

Cheshire East Council

Cabinet

Date of Meeting:	13 th March 2018
Report of:	Executive Director Place
Subject/Title:	Congleton Leisure Centre – Redevelopment Project
Portfolio Holder:	Cllr Liz Wardlaw, Health

1. Report Summary

- 1.1. The purpose of this report is to seek Cabinet approval to appoint a 'Preferred Bidder' as the Development Partner for the redevelopment of the leisure centre in Congleton.
- 1.2. The project team have concluded their evaluation and moderation process and this report seeks approval of a Preferred Bidder for the redevelopment of the existing facility.

2. Recommendation

Cabinet is recommended to:

- 2.1. Note the findings of the Congleton Leisure Centre, Development Partner Procurement: Final Tender Evaluation Report (Appendix A).
- 2.2. Approve the selection of Bidder C as the Preferred Bidder.
- 2.3. Authorise the Executive Director Place in consultation with the Interim Executive Director of Corporate Services and the Director of Legal Services to clarify, specify and optimise the Preferred Bidder's final tender to enable the Council to enter into a legally binding contract with the Preferred Bidder.
- 2.4. Upon the satisfactory completion of the clarification, specification and optimisation stage (recommendation 2.3); delegate the final decision to award a contract to the Preferred Bidder to the Portfolio Holder for Health in consultation with the Executive Director Place, Interim Executive Director of Corporate Services and the Director of Legal Services.
- 2.5. Note the budget required for the development of the leisure centre is identified in the Council's capital programme approved in February 2017.

- 2.6. Authorise the Executive Director Place in consultation with the Interim Executive Director of Corporate Services to negotiate a reduction in the management fee payable to the incumbent operator, Everybody Sport and Leisure, in recognition of the expected transformation of the operating performance.
- 2.7. Note the potential implications for Facilities Management, Public Realm and Highways budgets in future years.

3. Reasons for Recommendation

- 3.1. Tender submissions have been evaluated at an initial solution stage, a detailed solution stage and at a final tender stage.
- 3.2. Throughout the initial and detailed solution stage, the project team engaged in dialogue sessions with the tenderers to refine their designs, project costs, materials and the facility mix to ensure that the submissions complied with the Council's requirements.
- 3.3. In completing the evaluations, bidders were moderated and scored on the following criteria:

Qualitative Criteria

- Construction Technical
- Legal
- Leisure
- Finance and Commercial
- Social Value

Quantitative Criteria

- Cost Plan
- Finance Model

- 3.4. On concluding the moderation exercise, bids were scored against the scoring matrix and thereafter ranked in order.
- 3.5. As a result of completing the moderation of final tenders, the Preferred Bidder has been identified as Bidder C.

4. Other Options Considered

4.1. A range of options have been considered for this project and are summarised as follows:

- Option 1: A full refurbishment of the existing centre, including the refurbishment of the existing pools and pool hall.
- Option 2: Construction of brand new pools and a pool hall with a refurbishment of the remaining 'dry side' offer (fitness, sports hall etc.)
- Option 3: Construction of an entirely brand new facility on the site, maintaining the existing centre during construction and demolition of the legacy facility on completion.
- Option 4: Demolition of the existing facility and the construction of a new facility within the existing footprint, incurring loss of continuity of the leisure offer for residents and members during the life of the project.

4.2. It should be noted that the existing pool was built in the early 1970s and is not compliant with modern construction standards. An intrusive pool survey was carried out to ascertain whether a refurbished pool and pool hall could have been a viable solution for this project. The survey made reference to the existing tile finishes being integral to the structure and whilst the core samples did not necessarily totally discount the ability to refurbish the pool; the risk of potential damage to the existing pool slab and infrastructure during any refurbishment phase were seen as significant issues.

4.3. Furthermore, there are legacy issues with the existing pool hall structure and as a consequence the project ruled out the possibility of refurbishing the existing pools and pool hall structure.

4.4. A number of preliminary market consultation days were held on site where potential operators were invited to comment on potential design approaches. At that time there were suggestions of the potential for an entirely brand new facility to be constructed on site with the demolition of the existing building on completion. However it quickly became apparent that this would not be achievable due to constraints of the site and the available budget envelope.

4.5. A complete demolition of the existing facility and a brand new facility in place of this was also considered. However, during the dialogue process, it was again evident that the budget envelope combined with a number of key risks relating to public open space meant that a newly constructed facility within the site would not be feasible.

4.6. Therefore, the preferred option for the scheme is Option 2.

5. Background

- 5.1.** Cheshire East Council is committed to providing opportunities for residents to live well and for longer.
- 5.2.** The current leisure facility in Congleton managed on the Council's behalf by Everybody Sport and Recreation (ESAR) comprises two distinct blocks of construction dating back from the early 1970s, with the pool and pool hall being the earliest element of the construction.
- 5.3.** In subsequent years the addition of a sports hall and squash courts were added with a smaller block connecting the dry side provision with the wet side. The heating and treatment of the pools is very inefficient as both are serviced by a single feed.
- 5.4.** Over the lifetime of the facility, significant investment and maintenance has made it as efficient as it will ever be. However, there are legacy issues with the pool hall roof which does contain asbestos and would require significant further investment to resolve.
- 5.5.** The current building limits the opportunity to provide and meet a modern leisure offer to residents. The Preferred Bidder's design and solution would provide a facility that meets the needs and requirements of current and future usergroups for generations to come.

6. Wards Affected and Local Ward Members

- 6.1.** The redeveloped facility will benefit both the residents of Congleton and the wider area.

