

**To: City Executive Board and Communities and Partnership Scrutiny**

**Date: 18<sup>th</sup> November 2009 and 2<sup>nd</sup> December 2009**      **Item No:**

**Report of: Head of Community Housing and Community Development**

**Title of Report: Update on the Development of the Old Fire Station**

### **Summary and Recommendations**

**Purpose of report:** The report will update CEB on the progress of the Old Fire Station development and seek approval for the final design decision, changes to the budget and profile of expenditure.

**Key decision:** Yes

**Executive lead member:** Councillor Bob Price

**Report approved by:**

**Director:** Mel Barrett

**Finance:** Anna Hedges

**Legal:** Jeremy Thomas

**Policy Framework:**

Corporate Plan Priorities: -

- More housing, better housing for all
- Stronger and more inclusive Communities
- Improve the local environment, economy and quality of life

Homelessness Strategy 2008-2011

Arts Strategic Plan

Regeneration Framework

**Recommendation(s):**

1. That the Board recommend to the Council that:-
  - a) the additional funding of £700k from the Housing and Communities Agency (HCA) be drawn down and that the total expenditure profile of the project be amended to: -
    - 08/09- £50k
    - 09/10 – £200k
    - 10/11 - £2.45m
    - 11/12 - £700k
    - 12/13 - £70k

- b) that capital funding of £415k be made available in 10/11 to enable the development of design option 3 as detailed in the report.
- c) the overall budget for the scheme be revised from £2.18m to £3.47m
2. that the Board note the additional capital funding from Crisis of £100k in 09/10 and a further £100k in 10/11.
3. that the Board authorise the Executive Director for City Regeneration to select and enter into the appointment and contract with the building contractor.

### **Background**

1. The aim of the project is to refurbish the Old Fire Station to a high standard, to provide a new Crisis Skylight centre alongside flexible facilities for arts and cultural uses. These will be vibrant, quality spaces that bring people together and provide opportunities which foster community integration, alongside the development of participation in, and appreciation of various arts and cultural activities.
2. In January 2009, CEB granted project approval for the development of the Old Fire Station. Delegated authority was granted to the Executive Director for City Regeneration to enter into all relevant contracts to take the project up to the end of Phase 3 of the Project plan, including the appointments of the architects and the consultant team.
3. In April 2009, Allen Group was formally appointed as the external Project Manager for the capital development of the project and their brief was expanded in September 2009 to take on the high-level project management responsibility for the whole of the Old Fire Station development.
4. In April 2009, Eastside Consultants were appointed to carry out a full feasibility study into running the arts spaces of the Old Fire Station as a social enterprise; training and developing homeless people and to produce a business plan. The feasibility study/initial business plan is attached in Appendix 1.
5. A robust procurement process was undertaken for the selection of the principal design team. The Executive Director for City Regeneration (Project Sponsor) exercised delegated authority on 23<sup>rd</sup> June 2009 for the formal appointment which was confirmed on 26<sup>th</sup> June 2009, in line with the programme.
6. The appointments were as follows: -
  - Architect – Fielden Clegg Bradley Studios (£112,500)
  - Quantity Surveyor – Ridge (£32k)
  - M&E Engineer – Gifford (£23,700)
  - Structural Engineer – Scott, White and Hookins (£24k)
  - CDM (Construction, Design and Management Regulation) Coordinator – Frankhams (£7,725)

7. The aggregate fees were within the original budget figures at that time.
8. The design options, summarised below and described in more detail in Appendix 2, were developed by the appointed design team, together with associated estimated capital cost implications, of which only option one could be contained within the original budget of £2.1million. This option was a 'Do Minimum' option and did not fully address the aspirations of external partners.
9. Option 1 - A Skylight with retained existing theatre
  - Minimal structural work, apart from opening up foyer area, to add new stairs and lift and for new flat roof structure.
  - Theatre not refurbished.
  - As theatre mechanical and electrical (M&E) not upgraded the hose tower remains full of duct work, so lift and stairs placed in front of hose tower.
  - Limited work to basement.
  - Limited work to third floor.
  - Limited improvements to access within building.
  - Basic refurbishment of first and second floors leaving changes in levels.
  - Minimal work to overall building.
10. Option 2 - A Skylight with redecorated existing theatre
  - Concentrates on Skylight accommodation.
  - Existing theatre and OVADA are redecorated and minimal work is carried out to the M&E.
  - Limited work to basement and third floor offices.
  - Some minor structural interventions around theatre entrance and on existing flat roof area.
11. Option 2A - A Skylight with a new flexible Arts Auditorium
  - Concentrates on Skylight accommodation.
  - Existing theatre is fully refurbished to provide new flexible arts auditorium.
  - OVADA space is redecorated and minimal work is carried out to the M&E.
  - Limited work to basement and third floor offices.
  - Some minor structural interventions around theatre entrance and on existing flat roof area.
12. Option 3 - An integrated Skylight and upgraded flexible Arts Auditorium.
  - Skylight accommodation.
  - Total refurbishment of existing theatre to provide new flexible arts auditorium.
  - All ductwork removed from tower and new stairs and lift inserted.
  - OVADA gallery moved to Gloucester Green entrance.
  - More significant refurbishment of basement including new plant, music room and workshop.

