

FULL BUSINESS CASE (FBC)

A. GENERAL INFORMATION

A1. General

Project Title <i>(as per Voyager)</i>	Replacement of Kings Heath and Ladywood Community Centre Boilers		
Voyager code	Xxxx		
Portfolio /Committee	Leader	Directorate	City Operations
Approved by Project Sponsor	Chris Jordan 21.06.2022	Approved by Finance Business Partner	Carl Tomlinson 28.06.22

A2. Outline Business Case approval *(Date and approving body)*

Due to the urgency of these works a Full Business Case has been prepared supported by an Options Appraisal

A3. Project Description

The project is to replace failed boiler systems which are obsolete and beyond economic repair at Kings Heath Community Centre (CC) and Ladywood Health and Community Centre (H&CC), in order to:

- relieve an unfunded budget pressure associated with the hire of temporary boilers;
- improve energy efficiency and reduce carbon emissions; and
- allow the Centres to remain open to enable the local community to continue to access the social and health benefits of regular community activities.

Kings Heath Community Centre is a well used facility located on Heathfield Road, just off Kings Heath High Street. Ladywood Health and Community Centre is a large multi-storey facility built with capital investment from the NHS and is subject to a long term legal agreement regarding respective rights and responsibilities for the property.

At both sites the boiler systems supplying hot water and heating have failed completely. As an emergency interim measure, to keep the Centres operational, temporary boilers have been installed on a monthly hire agreement but these are proving costly to run. The proposed project is to undertake replacement of the boiler systems with high energy efficiency models.

This business case seeks approval to replace the boiler systems at both sites funded from Corporate Capital Contingency at a project cost of £593,650 including fees and contingency provisions.

A4. Scope

Full replacement of existing boilers, flues, plant, controls, and associated works at Ladywood H&CC and Kings Heath CC.

A5. Scope exclusions

All other existing services are outside of the full design specification provided.

B. STRATEGIC CASE

This sets out the case for change and the project's fit to the Council Plan objectives

B1. Project objectives and outcomes

The case for change including the contribution to Council Plan objectives and outcomes

The proposal supports the Birmingham City Council Plan 2018-2022 (as updated in 2019) by contributing to the Council's Key Priorities, specifically :

Priority 1 Birmingham is an entrepreneurial city to learn, work and invest in;

The Centres host after-school and nursery provision which supports parents to access employment and training opportunities. Specific welfare, family, food and debt support are also on offer.

Priority 2 Birmingham is an aspirational city to grow up in;

The Centres also host sessions for pre-school children, older children and young people. These activities help develop younger children's social skills, enabling them to be more ready to start school; and the youth club and theatre group give young people the chance to meet new friends and develop life skills which assists their personal development, supports their wellbeing, and enables them to take advantage of future learning and job opportunities.

Priority 3 Birmingham is a fulfilling city to age well in;

The Centres are local hubs for the community and residents of all ages but also run activities specifically aimed at older people such as senior citizens' social clubs. These activities help break down social isolation, encourage residents to feel part of the community and enable them to remain physically active and mentally alert.

Priority 4 Birmingham is a great clean and green city to live in;

The Centres are part of the network of hubs across the City that serve a vital function in communities, giving people an opportunity to have fun, socialise, learn, exercise and access key support services. Community and voluntary groups do incredible work to bring people together and to support individuals in difficult circumstances. Post pandemic, this support has assumed an even greater significance and facilities such as Kings Heath CC and Ladywood H&CC are key to community recovery, providing food, welfare and debt support.

Priority 6 Birmingham is a city that takes a leading role in tackling climate change;

Replacing the boilers systems with more modern energy efficient models will make the building more energy efficient and reduce carbon emissions.

The proposal also supports the **Property Strategy 2018/19 – 2023/24** by putting forward a solution whereby existing operational buildings can be improved and their life extended.

Birmingham Business Charter for Social Responsibility (BBC4SR)

The value of this contract is below the works threshold for the BBC4SR to apply. However, the Council's policy for the payment of the Real Living Wage will apply and also the recommended supplier will be encouraged to complete at least one project advertised by a third sector organisation on www.matchmyproject.org.

B2. Project Deliverables

These are the outputs from the project eg a new building with xm2 of internal space, xm of new road, etc

The replacement of failed boiler systems at two community facilities, with more modern energy efficient models, to provide heating and hot water.

B3. Project Benefits

These are the social benefits and outcomes from the project, eg additional school places or economic benefits.

