
TITLE: PROCUREMENT OF A DISTRICT LEISURE CENTRE

Committee: COUNCIL

Date: 22 October 2015

Author: Chief Financial Officer

[Q94]

1.0 ISSUE

1.1 To note the analysis undertaken and agree the next phase of the project.

2.0 RECOMMENDATIONS

2.1 Members are requested to:-

- (i) approve the programme timetable detailed in Appendix 1;
- (ii) approve the allocation of up to £500,000 within the capital programme to progress the project to RIBA Stage 4 and the procurement of the contractor and operator;
- (iii) reflect the amendment to the capital programme into the mid-year review of the Council's Treasury Management Strategy;
- (iv) instruct the Chief Financial Officer to bring forward a further report to Council in April 2016 detailing the outcome of the procurement of the contractor and a recommended funding strategy to progress the project to completion.

3.0 BACKGROUND

3.1 The Commercial Services Committee approved the RIBA Stage C Design report at its meeting on the 18 June 2015. The Committee resolved to request the Chief Executive to initiate a tender process to confirm the build costs as soon as possible, utilising a Quantity Surveyor directly appointed by the Council. This request was initiated as the report to the Commercial Services Committee highlighted a number of risks, and the Committee sought advice on how these risks could be mitigated; the primary risk being of cost.

3.2 The key risks and potential mitigation actions at the end of RIBA Stage C as reported to the Commercial Services Committee included:-

- Building cost Inflation – an allowance has been included in the cost plan
- Programme planning and accuracy – this has been benchmarked to similar schemes
- Resource (internal and external) – resource move on from council or consultant team – a detailed project execution plan is to be written

- Council approvals and changes at detailed design stage – Council led Member briefings and steering group structure in place
- Tendering for the construction contractor and operator – Early work to assess contractor and sub contractor market and availability
- Tender price exceeding budget – specialist consultants appointed to benchmark the scheme

- 3.3 The Chief Executive commissioned MACE to undertake a critique of the project- in particular a cost critique to provide an independent, professional view as to the potential costs of the project, and what actions can be put in place to manage the cost throughout the life of the project within affordable limits. This work was undertaken in July and August 2015- with a report back to officers in September 2015.
- 3.4 The following work was undertaken by MACE:
- a) Detailed review of the outline specification, architectural report and surveys;
 - b) Rate benchmarking using its database, comparing costs to the Sport England affordability model;
 - c) Detailed assessment of external works;
 - d) Market testing with three leisure build contractors
- 3.5 The report identified how project costs could be reduced, both at this stage and also as the project develops. The report provides sufficient confidence that the Leisure Centre can be built within affordability levels previously considered by members; and the methodology recommended by MACE will ensure cost control and affordability remains a key issue during the project. This work provides greater confidence that project costs will remain within the budget set by Council.
- 3.6 The key recommendation from the report is to go to market for both the construction of the Leisure Centre and the operator immediately. The timeline for these two procurements is shown at Appendix 1. It can be seen that the conclusion of the construction procurement would be by April 2016; and the operator procurement by October 2016. Early engagement with the market- and early appointment of the two contractors- will enable the operator to influence aspects of the build, and thus increase profitability and the income paid to the Council.
- 3.7 It is therefore recommended that Council does not make a decision to commit the full capital cost for the Leisure Centre until the outcomes of the construction procurement are known (ie April 2016). However, in order to maintain the project's momentum and enable the procurements to commence, a further release of funding is necessary. It is estimated that the maximum sum required is £500,000; and should members agree to move to the next phase, this sum will be included in the Council's capital programme.
- 3.8 The Leisure Centre project will be funded through a combination of borrowing, capital receipts, CIL and New Homes Bonus. It is recommended that the release of £500,000 be funded from New Homes Bonus.

4.0 ARGUMENTS/CONCLUSIONS

- 4.1 The risks identified at the Commercial Services Committee have been reviewed through the engagement with MACE. This has given confidence to retaining project

costs within an affordable level. Early engagement with the market for both the constructor and operator will enable ideas to be generated and implemented into the detailed design. There is a cost to the Council in moving to the next phase, and this provides a reasonable and prudent next step to provide full Council with greater confidence as to the costs in April 2016; when members will be asked to approve the business case.

5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

5.1 The financial implications are set out in the report.

5.2 Equality Impact Assessment (INRA) not required/completed

6.0 APPENDICES

6.1 Appendix 1- Outline Timetable

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
Report to Commercial Services Committee- 18 th June 2015- "East Cambs New Leisure Centre- Sign off RIBA Stage C Design Report	Room 203 The Grange, Ely	Andy Radford Chief Financial Officer (01353) 616269 E-mail: andy.radford @eastcambs.gov.uk

Programme Approach

