financial impact above the level of the current risk contingency allowed within the current contract pricing, for example, future delays due to the imposition of Covid related restrictions. Should more significant changes be required, Officers will come back to Cabinet with a revised scheme and budget for approval.

### **3 Alternative Options**

- 3.1 Additional VE options could be implemented to further reduce the budget deficit, but this is not recommended as this would adversely impact on the delivery of the outputs as included within the approved scheme and business case. Reducing the scope or quality of the building and public realm would mean the scheme would not be compliant with the approvals already sought from Cabinet, planning and the funders. This would delay delivery of the scheme and add uncertain risk to the project, when at a time this investment in much needed in the town centre.
- 3.2 A further option includes going back to the market as part of an open tender exercise. However, this is unlikely to reduce the costs of the schemes, as competitive quotes from sub-contractors in the current market have already been secured as part of process under the SCAPE Framework. This procurement method would now not reduce the fees already incurred to date through the Framework and will add significant delay to delivery of the scheme.
- 3.3 The other option is to do nothing and return the £1.25m of external funding and leave the market place as it currently is. This would be in direct conflict with the Gedling Plan action of supporting Arnold and investing in Arnold town centre and alternative resources of £1.25m would need to be approved to finance the market site acquisition

### **4 Financial Implications**

- 4.1 The total cost of the Arnold Market scheme (all phases) was projected at £3,922,000. As detailed in the background to the report phases 1 and 2 of the project have been completed, with expenditure totalling £1,371,700. Phase 1 of the scheme, the acquisition of the market site was part funded by a grant of £1.25m from the LEP. This grant funding includes conditions which require the delivery of 32 new jobs which is an agreed output for Phase 3 of scheme as detailed in the scheme scope approved by Cabinet.
- 4.2 The current approved capital budget for the Arnold Market redevelopment (Phase 3) is £2,550,300, to be financed by earmarked reserves of £994,200 and prudential borrowing of £1,556,100. This level of prudential borrowing was assessed to be affordable as part of the business case with the ongoing revenue implications of the scheme being contained within existing budgets.
- 4.3 Following the procurement exercise for Phase 3 it has been concluded that the delivery of approved project scope and expected outputs as summarised in paragraph 1.4 cannot be accommodated within the current approved capital budget of £2,550,300.
- 4.4 As detailed in paragraph 1.9 an additional budget of £464,000 is required to deliver the key outputs and outcomes as included in the project scope approved by Cabinet. In the event the output of 32 new jobs cannot be

delivered, the LEP grant conditions will not be satisfied and there is a risk that the £1.25m will be clawed back by the funder.

- 4.5 In accordance with the Council's Financial Regulations approval must be obtained from the Executive for individual schemes where the estimated expenditure exceeds the capital programme provision.
- 4.6 A review of earmarked reserves and other revenue budgets has been completed to identify options for funding the shortfall and it is proposed that a budget addition of £464,000 be approved by virement from the following sources as a revenue contribution to the Arnold Market capital project:

	£
<b>Earmarked Reserves:</b>	
Business Rates Pool Reserve/Economic Development Reserve, which are set aside for investment in economic regeneration projects (see note below)	248,000
Asset Management Fund	83,500
Un-ringfenced Earmarked New Burdens Grant (no specific commitments)	100,000
<b>Other Revenue Budgets:</b>	
Property Service Consultancy Fees (unallocated)	32,500
<b>Total</b>	<b>464,000</b>

Note: There is a current intention to use part of the Business Rates Pool Reserve to provide some match funding to the Calverton Industrial Units, however the detailed scheme is still subject to securing external funding and subsequently Cabinet approval. It is currently projected that sufficient additional resources will be available from the Business Rates Pool surplus in 2021/22 which can be allocated to the Calverton Industrial Units if required, however, if this is not confirmed alternative match funding for this project would need to be found.

## 5 Legal Implications

- 5.1 In accordance with the Council's Financial Regulations, approval of virements in excess of £50,000 must be considered by Cabinet or the Leader of the Council who may exercise functions of Cabinet. The scheme itself, still aligns with the scheme approved by Cabinet in August 2020 so no significant variation of the scheme is sought.
- 5.2 Any changes to the design of the scheme may require amendment to the current planning permission for the scheme. Any changes to the permission will be considered by planning committee.
- 5.3 The Council has a statutory duty to ensure best value in the way it exercises its functions. This duty does not relate solely to financial

management but to wider principles of economy, efficiency and effectiveness. This scheme has been considered through consultation with the public and local businesses in order to prepare the detailed business case approved by Cabinet in August 2020. A detailed assessment has been made of the increased budget requirements against the economic and social benefits of the scheme. Whilst some minor adjustments to the scheme are proposed, the scheme still aligns with the original business case, delivers the objectives and outputs set out in that business case and the increased costs associated with the project can be met from within existing budgets and earmarked reserves.

## **6 Equalities Implications**

- 6.1 An Equality Impact Assessment (EIA) was prepared to support this redevelopment under the previous approval in August 2020. There is no changes to the scheme which would result in a further EIA to be prepared.

## **7 Carbon Reduction/Environmental Sustainability Implications**

- 7.1 A number of sustainable design features have been incorporated in to the proposals and the construction of the building, helping to mitigate the environmental impact of the scheme's construction and use, as detailed in the August 2020 Cabinet report. There are no proposed changes to these measures.
- 7.2 Other specific measures include the installation of solar panels on the roof. These are to be funded through a separate budget.

## **8 Appendices**

Appendix A: Arnold Market Place redevelopment scheme

## **9 Background Papers**

None

## **10 Reasons for Recommendations**

- 10.1 To secure the revised budget required for the project following the tender process recently undertaken by the appointed contactor under the SCAPE framework.
- 10.2 The construction process may require minor amendments to be made. This allows the head of Regeneration and Welfare to authorise those minor amendments to allow the scheme to be progressed through the construction phase without the need to bring minor amendments back for Member approval.

**Statutory Officer approval**

**Approved by the Chief Financial Officer**



**Date: 22 April 2021**

**Approved by Monitoring Officer  
Date: 22 April 2021**