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Dear Member

OVERVIEW AND SCRUTINY BOARD - WEDNESDAY, 11 OCTOBER 2023

I am now able to enclose, for consideration at the Wednesday, 11 October 2023 meeting of the Overview and Scrutiny Board, the following reports that were unavailable when the agenda was printed.

Agenda No	Item	Page
6.	Capital and Growth Highlight Report on Capital Programme Monitoring Harbour View Hotel Briefing Note	(Pages 2 - 3)

Yours sincerely

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**Briefing Note for Overview and Scrutiny Board 11
October 2023**

Subject: Harbour View Hotel (120-bedroom Hotel for Premier Inn)

What is the proposal and its benefits?

The Harbour View hotel is a Council direct development project which formed an early phase of delivery of the comprehensive programme of town centre regeneration projects across Torbay and the Council's wider place-making agenda, helping to deliver Torbay's Local Plan, Economic Strategy, Transformation Strategy for Torbay's Town Centres, and Destination Management Plan.

Both the Torbay Local Plan (2015) and Torquay Town Centre Masterplan Supplementary Planning Document (SPD) (2015), as well as the emerging Torquay Neighbourhood Plan, have been the subject of significant community and business engagement, and this engagement was instrumental in bringing forward the proposed hotel at this site. The development has emerged from and is strongly supported by policy in the Torbay Local Plan and the Torquay Town Centre Masterplan SPD.

The project has had a difficult history with several factors contributing to its current budget including a requirement for a sewer survey by SWW, contrary to previous written advice that no survey was required, this created a delay in the project of circa three months. There were structural and ground issues identified in the car park which also extended the programme by 16 weeks. Then the Covid pandemic also impacted on the programme. These delays made the financial failure of the original contractor in January 2022 Midas Construction an even more significant issue.

In autumn of last year an updated project cost and funding requirement was brought in front of Cabinet and Council with the outcome being an increased budget for the project.

This report is noting to Scrutiny that the previously extended budget to complete the construction of the Hotel is now insufficient due to increased costs to complete the external works package.

External work costs have significantly increased because of the limited availability of groundworks contractors in the market and hence the ability to negotiate prices down through competition. This market change has been exacerbated by plant, material and labour price increases. In addition, the remaining works are deemed unattractive due to their piecemeal nature.

Utility provisions and associated costs have also increased which, in total, results in a potential cost overrun, up to completion of the project, of up to £540,000.

There are some opportunities to reduce the final costs and TDA estimate that the potential saving could be in the order of £150,000 with mitigation including;

- Programme reduction of 4 Weeks (Preliminary costs etc)
- Reduction in volume & cost of Landscaping Materials (top soil etc.)
- Muck away/imported fill volumes & cost
- Duplication of prelims & resources
- Footway works & surfacing outside of WD scope
- Re-Design savings
- Commercial negotiation on final account

TDA has recommended to the project board that additional funding be identified now to allow the project to complete. The project board believes that there no alternative options at this point however requires that the overrun be as low as possible.

Any additional borrowing committed to the scheme will result in a longer period to breakeven and profit for the scheme. As such, in consultation with the Director of Finance, it is proposed that these additional costs are met through capital reserves rather than borrowing with the final position reported as part of the revised Capital Investment Programme which will be submitted to Council in January 2024.

Alan Denby, Director of Pride in Place