

EAST RENFREWSHIRE COUNCIL26 October 2022Report by Chief ExecutiveEASTWOOD LEISURE CENTRE / THEATRE**PURPOSE OF REPORT**

1. The purpose of this report is to advise the Council of potential increased costs with regard to the delivery of a new Eastwood Leisure Centre/Theatre due primarily to recent construction cost inflation. The report also highlights the impact of market volatility and that a further report will be brought back to Council.

RECOMMENDATION

2. It is recommended that the Council notes:-
- The effect of construction inflation on the projected cost of a replacement Eastwood leisure centre;
 - The recent volatility in interest rates and energy prices; and
 - That a further report will be brought to council in the near future, once an analysis of the impact of interest rates and energy prices on the cost of options for the Eastwood Leisure Centre and the overall capital plan has been completed.

BACKGROUND

3. The Council in February 2021 considered a report providing an update on the Eastwood Leisure Centre and Theatre options and costs.

4. The report explained that the opportunity is unique given the blend of civic, education, leisure, culture, heritage, landscape and community within Eastwood Park. The Leisure Centre/Theatre has the potential to deliver wide benefits, reinforcing the success of the surrounding areas as attractive places to live with excellent facilities including schools, local shops, restaurants, places of worship, sports clubs and good public transport.

5. The report highlighted the opportunity for a high quality, visually attractive and state-of-the-art facility. The focus was on customer appeal, future flexibility and income generating opportunities. Key examples included pool facilities which offer scope for lessons alongside public swimming and training, extended hours of access to the gym and fitness suites, a gymnastics facility, the potential to incorporate a library, agile workspace, office accommodation, a studio theatre and rehearsal space to complement the main theatre auditorium and an outdoor cinema/theatre area as well as being able to host a wide range of events.

6. The report further advised that the overall development cost was estimated to be £55 million. The report highlighted that the cost would be refined through further detailed design, market testing and value engineering in due course.

7. The Council was advised that the options available to the Council at that stage were;
- to progress the current proposals at an estimated capital cost of £55 million; or
 - to choose a reduced level of capital expenditure and have the scheme redesigned within that level of expenditure.

8. The Council agreed to proceed with the current proposals contained within the report for Eastwood Leisure Centre and Theatre at an estimated £55m capital cost and appropriate provision was made within the Council's General Fund Capital Programme.

REPORT

9. Since that time preliminary investigations have been carried out and planning permission was granted in January 2022.

10. BAM Construction Ltd were appointed in April/May 2022 as the primary and preferred contractor after a comprehensive tender exercise carried out by Hub West Scotland on the Council's behalf involving the Council's Chief Procurement Officer.

11. In June 2022 BAM advised that RIBA stage 3 market review of the cost plan showed that the updated budget estimate had risen to £74 million. The project has been affected mainly by the high level of inflation being experienced across the construction sector. As a result the estimated project cost had increased.

12. A value engineering exercise was then carried out to try to reduce the cost whilst at the same time protecting the vision/ambition, scope and quality of the project. The result of the exercise was that the estimate of £74 million could be reduced to £67 million without reducing quality and/or functionality and without adversely affecting whole life costs. The cost estimate includes contingency of £8.8m.

13. The intention had been to present Council with 5 options;

- Option one – proceed with the original vision and scope for a new build facility at a cost of around £67 million.
- Option two – agree to a lower cost and reduce the vision and scope for a new build facility.
- Option three – refurbish the existing facility.
- Option four – start afresh and design a small local leisure centre without a theatre
- Option five – do nothing at all.

14. However whilst this analysis work was undertaken, there has been significant volatility in interest rates. The Head of Accountancy is presently reviewing the existing capital plan and based on present rates, the impact on the affordability of the plan could be significant. It is expected that interest rates could fall next year but at the moment the level of uncertainty makes an assessment of future interest rates difficult.

15. East Renfrewshire Council's *Net Zero 2045* policies and ambitions are best served by an all-electric building. The design of the replacement building maximised energy efficiency and units used per m² are expected to be 63% less than the existing building. The building is approximately double the size of the existing building but is still expected to use 16% less energy. However at the moment a unit of electricity is significantly more expensive than a unit of gas. This will be a factor in all new buildings until the differential between gas and electricity prices is reduced. Given the current price of energy, further work is required to understand the significance of this in the overall running costs of the new building.

16. Further analysis of the impact of interest rate rises and energy prices is required and therefore a further report will be brought to Council in the near future.

FINANCE AND EFFICIENCY

17. There is currently provision of £55 million within the Council's General Fund Capital Programme.

18. Recent volatility in market conditions has led to a great deal of uncertainty around interest rates and energy prices. The financial work done to date has focused on the impact of construction inflation caused primarily by supply chain issues associated with Coronavirus. The market volatility in interest rates and energy prices is much more recent and there is a high degree of uncertainty about long term trends.

CONSULTATION AND PARTNERSHIP WORKING

19. There has been considerable partnership working, mainly with the East Renfrewshire Culture and Leisure Trust in developing these proposals.

IMPLICATIONS OF THE PROPOSALS

20. There are no staffing, IT, legal or equality implications directly associated with this report at this point in time.

21. Sustainability issues will be addressed in future reports.

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Lorraine McMillan
Chief Executive

October 2022

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