

Woking Town Centre Infrastructure Strategic Plan (Supplementary Note)

1. Purpose of this Note

- 1.1** At its meeting on 21 July 2020 the Board of Thameswey Limited considered a report outlining progress on major energy projects in Woking town centre as part of a wider Town Centre Infrastructure Strategic Plan. This note has been prepared at the Board's request to provide further detail on the breakdown of the capex sum relating to the development of Poole Road energy centre and associated infrastructure.
- 1.2** It was agreed to provide this additional breakdown of the changes for two purposes. Firstly to explain to the Board which changes in costs had arisen from scope change and which had been cost inflation and secondly, to contribute to the discussion with VSWL as to the increased contribution required from the Victoria Square Development.
- 1.3** This note also explains the basis of the sum now being sought from VSWL in respect of additional works carried out to provide energy infrastructure and equipment by TDL for Victoria Square. The figures quoted below are based on the most recent valuations prepared by TDL's QS and have been presented to VSWL's QS.

2. Build-up of costs associated with the energy centre and network infrastructure

- 2.1** Table 1 in the report considered by the Board identified the sum of £33.9m associated with Poole Road and is reproduced below for reference. The table shows that there is a capex shortfall of £9.5m when compared to previously approved funding.

Table 1 Capex for asset expenditure (completed 2020, under construction and planned)

Infrastructure	£M
Poole Road (incl. office and CHP)	£33.9
Red Infrastructure	£1.5
TC Connections – 121 Chertsey Road, Waterman House, Cornerstone, Harrington	£1.2
Victoria Way Chiller Upgrade	£0.7
Town Centre Optimisation:	
➤ Boilers and Cooling Towers	£0.4
Project Black (DH and Chilled Water interconnections)	£1.30
TOTAL Capex	£39.0
Poole Road Cashflow Funding	£3.5
TOTAL Funding Required	£42.5
VSWL Contribution - Initial	-£3.8
VSWL Contribution	-£3.1
Adjusted Funding Required	£35.6
Funding Agreed	£26.1
Incremental Funding Required	£9.5

The items in Table 2 contribute to the build-up of costs against the £33.9m capex and are referenced against the corresponding narrative in the Strategic Plan Report .

Table 2 Split in costs between Poole Road and Off-site energy infrastructure

TDL Report 21/07/2020 Paragraph Ref.	ITEM	£M
2.1 - 2.13	Poole Road Energy Centre	
	Forecast out-turn costs for construction of Poole Road energy centre	£23.7
	Installation of CHP 1	£1.6
	TOTAL costs for Poole Road + CHP1	£25.3
	All off-site infrastructure (incl. Victoria Square)	
3.2 - 3.4	New private wire network (Board School Road substation, HV distribution network)	£2.1
3.5 - 3.8	Plant, equipment, and distribution	£4.8
4.3	Poole Road to Victoria Square DH, fibre and HV infrastructure	£1.7
	TOTAL costs for Off-site infrastructure	£8.6
	TOTAL Costs (including contingency)	£33.9

2.2 The major scope changes have fallen into three categories:

- firstly, as we have progressed the design to a construction level the practical implications of layout and equipment have now been fully costed (the core changes were set out in Appendix 5 of the report, attached for reference);
- secondly the full extent of new private wire and infrastructure across the town has been included within the project; and
- thirdly the amount of infrastructure required by Victoria Square has increased significantly, notably with the addition of the new replacement red car park and additional commercial units.

These changes in scope are explained below.

3. Delivery of Poole Road Energy Centre

- 3.1** The original and current Poole Road schemes are broadly equivalent in size of building. However, the scheme currently under construction includes significantly larger plant room space and higher proportion of high cost mechanical equipment due to the deletion of the office floors.
- 3.2** The current scheme includes an enhanced specification of services risers, stair and lift cores, fire protection and acoustics along with strengthening of the building foundations, frame and roof slab in order to be capable of upward extension in the future. This has contributed approximately £1.05m to future proofing of the building. Therefore, it can be shown that the general inflationary and contract management cost pressure has been minimal. The key focus is thus on increase in scope.

4. Woking town centre energy distribution infrastructure

- 4.1** The second area of increase relates to a change in approach to infrastructure in both a physical and financial term.
- 4.2** The physical change has been the movement of the primary UKPN connection point from Poole Road to Board School Road. This was due to technical challenges presented by UKPN to providing the connection at Poole Road. The new location also presented business opportunities as it allowed Thameswey to have a HV connection route between the two locations which could be sold on to future customers (as with connection to the 'Space' office scheme). The additional cost of this relocation was £2.1m.
- 4.3** In financial terms, the capex sums presented to the Board now include wider infrastructure upgrades associated with TEL's heat and cooling networks across the town centre (for example the upgrade of existing chillers at Victoria Way) which were excluded from the original project budget which focused only on Poole Road. The rationale for this is that it is clearer to have all the network costs in one overall project budget as opposed to multiple smaller cost centres.