- Some more significant structural interventions to create easier access to arts auditorium and first floor accommodation over existing OVADA gallery.

13. Option 4 - An integrated Skylight and new Flexible Arts Auditorium.

- Skylight accommodation.
- Some more significant structural interventions to create open and welcoming entrance and to move theatre to where OVADA currently is to create new flexible arts auditorium.
- All ductwork removed from tower and new stairs and lift inserted.
- OVADA gallery moved to Gloucester Green entrance.
- Basement completely refurbished including new plant, music room and workshop.
- Full double height light well created in foyer area.
- New M&E system throughout, using natural ventilation as much as possible.
- Access issues on all levels resolved as much as possible.

**Options Appraisal**

14. A robust appraisal of all options in both financial and non-financial terms, including establishing the amount of funding shortfall and potential funding sources was subsequently carried out. Further details of the appraisal are available in the Options Appraisal paper attached in Appendix 2 and “Exploring the Options – the Designs” attached in Appendix 3. These designs were the original designs considered at the options appraisal stage.

15. To understand why there was such a significant difference between the original budget (Places of Change Programme (PCP) bid) and the costs of Options 2 to 4, a review of the initial costs and brief were undertaken as part of the options appraisal. This review determined that the original PCP bid should have been closer to £2.9 million overall to reflect the actual size of the building and not just the net accommodation requirements, as the measured survey determined the building to be 15% greater. The costs to address fully the DDA access to the building, replacement of the Mechanical and Electrical (M&E) services and meet BREEAM aspirations, which did not form part of the original brief, are also significant.

16. As a result of this option appraisal, Option 3 represents the preferred option, from overall consideration of both financial (including life cycle costs and potential revenue projections) and non-financial terms (meeting the design brief and aspirations and vision for the project).

17. The OFS Project Board on 5<sup>th</sup> October 2009 agreed to pursue the development of Option 3 to RIBA Stage D (Detailed Design)

18. The projected capital cost for the project is as follows:

Works Total	£2.337m
Contingency @ 15%	£350k

Fees Total	£550k
Fixtures and Fittings	£229k
Total Project Cost	£3.466m

### **Funding**

19. An initial evaluation of the potential sources of additional funding was undertaken as part of the options appraisal, with the principal sources identified being the Housing and Communities Agency (HCA), Crisis and Oxford City Council, with further potential from the Arts Council and third parties.

20. Confirmed sources of funding are as follows: -

Original PCP Grant	£2.181m
Top Up Grant Agreed by HCA to deliver scheme achieving wider regeneration benefits	£700k
Crisis	£100k
OCC capital repairs resource	£70k
Total Confirmed Funding	£3.051m

21. Crisis have committed to £100k funding in 09/10 (as shown above) and a further £100k of finding in 10/11. Whilst Crisis feel confident that they can raise the capital, they requested that the £100k pledge for 10/11 be underwritten by the City Council. It is therefore not included in the above table.

22. Oxford City Council has identified £70k from the capital repairs resource.

### **Options for securing balance of funding**

23. There is significant interest in this project from a number of third parties and officers will progress discussions to establish if the project can be funded without recourse to direct funding by the City Council for the initial capital phase of the project.

24. Notwithstanding this potential, it is important at this stage, if the Council wishes to deliver this project, to provide a funding commitment from the Council to external funding partners so that it is clear that the project is fully funded prior to entering into binding contractual arrangements.

25. The principal sources of Council capital for this project are capital receipts or prudential borrowing.

26. Further to the development of the Council's medium term financial strategy a prioritisation framework is being developed for the use of capital receipts and/or prudential borrowing.

27. It is considered that this project would score highly in terms of its strategic fit due to: -

- Strong alignment with corporate plan priorities

- Leveraging significant external resources

28. The current capital shortfall is £415k. Approval is sought in this report that this shortfall, which includes the underwriting of the £100k from Crisis in 10/11, should be supported by Oxford City Council through either capital receipt or prudential borrowing.

