

Brunswick Park Co-Location Project: Lease Options

The purpose of this document is to lay out the available leasing / delivery options available and to provide a comparison between them to enable a decision to be made.

Author:	s40(2) - FOIA
Date:	27 th April 2010
Service / Dept:	Commercial Directorate, Major Projects

Revision History

Version	Date	Author	Summary of Changes
V0.1	27.04.10	s40(2) FOIA	First draft of document
V0.2	29.04.10		Amendments to figures in section 2
			Addition of risks
V0.3	30.04.10		Methodology added to financial summary tables
V 0.4	10.05.10		Addition of Preferred Options Section
V 0.5	11.05.10		Formatting Changes
V 1.0	11.05.10		Additional background information
			Deletion of Comparison Table (Section 3)
			Final Issued Report

Distribution List

Name	Title	Department
s40(2) FOIA	s40(2) - FOIA	

Document Acceptance

Name	Title	Signature	Date

Contents

Contents	2
1. Introduction / Background.....	2
2. Financial Summary	3
Capital Budget	3
Total Scheme Cost Comparison.....	3
3. Risks.....	5
LPA.....	5
FRI.....	5
D&B	5
4. Preferred Option	5

1. Introduction / Background

The Brunswick Park Community Hub Project is a Master Plan for the redevelopment and regeneration of the Brunswick Park site. The first phase proposes to co-locate four existing services into one facility and create a new public open space and entrance into the park.

- Brunswick Park Health Centre
- Osidge Library
- Hamden Way Nursery & Children's Centre
- Acorn Assessment Centre

Phase one of the Brunswick Park Community Hub Project, is only made possible by co-location funding received by the government's co-location fund, administered by the Department for Education. The London Borough of Barnet (LBB) submitted the bid in conjunction with NHS Barnet (NHSB); the bid was based on the initial 'master plan' already developed for the site and the funding was requested to enable phase one to proceed. The aim of the funding is to enable greater co-location of services for children and young people and deliver a fully operational co-located facility by September 2011.

The project is at a crucial stage, whereby a decision needs to be made to confirm the preferred lease agreements for the facility. Depending on the preferred lease agreement, the legal work required to meet financial close is expected to require up to 12 weeks.

Previously Elevate have presented 2 possible options for the delivery of the project and ongoing lease arrangements.

- **LPA – Lease Plus Agreement**

Where a unitary charge is paid to a company known, as a Special Purpose Vehicle (SPV) for the design, construction, hard FM service delivery (i.e. repairs and maintenance) and lifecycle works over 25 years

- **FRI – Full Repairs and Insurance**

The landlord, Elevate in this instance or another assigned company, charge an annual service charge (e.g. window cleaning and external grounds maintenance, together with incidental repairs), insurance and management. The cost of periodic internal and external repairs such as roof replacement and decorations will be planned and charged in the appropriate year.

LB Barnet has requested information on the model adopted for a scheme in Liverpool. However, Elevate have advised that this model would not be appropriate for the Brunswick Park scheme.

Following project board on 21st April, Elevate have produced a further option.

- **Design and Build**

Elevate deliver the design and build elements of the scheme, on completion, LB Barnet own freehold of land and the whole building, thus, take on all risk, responsibility and Hard FM. This would expect to be similar to a typical design and build construction project, however, the risk transfer usually associated with a LIFT delivered project remains.

This report is intended to provide a VfM comparison between the 3 options available.

2. Financial Summary

Capital Budget

The project funding envelope is comprised of the co-location funding of £6.512m which includes the development of shared use facilities and a provision for infrastructure works on the highways and parking, £1m SEN funding for the Acorn Assessment Centre and Hydrotherapy Pool, £1m capital receipt from the sale of the Hampden Way land and a proportionate contribution from NHS Barnet for their portion of the building. It was originally assumed that NHS Barnet would contribute £7.5m to the scheme, however it has emerged that this is no longer available. Therefore, NHS Barnet have reduced their requirements in proportion to the available funding.

The table below details the known funding streams to deliver the project.

Funding Stream	Amount
Co-Location Fund (DfE Grant)	6.5m
Acorn (Education Capital) Denise Murray	0.5m
HT Pool (Education Capital)	0.5m
Land Disposal	1m
Total	8.5m

Costs that cannot be met within the funding streams above will likely require prudential borrowing.

Total Scheme Cost Comparison

	Description	The Council & NHS Barnet Upfront Capital Requirement	The Council & NHS Barnet Anticipated Revenue Requirement (25 yrs)
LPA – Lease Plus Agreement	A unitary charge is paid to a company known, as a Special Purpose Vehicle (SPV) for the design, construction, hard FM service delivery (i.e. repairs and maintenance) and lifecycle works over 25 years.	9.115m	10.139m
FRI – Full Repairs and Insurance	The landlord, Elevate in this instance or another assigned company, charge an annual service charge for insurance and management. The cost of periodic internal and external repairs such as roof replacement and decorations will remain the responsibility of the Council and be planned and charged in the appropriate year.	9.213m	5.847m
Design and Build	Elevate deliver the design and build elements of the scheme, on completion, The Council own freehold of land and the whole building, thus, take on all risk, responsibility and Hard FM. This would expect to be similar to a typical design and build construction project.	9.588m	5.051m

An options appraisal has identified that either FRI or D&B are viable options.

The indicative LBB & NHS Barnet capital costs of pursuing a FRI option is £9.213m which include a contingency amount of £0.839m (£0.871m for D&B). The Council's required contribution towards the scheme's upfront capital is £2.359m (£2.729m for D&B).

Following the Council's current capital allocation (£2m), there is a Council funding gap of £0.359m compared to the funding gap of £0.729m under the D&B.

The Council's contribution to the gap in capital funding would be £370k higher under D&B compared to that under FRI. This difference can be almost wholly explained by the need for purchasing land from NHS Barnet under D&B at a cost to the authority of £325k. However, if the D&B option was selected, this capital receipt would assist NHS Barnet to meet their own capital funding gap of circa £355k under each of the scheme options.

Taken together, the Council's total capital (less grant & cap receipts) and revenue costs under FRI/D&B are similar (£6.560m for FRI and £6.138m for D&B). However, an analysis of the revenue costs in isolation for FRI and D&B shows that D&B is

some £400k cheaper over the life of the scheme. For this reason, D&B is the more attractive option from a financial viewpoint.

3. Risks

LPA

- The legal arrangements required to achieve financial close are complex and will put strain on the timetable the financial close deadline could be missed and DfE funding withdrawn as a result.

FRI

- The quality of Elevate buildings is influenced as they usually maintain for a 25year period. For a FRI scheme there is a risk that this would not be the case. The method of quality monitoring pre contract and during contract will require review.

D&B

- PCT may not buy into a D&B procurement route however there are options for them if the project is being coordinated by Elevate. LB Barnet should gain comment from the PCT prior to committing to this route
- The quality of Elevate buildings is influenced as they usually maintain for a 25year period. For a D&B scheme there is a risk that this would not be the case. The method of quality monitoring pre contract and during contract will require review.

4. Preferred Option

The design and build option has been identified as the preferred model. The option brings the same level of risk transfer associated with the other LIFT delivery models. The upfront capital costs of delivering the facility are **£9.59m**. This is more expensive than the alternative delivery models. However, the D&B option allows for reduced annual revenue costs of **£202K** per annum saving up to £204K per annum when compared to the LPA model.