5. Victoria Square Scope and Cost Implications

- 5.1** The impact of Victoria Square on the project has been two-fold since the original Poole Road cost plan was approved. Firstly the original proposals for the M&E have become more complicated as routes through the buildings have changed as designs have developed and secondly the rebuilding of the Red Carpark has significantly increased the scope of ThamesWey involvement in electrical infrastructure and heat and cooling supplies.
- 5.2** The original cost assumed to be met by VSWL was £3.8m. It is important to understand where this figure came from first as it has a material bearing on how the current contribution has been calculated. When commencing this arrangement ThamesWey, in consultation with VSWL, made three key assumptions which have been carried across to the new project;
- That costs were based on avoided costs to VSWL in that ThamesWey costs were only passed to VSWL if it would have incurred the cost anyway if ThamesWey were not involved;
 - That there needed to be a commercial advantage to VSWL to deal with ThamesWey; and,
 - That the cost of core infrastructure was not passed through to final users as part of their service charge to keep the overall VSWL 'commercial offer' to prospective tenants as attractive as possible.
- 5.3** The impact of the proposals in paragraph 5.1 meant that whereas the original work to provide energy to VSWL was forecast in 2017 to cost £4.6m to deliver, ThamesWey agreed to pass on only £3.8m of this to VSWL to ensure there was a commercial gain to VSWL of £800k (equivalent to a 17% discount) when compared to the cost of delivering the infrastructure itself.
- 5.4** Table 3 summarises the total accumulated cost of energy infrastructure installed by ThamesWey for Victoria Square, along with costs incurred by VSWL that are attributable to ThamesWey.

Table 3 Total cost of infrastructure associated with Victoria Square

		£
1	VSWL contribution to ThamesWey negotiated in 2017	3,800,000
2	Total incremental value of additional plant and equipment installed by ThamesWey for VSWL (as set out in Table 4)	4,466,166
3	ThamesWey's liability to VSWL for work undertaken by VSWL on TW's behalf	-916,713
	Net total cost transfer from VSWL sought by ThamesWey	7,349,453

- 5.5** ThamesWey has agreed to meet expenditure incurred by VSWL where it has installed infrastructure to a higher specification at the request of Thameswey or to enable scaling up of distribution pipes to supply future customers beyond Victoria Square.

These costs are valued at £0.916m in Table 3 and are the subject of discussion between TDL and VSWL (Appendix 1).

5.6 Where expenditure by ThamesWey reflects potential future gains for ThamesWey (i.e. to supply additional customers outside of VSWL) that element of cost has not been apportioned to VSWL, nor have costs been apportioned which are an increase due to a commercial choice of ThamesWey for no direct VSWL benefit. Examples include the cost of getting energy from Poole Road to VSWL (100% borne by ThamesWey) as if VSWL had provided it for themselves they wouldn't have the additional cost associated with the supply infrastructure over that distance, and the increase in size of DH And CHW pipes to provide capacity for future customers beyond Victoria Square. However, where the work is purely for VSWL the cost has been apportioned completely to VSWL.

5.7 Table 4 summarises the above costs and their apportionment to VSWL.

Table 4 – Summary of TDL/TEL's energy infrastructure costs associated with Victoria Square

	Total Cost	% charge	Charge to VSWL
New Private Wire Network	2,103,552	75%	1,577,664
VSWL Site			
Electrical Infrastructure	1,266,622	100%	1,266,622
LTHW Infrastructure	62,509	100%	62,509
Controls Infrastructure	1,170,998	75%	878,248
VSWL Site - Additional Scope:-			
Electrical Infrastructure	481,598	100%	481,598
LTHW Infrastructure (fees)	15,667	100%	15,667
Controls Infrastructure	220,667	75%	165,500
District Heating - Poole Road Energy Centre to VSWL	1,530,404	0%	-
Back-up Boiler Installation at VSWL (fees)	18,357	100%	18,357
Total	6,870,373		4,466,166

NOTE ENDS

Appendix 1 TDL liability to VSWL for work undertaken on its behalf

		VSWL Costs	% to TDL	TDL Cost Share	TDL Comments
A	LTHW installation	£1,423,322	15%	£213,498	VSWL would have had to have installed their own LTHW distribution. TW only responsible for extra cost of future connections beyond VSWL, and connection to Forge End interface point. Say 15% of total cost.
B	CHW installation (extra over for ThamesWey)	£204,926	100%	£204,926	TW agree that extra cost of future connections beyond VSWL is their responsibility. However we have not yet undertaken a detailed check of the build-up.
C	Brackets, supports, frames, cladding, trenching, re-routing of LTHW and CHW pipework above ground	£290,533	15%	£43,580	TW only responsible for extra cost of future connections beyond VSWL. Say 10% of total cost.
D	Back-up boiler	£132,109	0%	£0	There are costs not yet included in VSWL's claim. However TW's position is that VSWL have decided to install a back-up boiler (not a temporary boiler). TW to contribute to use thereof if heat supply from Poole Road is late, but not for capital cost.
E	DCC electrical sub-station cooling	£89,642	0%	£0	Not yet fully understood. Alex Bell to provide further substantiation as to why this is being included as TW's cost liability. TW's position is that VSWL would have had to have installed cooling had they built their own Energy Centre
F	ThamesWey HV install - SRM Builder's Work	£219,635	0%	£0	VSWL would have had to have undertaken this builder's work, had they built their own energy centre
G	Temporary generator	£59,180	0%	£0	Not yet fully understood. Alex Bell to provide further substantiation as to why this is being included as TW's cost liability. TW's position is that it is VSWL (SRM) who are late with the construction of the sub-station rooms, which has delayed EAST being able to install the necessary transformers and other plant.
H	Boots Temp Heat & Cooling	£0	0%	£0	Not yet fully understood. Alex Bell to provide further substantiation as to why this is being included as TW's cost liability. Also there are no costs presented as yet.
I	Castel interlocking	£5,363	100%	£5,363	This does appear to be a valid TW liability
J	Gateway extension	£449,346	100%	£449,346	This does appear to be a valid TW liability, but costs claimed appear very high. Alex Bell is challenging some elements of the costs, but warned that there may be some further cost not yet included.
K	Trenching Vic Way to DCC	£0	50%	£0	Costs not yet submitted, so unable to review. However the cost of any trenching between TW's district heat and power connection to Poole Road Energy Centre at the Vic Way site boundary, and the DCC, would appear to be TW's cost responsibility. Say 50% of total?
		£2,874,055		£916,713	