

APPENDIX H

WAVERLEY BOROUGH COUNCIL

EXECUTIVE - 02/07/2013

Title:

REFURBISHMENT - HERONS LEISURE CENTRE

[Portfolio Holders: Cllrs Julia Potts & Mike Band]

[Wards Affected: Haslemere]

Note pursuant to Section 100B (5) of the Local Government Act 1972

Annexes to this report contain exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, namely:-

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Summary and purpose:

To inform Members of the outcome of Stage 1 of the tendering process for the refurbishment of The Herons Leisure Centre and to obtain authorisation from the Executive to appoint the contractor to carry out Stage 2 which entails the preparation of a detailed design proposal and the submission of a planning application.

How this report relates to the Council's Corporate Priorities:

Improving leisure is one of the Council's key corporate priorities and this proposed capital investment supports the achievement of this aim in the long term.

Refurbished leisure centres which are modern, appropriately equipped and attractive are significantly beneficial to the community increasing public participation in exercise and improving the health and wellbeing of the surrounding community.

Resource/Value for Money Implications:

Waverley's capital programme includes a total scheme budget of £2,820,000 which includes the estimated cost of the extended gym, improved studio and dry-side changing rooms, refurbished Westside changing village and improvements to the pool hall and reception area. The budget includes the contractor cost, fees, contingencies, fit-out and equipment and closure costs. The approved funding for this budget is mainly from Waverley's resources, including the £500,000 underspend on Godalming Leisure budget, but it also includes a grant from Sport England towards the changing rooms and a contribution from the Shottermill Trust's balances.

The capital investment will lead to an improved management fee from our contractor DC Leisure. At this stage of the tender process, no designs or firm scheme details have been worked up so it is not possible to calculate the revenue saving. However, the indicative position from DC Leisure is that the improvement in revenue will be an equivalent percentage of total capital spend to previous phases of the leisure investment strategy. Officers intend to negotiate with DC Leisure in the coming months as details of the scheme are finalised. At this stage, it is not expected that the choice of preferred contractor will impact on the level of revenue saving.

When full capital proposals have been worked up, they will be presented to members alongside lifecycle costs, detailed revenue impact and future financial risks to inform the decision about the final scheme for which a contract will be entered into.

Legal Implications:

The legal requirements of the refurbishment will be delivered through the proposed JCT contract between Waverley and the successful construction contractor.

This refurbishment project has been split into a two stage tender process Stage 1 has been completed and the completed evaluation of the tenders to appoint a contractor for Stage 2 is attached (Exempt) Annexe 1.

This report seeks authorisation to enter Stage 2 of the tender process. This element of the tender process involves the council working in partnership with the successful contractor to agree the final design and submit a planning application.

The Council will not enter in to contract for the refurbishment works until Stage 2 has been successfully completed. This authorisation will be requested at a subsequent Executive and Council meeting in early 2014 when the final design, costs and business case for the refurbishment project can be presented for consideration.

One further element of consideration is the 'ownership' of the Herons leisure centre and the Council's relationship with the Shottermill Charitable Trust. This is not relevant to the decision to appoint a preferred contractor but should be noted for future approval to protect Waverley Borough Council's potential investment in the centre. Full details will be presented to both the Executive and the Shottermill Trust in due course.

Background

1. In July 2007, Waverley's administration made improving our leisure centres a central corporate priority. Committing to undertake large scale improvements to the leisure centres throughout the borough. In February 2008, the Council reaffirmed this commitment and approved capital works for the leisure centres in Cranleigh, Farnham and Godalming.
2. Refurbishments were completed on time and within budget in 2010 at Cranleigh and Farnham leisure centres and a new Godalming Leisure centre was opened ahead of schedule in the autumn of 2012. This capital investment has enabled Waverley to create a strong leisure portfolio

culminating in a substantial increase in leisure centre usage throughout the newly created centres. It is also worth noting that these refurbishments have also acted as 'invest to save' projects delivering a significant financial return on investment for the council.

3. Following the Council's manifesto pledge in May 2011, which included the refurbishment of the Herons Leisure Centre, officers have explored the potential for development of the leisure centre and the associated impact on the management fee.

Introduction

4. The Herons leisure centre is now fourteen years old and although still performing well is beginning to look tired. In order to improve the quality of leisure provision capital investment is required.
5. Given the age of the centre and the increasing demand issues have started to arise regarding the facilities offered at the Herons. Whilst usage has increased customer satisfaction has decreased which can predominantly be attributed to the condition, age of the facilities and the centre.
6. In February 2013, the Council approved that a tendering process should be undertaken for the Herons project.

Consultation

7. Customer needs and expectations have changed considerably over the last fourteen years and the refurbishment of the leisure centre will provide the opportunity to review and address all of these aspects for the community.
8. Public consultation with users, non-users and key focus groups has helped inform the tender documentation and ensure the community's priorities of provision are addressed. This important consultation was carried out by Ploszajski Lynch Consulting Ltd in early 2013 and their findings have been carefully referenced in the dispatched tender documentation.

