

Place Overview and Scrutiny Committee APPENDIX C

12 August 2024

King Alfred Leisure Centre Regeneration Project

Appendix 1. Call in request submitting by opposition members

From: Cllr Ollie Sykes <Ollie.Sykes@brighton-hove.gov.uk>
Sent: Friday, July 26, 2024 8:14 AM
To: Jess Gibbons <Jessica.Gibbons@brighton-hove.gov.uk>
Cc: Elizabeth Culbert <Elizabeth.Culbert@brighton-hove.gov.uk>; Cllr Steve Davis <Steve.Davis@brighton-hove.gov.uk>; Cllr Sue Shanks <Sue.Shanks@brighton-hove.gov.uk>; Cllr Raphael Hill <Raphael.Hill@brighton-hove.gov.uk>; Cllr Chloë Goldsmith <Chloe.Goldsmith@brighton-hove.gov.uk>; Cllr Alistair McNair <Alistair.McNair@brighton-hove.gov.uk>; Cllr Kerry Pickett <Kerry.Pickett@brighton-hove.gov.uk>
Subject: IMPORTANT Call-in request: King Alfred Leisure Centre Regeneration Project, Cabinet of 18th July
Importance: High

Dear Jess

I understand the deadline for call-in of this decision is today.

The undersigned request that the Decision on Item 29 in Cabinet of 18th July 2024 (King Alfred Leisure Centre Regeneration Project) be called in on the basis of the following grounds as described in the Council Constitution Overview and Scrutiny Procedure Rules:

13.1.2 the absence of sufficient evidence on which to base a decision.

Reasons for use of these grounds for call-in are as follows:

1. Evidence provided in the paper (Item 29) to Cabinet on 18th July was very high level and was in and of itself insufficient for members to fully understand the decision.
2. Following a comment about insufficient information and consequent questions put by Cllr Sykes to Cabinet about Item 29 at Cabinet on 18th July, additional information was shared directly with Cllr Sykes by an officer on behalf of Cabinet. Point 3 below refers to this information, which Cllr Robins undertook to have included in the minutes to the meeting and which is appended to this letter.
3. Incorporation of a risk /contingency allowance component in the Nominal Capital Cost and Gross Economic Cost figures appears from this additional information not to have followed government guidance on use of Optimism Bias (OB) ([Green Book supplementary guidance: optimism bias - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/green-book-supplementary-guidance-optimism-bias)). Critically, the assumption appears to have been made in Item 29 on 18th July, that the KALC project type will be a 'standard building'. The Green Book OB guidance states that any project that includes elements of demolition, whose construction involves particular complexity or difficulty and which includes unique characteristics

(swimming pool) should be considered either as a non-standard building project, or a programme including a non-standard building; thereby requiring a higher range of OB figures to be used. The guidance also states that the starting value for use of OB should be the upper bound of the guidance range. Following this it is apparent that the initial OB to be used in figures for options appraisal and for projecting financing requirements should have been nearer 40% and possibly up to 51%, rather than the 20% OB figure used. Consideration of OB at 40% would have increased the capital funding requirement for the preferred option by up to £8m.

4. We have a separate concern about the treatment of the 'Refurbish' option. It is assumed that the attribution of a 10-year lifespan to the 'Refurbish' option, presented in the paper to Cabinet as the Reference Case, provides a 10-year appraisal period for the purposes of calculation of project benefits. The 10-year lifespan appears to be an arbitrary figure as no reason is given why a £14m refurbishment need last only 10 years. There is potential for this chosen 10-year lifespan to be seen as a way of favourably skewing options benefit-cost ratio ranking, unless further details are provided on the basis for the figure, or additional sensitivity analysis is presented that shows investment required in a refurb for a 20 or 30 year lifespan. Clearly a 20- or 30- year benefit period for a refurbished building could alter the conclusions of the economic options appraisal.
5. Additionally, the statement made in the additional information shared by Cllr Robins that *'The detailed business case has been shared with cabinet members but due to reasons of commercial sensitivity has not been shared more widely'* needs to be challenged as there is no inherent reason why a detailed business case cannot be shared at this stage, as there are no contractor tender estimates yet and any individual figures such as design costs could be redacted.

We hope this provides sufficient basis on which to call this item in for consideration at a meeting of Place Overview and Scrutiny Committee.

Kind regards

Steve Davis (Green)

Ollie Sykes (Green)

Alistair McNair (Conservative)

Kerry Pickett (Green)

Chloë Goldsmith (Green)

Raphael Hill (Green)

Sue Shanks (Green)

Additional information received from Cabinet on 18th July 2024:

To develop the business case, we engaged specialist consultants who have developed many Green-book businesses cases that have successfully secure grant funding for many local authorities. The project's team also includes officers who have developed Green Book business cases for local authorities that have successfully secured millions of £ pounds of funding from the Town Deal, Local Growth Fund, and Housing Infrastructure Fund. I am

therefore content that the approach used was rigorous, thorough, and compliant with HM Treasury requirements. Particular attention was given by the consultants to ensuring that the business case would be best oriented to securing any potential future government grant funding.

The business case includes detailed analysis of costs and the value of the social benefits (nominal and Net Present Value) which have been summarised for brevity in section 4 of the paper. To briefly respond to some of the councillor's specific points:

Table 1 is taken from the economic case and shows the value of the costs and benefits in net present value (NPV) terms. These NPV figures have been converted from the nominal figures in the financial case by (i) stripping out background inflation, (ii) adjusting for optimism bias, and (iii) discounting for present values. The economic benefits shown in the table are made up of the social benefits and land value uplift as set out in paragraph 4.3.

The Green Book recommends an optimism bias of between 2% and 24% for standard buildings. For this business case, a value at the higher end of that range (20%) was chosen as construction contracts are not yet in place.

Quantity surveyors (Stace) were engaged during the production of the business case and provided detailed cost estimates for each delivery option on which the capital build costs are based. The revenue estimates have been calculated based on well-framed assumptions about the future levels of use and running costs for the facility, as advised by our specialist consultants Continuum Sport and Leisure.

Tables 2 and 3 are taken from the financial case, and these therefore use nominal figures rather than the NPV values used in the economic case and in table 1.

The critical success factors of strategic fit, value for money, supplier capacity, affordability and achievability have all been considered in forming the decision on the preferred option.

The detailed business case has been shared with cabinet members but due to reasons of commercial sensitivity has not been shared more widely.

Ollie Sykes (Green Party)

City Councillor, Brunswick and Adelaide ward

Brighton & Hove City Council

07394843182