29. The total expenditure profile for the project has changed and CEB is asked to grant approval for the following profile:-

	Original Spend Profile	New Spend Profile
08/09	£50k	£50k
09/10	£600k	£200k
10/11	£1,532k	£2.45m
11/12	-	£700k
12/13	-	£70k
Total	£2,182k	£3.47m

### Constraints

30. The time taken to carry out the options appraisal has put considerable pressure on the programme plan and it is anticipated that the original completion date of 31<sup>st</sup> March 2011 will slip by 3 months to June 2011.

31. This delay is acceptable to the HCA as long as planning consent is achieved in the financial year 09/10 and all funds are drawn down by Oxford City Council by 31<sup>st</sup> March 2011.

32. A planning application will be submitted on 23rd November and is due for consideration in February 2010.

### Procurement

33. Following evaluation of the contractor procurement strategy for this project, it is proposed that a traditional two-stage approach is adopted which involves an expression of interest stage followed by a shortlisting which will result in 6 contractors being asked to provide costed submissions.

34. This would enable an earlier appointment of an appropriate contractor who will be able to provide the design team with a good level of technical and build ability throughout the later design process. This would also assist in reducing risk and improving certainty of price and delivery.

35. The proposed process would be as follows:

- Advertise the project and requirements
- Contractors register and a bespoke questionnaire is sent
- Returned questionnaire and demonstration of capability is evaluated to determine shortlist for tender
- Six potential contractors are invited to submit price for preliminaries etc. with indicative price on the project with their approach and initial

comments on Stage D (detailed design) proposals all used as part of assessment to shortlist for interview

- Interview and appoint contractor during design stage
- Firm price established before commitment to start on site.

36. In order to have a contractor in place within the set timescale and realise the advantages of early appointment, the above process has commenced with drafting of the advert, with formal appointment anticipated by February 2010.

37. The total cost of the build contract (works and contingency) is anticipated to be £2.7 million.

38. Delegated authority is sought for the Executive Director of City Regeneration to enter into the appointment and contract with the building contractor.

### **Live Nation**

39. Oxford City Council have progressed discussions with the current tenant, Live Nation. The City Council issued a letter to Live Nation on 26<sup>th</sup> October 2009, setting out the wish to use the break clause in the lease and also its effective date of 31<sup>st</sup> May 2010.

### **Future Rent Framework**

40. In line with the CEB recommendation in January 2009 that determination of rent and subsequent OCC grant be a transparent process, the Property Manager in Property and Facilities Management carried out an initial valuation of the OFS to provide an indication of rental value less discounts of 52% based on restricted user, no lift, building configuration and structure only. This gives a figure of £65,550 per annum to be offset by a grant administered by the City Council for the full duration of the lease.

### **Business Plan**

41. In June 2009, the OFS Project Board approved the findings of Eastside Consulting's feasibility study which identified the 'hybrid space hire model' as the right business model to take forward to ensure the financial sustainability of the OFS arts-related spaces. The model is a hybrid of a pure social enterprise hub and a pure arts hire space which allows for a diverse arts mix through the use of flexible space to maximise usage which in turn will maximise the revenue stream to support the self-sustainability of the building. It will allow for both long-term income from tenancy and ad hoc income through hire. The hybrid model includes a flexible arts auditorium, creative spaces for artists and designers, visual arts gallery, office space, supplementary facilities (e.g. reception, IT infrastructure, meeting rooms, changing rooms, toilets and shower rooms) and a Skylight flexible performance space.

42. These spaces are in addition to the Crisis Skylight spaces in the building which include an art room, employability zone, Crisis office space, workshop space, music room, 1:2:1 meeting rooms and flexible learning/IT space.

Crisis is committed to cover the necessary revenue costs of running this service.

43. A more detailed business plan was presented to the OFS Project Board in October providing details of local demand and need, target markets, management and staffing structure, sales and marketing strategies, social impact strategy, and financials including cash flow and profit & loss.

44. Eastside's report also recommends that the actual operation of the arts related spaces in the Old Fire Station be managed by a third party, who will be paid to carry out the site management and marketing and sales roles. The business plan has thus been prepared with this recommendation in mind.

45. Whilst the Project Team is confident that the figures presented in the business plan demonstrate that the project will be self-sustaining, the team is undertaking further consultation to ensure the needs and views of the arts and cultural sector are fully represented before making final recommendations on the way forward.

46. Finalisation and approval of Eastside's business plan will be delivered by the end of November 2009. This plan is intended to guide Crisis and Oxford City Council during the initiation and development stage. This plan will therefore evolve with time as the management structure evolves.