Proposed Phasing / Works

9. Officers have carried out initial discussions with DC Leisure and the development team to look at potential areas which will have the most positive affect on the management fee and indicative costs of the capital refurbishment required.
10. The intention, as delivered in Cranleigh and Farnham, is to minimise the service disruption throughout the refurbishment thus reducing the impact on the operation and usage of the centre. The key elements to keep in operation to reduce closure costs will be the continued provision of the gym throughout the construction project and a minimal pool closure period. Therefore phasing will be carefully considered when completing the final designs as we work in partnership with the contractor through Stage 2 of the tender process.

11. It is proposed that the refurbishment works will split into options for pricing to allow flexibility when choosing the final design the detail of which, at present the options are proposed to be tendered as follows:
 - Extend current gym area and create a dance studio and improve the quality of the dry changing facilities;
 - Refurbishment of the wetside changing village;
 - Pool Hall improvement;
 - Reception Area improvement
 - Renewable energy sources will be presented individually for consideration as a separate business case for consideration.
12. Detailed costs for each option will be worked on throughout Stage 2 of the tender process and will be reported back to Council for formal consideration in early 2014. As soon as more detail is known about the likely project cashflow, officers will reports back to Executive and Council to revise the budget phasing in the Capital Programme.
13. A grant application was made to Sport England, in partnership with DC Leisure, as part of their commitment to Olympic Legacy for the work relating to the wetside changing room. It has been confirmed that we have been successful but await written confirmation.

Outcome of the Tender Exercise

14. Invitations to tender were sent to the five companies who scored the highest in the pre-qualification exercise which involved checking the technical credentials of each company and ensuring that they are financially robust. All five companies submitted a Stage 1 tender. These tenders included a range of information about the company and how they would undertake the project. They also included specific financial information about profit and overhead rates and preliminary costs.
15. The tenders were assessed by a panel of officers and advisors and the top three scoring companies were interviewed at clarification meetings which included the Leisure Portfolio Holder and the Leader of the Council. The table in the Exempt Annexe shows the scores that each company was awarded.
16. The two stage tender process requires the Council to agree to pay the preferred contractor the pre-construction costs ie. the costs of working up their designed and costed proposal up to the end of Stage 2. The costs are shown in the table in the (Exempt) Annexe and Members are requested to approve the amount for the preferred contractor. This figure is included within the approved capital budget.

Working through Stage 2

17. As the proposals for the project are worked up between officers, the contractor, DC Leisure and Waverley's advisors, various decisions will need to be taken about elements of the scheme. This is necessary to develop the proposals and achieve cost-certainty about the works. These decisions will not be final but will be necessary to adhere to the project plan timetable and the proposed scheme and associated options will be presented to Members in February 2014 for approval. It is proposed that the portfolio holders for leisure and finance, and any other key stakeholders, are involved in the development of the scheme throughout Stage 2.

The Edge

18. If authorisation is received for this refurbishment project it will ensure that the Herons leisure centre will have all of the required facilities to operate as a stand alone facility. This means there will be less reliance upon the Edge leisure centre to deliver an element of the programme of activities required at the Herons. These proposed improvements will enable to the Council to objectively review the operating model for the Edge into the future.

Conclusion

19. The current facility at the Herons needs to be modernised and improved to reduce future operating liabilities for the council, enhance the leisure offer to the residents of Haslemere and the surrounding area and complete the administration's commitment to the leisure strategy.
20. Any capital investment must be made within the financial affordability envelope and where possible reflect the wishes of users, non users and key focus groups to ensure the improved facility benefits the community and results in an increase in usage along the lines of those experienced at Cranleigh, Farnham and Godalming Leisure Centres.
21. By implementing a 2-stage tender process with options as detailed above the works can be adjusted and therefore accommodated within the existing capital budget. If a satisfactory scheme cannot be agreed with the contractor at Stage 2 that meets the Council's quality and financial expectations, officers would advise Members on the appropriate course of action.
22. An update on the project will be reported to Members and the Shottermill Trust in October.

Recommendation

It is recommended that the Executive

1. approve the appointment of the preferred contractor as identified in the (Exempt) Annex to work up to the completion of Stage 2 of the tender process for the refurbishment of the Herons Leisure Centre;

2. authorise the spending of the preferred contractor's pre-construction cost identified in the (Exempt) Annexe, to be funded from the approved Herons capital budget;
3. authorise officers to negotiate with DC Leisure to agree the revenue impact of the capital schemes on the management fee;
4. request officers to submit a progress report to the October meeting of the Executive and the Shottermill Trust Board along with a re-profiled capital budget for the scheme; and
5. request officers to present to the Executive and Council in February 2014 detailed designed and costed scheme proposals and options, including final revenue implications, for approval.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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