Measure	Impact
<i>List at least one measure associated with each of the objectives and outcomes in B1 above</i>	<i>What the estimated impact of the project will be on the measure identified – please quantify where practicable (eg for economic and transportation benefits)</i>
Maintain BCC owned assets	Asset life extended
Modern and energy efficient heating and hot water	Reduced running costs though more efficient systems and temporary boiler hire costs avoided
Improve the carbon footprint of the building by replacing obsolete boilers with modern energy efficient models	Reduced carbon emissions
Fulfil Council responsibilities to maintain the property set out in the current legal agreement with the NHS (Ladywood only)	Reputational and relationship damage avoided

B4. Benefits Realisation Plan

Set out here how you will ensure the planned benefits will be delivered

A project implementation review will be held with the end user after 12 months + of the works being operational to learn what impact the new facility has had on the service to inform future decision making and project planning.

B5. Stakeholders

A stakeholder analysis is set out at G4 below. A summary of consultation responses is included in the covering Executive report.

C. ECONOMIC CASE AND OPTIONS APPRAISAL

This sets out the options that have been considered to determine the best value for money in

achieving the Council's priorities**C1. Summary of options reviewed at Outline Business Case***(including reasons for the preferred option which has been developed to FBC)**If options have been further developed since the OBC, provide the updated Price quality matrix and recommended option with reasons.***Option 1 – Replace the boiler systems at Kings Heath and Ladywood Centres
recommended**

This is the only option that will allow the Centres to keep functioning in the longer term and is a more cost-effective solution than the on-going using of temporary boilers for which the service is paying hire of c£80,000 per year. The project cost to replace the two boiler systems is estimated at £593,650 including fees and contingency provisions.

Option 2 – Continue with temporary boilers

Temporary boilers are being hired as a short-term emergency measure in order that the Centres could continue to open to the public. However, the hire charges amount to an estimated £80,000 per year which is creating a budget pressure for the service. The hire costs are being met on a temporary basis by deferring expenditure in other areas of service and therefore this solution cannot be sustained indefinitely. Therefore, this option was discounted.

Option 3 – Repair the existing boiler systems

Following inspection, Acivico Ltd have advised that the boiler systems are obsolete and are beyond economic repair and that, at best, repairs would offer only a short-term solution as other parts of the system could fail at any time. This option was therefore discounted.

C2. Evaluation of key risks and issues*The full risks and issues register is included at the end of this FBC*

Additional costs during the construction period due to increased labour and/or materials costs

Mitigation: This is a fixed price contract with a contingency built in for unforeseen circumstances. Costs will be managed by Acivico Ltd within the budget provision

Unforeseen additional works may arise during the installation of the boiler systems, creating an additional funding requirement.

Mitigation: The overall cost of the projects includes a contingency of £34,000 to account for any unforeseen circumstances which may occur during the construction period.

Work not completed on time in accordance with the agreed programme

Mitigation: The contractor will work to an agreed programme of scheduled activities that will be reviewed at each progress meeting. For each scheme, slippage of activities will be highlighted at an early stage and activities rescheduled/adjusted to mitigate any delays to meet the critical path milestones.

C3. Other impacts of the preferred option

Describe other significant impacts, both positive and negative

Overall, the project delivers positive benefits to the current and potential service users as set out in section B1.

However, the work may involve temporary disruption to service provision and constrain access to the community centres, which will be discussed prior to any works commencing and managed to minimise any impact on user groups and other customers.

D. COMMERCIAL CASE

This considers whether realistic and commercial arrangements for the project can be made

D1. Partnership, Joint venture and accountable body working

Describe how the project will be controlled, managed and delivered if using these arrangements

Acivico Ltd will manage the project on behalf of the client (the City Wide Community Centre Manager)

D2. Procurement implications and Contract Strategy:

What is the proposed procurement contract strategy and route? Which Framework, or OJEU? This should generally discharge the requirement to approve a Contract Strategy (with a recommendation in the report).

The procurement strategy for the works was to undertake a direct award using Acivico Ltd's Constructing West Midlands Building Fabric Framework Agreement as detailed in the Cabinet report.

D3. Staffing and TUPE implications:

N/A

E. FINANCIAL CASE

This sets out the cost and affordability of the project

E1. Financial implications and funding

Capital Expenditure:	Financial Year 22/23 £'m	Financial Year 23/24 £'m	Financial Year 24/25 £'m	Later Years £'m	Totals £'m
Voyager capital code: XXX					
Capital costs already incurred:					
Other costs to complete project :					
Fees	0.026 0.029				0.055
Land Acquisition Works					
Works	0.220				

APPENDIX 1

	0.255				0.475
Contingencies	0.017 0.017				0.034
Inflation Allowance	0.015 0.015				0.030
Total Capital Expenditure	0.594				0.594
Capital Funding:	Financial Year 22/23 £'m	Financial Year 23/24 £'m	Financial Year 24/25 £'m	Later Years £'m	Totals £'m
Development costs funded by: <i>(Please itemise)</i>					
Other Costs Funded by: Prudential Borrowing	0.594				
Total Capital Funding Must fund all the costs	0.594				
Revenue Consequences	Financial Year 22/23 £'m	Financial Year 23/24 £'m	Financial Year 24/25 £'m	Later Years £'m	Totals £'m
Voyager rev. budget code:	XXXX				
Development costs (revenue)					
Operating period expenditure:					
Prudential Borrowing Charges		0.066	0.066	0.530	0.663
Income					
Savings					
Total Revenue Consequences					
Revenue Funding:					
Current Budgetary Provision					
Other revenue resources identified:					
<i>Corporate Funding assumed additional 20 year life to facility</i>					
Total revenue funding		0.066	0.066	0.530	0.663
E2. Evaluation and comment on financial implications:					