47. The intended governance of the building, a crucial factor in the future sustainability of the building, will also be presented as part of this process.

### **Consultation and Communication**

48. Following progress with Live Nation and the final decision to pursue the development of Option 3, previous communication and stakeholder management plans were resurrected. Activities to date include: -

- Consultation workshops with professionals in the arts and homelessness sectors and separately with service users
- Briefing for Members at the Central, South and West Area Committee
- Briefing at the West End Community Group
- Public Consultation Event on 28<sup>th</sup> October at the Old Fire Station
- Media briefing and coverage
- Production of a Newsletter
- Various 1:2:1 briefings with a range of key stakeholders

### **Programme Plan**

49. High level programme plan attached in Appendix 4.

50. Key milestones going forward are: -

Planning Submission	23 <sup>rd</sup> November 2009
Planning Consent	24 <sup>th</sup> February 2010
Start on Site	26 <sup>th</sup> July 2010



Completion on Site	9 <sup>th</sup> May 2011
Opening	6 <sup>th</sup> June 2011

### **Risk**

51. The risk log for the development of the Old Fire Station is attached in Appendix 5.

### **Climate change / environmental impact**

52. The council has a declared intention to reduce carbon emissions from its own buildings and operations (25% by Mar 2011 and 3% year on year beyond this), as well as provide wider leadership on climate change issues (Corporate Plan, OSP), so any Oxford City Council building projects should back up this commitment.

53. A very good architectural practice has been chosen - Feilden Clegg Bradley has a long and strong record of delivering low energy building projects. However, no specific targets are mentioned for carbon emissions. As the Council planning framework requires larger commercial developments to meet its Natural Impact Resource Assessment (NRIA) criteria, then an internal project would demonstrate leadership across Oxford by complying with the requirements of the NRIA policy, most specifically by meeting 20% of the energy requirements from on-site renewable energy generation (or by reducing carbon emission by an equivalent amount from advanced energy efficiency measures.

54. Achieving Building Research Establishment Assessment Model (BREEAM) 'very good' has been included within the design brief as an aspiration for the Old Fire Station. An initial workshop and pre-assessment has indicated a potential 54% (target 55%) to achieve 'very good'. However, due to the mixed use of the existing building a bespoke assessment criteria will have to be determined by the Building Research Establishment (BRE) for this project.

55. A request for a bespoke assessment and appointment of a BREEAM assessor are now budgeted for in the project and is being progressed.

### **Equalities impact**

56. Initial meetings have been had with the access officer and feedback is currently being considered in the design process.

57. The equalities impact assessment is due to be carried out in 2010.

### **Financial implications**

58. The second tranche of HCA funding of £700k will change the overall funding allocation from the HCA from £2,182,393 to £2,882,393 and therefore change the draw down profile for the total HCA funding to the following: -

(08/09 - £50k – already drawn down)

09/10 - £200k

10/11 - £ 2,632,393k

59. The original CLG grant (£2.181m) will be paid under Section 31 of the Housing Act, under current CLG grant conditions. The additional £700k will be issued under a separate HCA grant agreement.

60. Whilst the Project Team will make every endeavour to further reduce the capital shortfall of £415k, this report asks CEB to recommend that Oxford City Council either commit some capital receipt money or prudentially borrow the remainder.

61. The total expenditure profile of the project will also change to: -

(08/09 - £50k)  
09/10 – £200k  
10/11 - £2.45m  
11/12 - £700k  
12/13 - £70k

62. Whilst the Project Team is confident that the figures in the draft business plan demonstrate that the project will be self-sustaining, further work and consultation is on-going to develop a model that will give assurance as to future revenue capacity.

### **Legal Implications.**

63. The procurement of the building contractors will be subject to the City Council's standard procurement procedure, all as indicated in paragraphs 33 – 38 above.

64. OCC has served the mutual break on Live Nation and it is currently with Live Nation's legal department.

### **Recommendations**

65. That the Board recommend to the Council that:-

a) the additional funding of £700k from the Housing and Communities Agency (HCA) be drawn down and that the total expenditure profile of the project be amended to: -

08/09- £50k  
09/10 – £200k  
10/11 - £2.45m  
11/12 - £700k  
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b) that capital funding of £415k be made available in 10/11 to enable the development of design option 3 as detailed in the report.

c) the overall budget for the scheme be revised from £2.18m to £3.47m

66. That the Board note the additional capital funding from Crisis of £100k in 09/10 and a further £100k in 10/11.

67. That the Board authorise the Executive Director for City Regeneration to select and enter into the appointment and contract with the building contractor.

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**List of background papers:**

**Version number: 0.4**