The report seeks approval to fund the replacement of boiler systems at Ladywood H&CC and Kings Heath CC through Corporate Capital Contingency resources of up to £593,650. The annual cost of borrowing is £66,000 over 10 years. The current temporary solution is costing c£80,000 per year and is not sustainable and is being funded in the short term by deferring other works.

E3. Approach to optimism bias and provision of contingency

The project cost includes 13% of the contract value for contingencies

E4. Taxation

Describe any tax implications and how they will be managed, including VAT

The Council will be able to recover the 20% VAT on payments to the contractor under the normal procedures.

As this is a construction project, the requirements of HMRC's Construction Industry Tax Scheme will be included in the contract documentation to ensure the Council's compliance

F. PROJECT MANAGEMENT CASE

This considers how project delivery plans are robust and realistic

F1. Key Project Milestones

The summary Project Plan and milestones is attached at G1 below

Capital Board

7 July 2022

Cabinet

26 July 2022

Start on site

TBC

Practical completion

TBC

Date Project operational

TBC

Date of Post Implementation Review

TBC

F2. Achievability

Describe how the project can be delivered given the organisational skills and capacity available

Acivico Ltd and the CWM#2 framework contractors have all got extensive experience and knowledge of working on refurbishment projects similar to this proposal

F3. Dependencies on other projects or activities

None identified

F4. Officer support

Project Manager: Keith Dugmore, City-Wide Community Centre Manager

Project Accountant: Lisa Pendlebury

Project Sponsor: Chris Jordan, Assistant Director, Neighbourhoods Division

F5. Project Management

Describe how the project will be managed, including the responsible Project Board and who its members are

The construction contract will be administered by Acivico Ltd and the client will be represented by the Client PM, the City Wide Community Centre Manager who will be responsible for ensuring the governance process and project methodology is adhered to.

G. SUPPORTING INFORMATION

(Please adapt or replace the formats as appropriate to the project)

G1. PROJECT PLAN

Detailed Project Plan supporting the key milestones in section F1 above

A detailed project plan based on the target timescale of 18 weeks will be agreed between the contractor and the client and will include :

- Pre-start site meeting with Acivico Ltd, City Wide Community Centre Manager, Contractor
- Risk Assessment for site users
- Communication with user groups
- Progress monitoring reports/meetings

G2. SUMMARY OF RISKS AND ISSUES REGISTER

Risks should include Optimism Bias, and risks during the development to FBC

Grading of severity and likelihood: High – Significant – Medium - Low

		Risk after mitigation:	
Risk or issue	mitigation	Severity	Likelihood
1. Unforeseen additional works arise in course of refurbishment causing additional funding requirement	This is a fixed price contract with a contingency built in for unforeseen circumstances. Costs will be managed by Acivico Ltd within the budget provision	Low	High
2. Work not completed on time	The contractor will work to an agreed programme of scheduled activities that will be reviewed at each progress meeting. For each scheme, slippage of activities will be highlighted at an early stage and activities rescheduled/adjusted to mitigate any delays to meet the critical path milestones.	Medium	Low
3. Unforeseen additional works may arise during the installation of the boiler systems, creating an additional funding requirement.	The overall cost of the projects includes a contingency to account for any unforeseen circumstances which may occur during the construction period.	High	Medium

G3. EXTERNAL FUNDING AND OTHER FINANCIAL DETAILS

Description of external funding arrangements and conditions, and other financial details supporting the financial implications in section E1 above (if appropriate)

N/A

G4. STAKEHOLDER ANALYSIS

Stakeholder	Role and significance	how stakeholder relationships will be managed
Regular user groups/tenants	Service Users/High	Liaison between contractor, Acivico and the Project Manager (as per C3)
Ward Councillors	Represent the ward and constituents/High	Project manager to manage communications
NHS Estates	Partner and Funder/Low	Project Manager to manage communications
Assistant Director Neighbourhoods	Overall responsibility of the asset/ High	Briefed through line management arrangements
Contractor	Responsible for managing and carrying out the work/High	Regular progress review on-site and broader liaison meeting with Acivico Ltd
Acivico Ltd	Responsible for awarding contract and managing relationship with contractor	Regular communications/progress update reviews

Other Attachments

provide as appropriate

- Appendix 1 A Options Appraisal

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