- 6.2.** The local wards in Congleton East, represented by:

Cllr Geoff Baggott

Cllr David Brown

Cllr Glen Williams

The local wards in Congleton West, represented by:

Cllr Paul Bates

Cllr Gordon Baxendale

Cllr George Hayes

7. Implications of Recommendation

7.1. Policy Implications

- 7.1.1. This project will provide a much needed and visible investment in Congleton. This will contribute directly to the regeneration of the town, improve participation in active leisure and sport activities.
- 7.1.2. The Leisure Centre is a well-used and important community facility, with a specific focus on the provision of wet and dry leisure facilities for the local and wider population. Facility improvements will invariably bring increased income and usage benefiting improved health outcomes for local residents.
- 7.1.3. The preferred option would affect service provision while the construction and refurbishment takes place. A comprehensive phasing plan will be put in place where the development partner will work in conjunction with ESAR and the Council with regard to maintaining a leisure offer during the redevelopment.
- 7.1.4. This project will need to manage a number of key stakeholders. These include and may not be limited to Congleton Rugby Club, the Scout Hut (next to the leisure centre) and users of the public open spaces in particular users of the skate park and the local 'Friends of the Park' group.
- 7.1.5. This project is linked to the following adopted Council Strategies:
 - a) **The Playing Pitch Strategy:** A new strategy is now in place in support of the Local Plan, which sets out the outdoor playing pitch provision across the authority. The project has committed to ensuring the retention of the playing pitch at Hankinson's Field.
 - b) **Indoor Facilities Strategy:** A new strategy is in place in support of the Local Plan detailing the type and availability of indoor facilities for community use.

7.2. Legal Implications

- 7.2.1. ESAR currently manages the existing facility on behalf of the Council as part of its Leisure Operating Agreement.
- 7.2.2. Provision was made within the Leisure Operating Agreement for the Trust to continue to manage any replaced or redeveloped facility as a result there will be no need to vary the existing agreement.
- 7.2.3. The value of the proposed contract with the Preferred Bidder is above the applicable EU threshold and the award of the contract is therefore subject to the Public Contracts Regulations 2015 ("PCRs"). The PCRs require the Council to treat all economic operators equally and without

discrimination. In addition, the Council must act in a transparent and proportionate manner.

- 7.2.4. The Council has followed the Competitive Dialogue procedure, which is a compliant procedure under the PCRs. In addition, the Council has fully complied with its own Contract Procedure rules during this project. The use of the Competitive Dialogue procedure has allowed the Council to test the market whilst remaining design neutral.
- 7.2.5. From the inception of this project, the Council has engaged external legal and leisure industry experts to act as specialist advisors. In particular, Bevan Brittan were appointed as the Council's legal advisors and had advised on the choice of procurement route, the structuring of the Competitive Dialogue, the procurement documentation and the draft contractual documentation. The use of external experts to supplement the Council's internal departments has ensured that a robust and compliant procurement process has been followed throughout.
- 7.2.6. The selection of Bidder C as the Preferred Bidder will allow the Council to clarify, specify and optimise Bidder C's final tender. Although Bidder C's final tender contains all the elements required and necessary for the performance of the project, it will still be necessary to clarify, specify and optimise Bidder C's final tender in order to produce a suite of contractual documents to create a legally binding arrangement between the Council and Bidder C. It is important to note that such clarifications, specification or optimisation, or any additional information, may not involve changes to the essential aspects of Bidder C's final tender or of the procurement, including the needs and requirements set out in the contract notice or in the descriptive document, where variations to those aspects, needs and requirements are likely to distort competition or have a discriminatory effect.

7.3. Financial Implications

- 7.3.1. This project is included in the approved Capital Programme with a total allocation of £8.8m. The financial envelope for the scheme is £8.2m and bids have been evaluated against this figure. The Preferred Bidder has therefore submitted a proposal, which is within this financial envelope. It should however be noted that the contract being used for this project is a "target cost" contract and whilst the costs are currently estimated to be within the £8.2m envelope there is a risk that the final costs could be higher. A contingency sum is included within the overall project budget but the project will be closely monitored during the delivery phase and the level of contingency will be monitored accordingly.
- 7.3.2. Regarding the financing of capital, it is estimated that annual principal and interest repayment costs would be in the order of £450,000. The Medium Term Financial Strategy has been prepared on the basis that

this will be covered by ongoing savings in running costs including the reduction in subsidy provided as part of the management fee to ESAR.

- 7.3.3. Three bidders were taken through to the Final Tender stage and based upon evaluation of the criteria set out in paragraph 3.3, Bidder C has been identified as the Preferred Bidder as per recommendation 2.2. Bidders were required to provide solutions within the cost envelope, deliver a payback within the useful economic life of the facility and generate a positive net present value.
- 7.3.4. The key underlining outcomes for the project are to improve the offer to residents of the Congleton area; but also to reduce the future cost and financial liabilities of such provision. To this end, bidders were asked to submit detailed business plans to support their redevelopment plans.
- 7.3.5. One of the main financial drivers within the project is the reduction in cost to the Council in terms of the Management Fee paid to ESAR for the ongoing delivery of the newly developed facility. The analysis of the existing facility compared to the redeveloped facility has demonstrated that this can be achieved and as such will form part of the Management Fee discussions for future years in line with the requirements of the Leisure Operating Agreement. Based upon the figures provided by ESAR the facility should move from a deficit of circa £167,000 per annum to a surplus of approximately £350,000 per annum, a swing of £517,000 per annum.
- 7.3.6. It is projected that an improved Congleton Leisure Centre facility will make an improved revenue contribution, and a surplus in future years, which will be reflected in the discussions as referenced in 7.3.5.
- 7.3.7. Whilst the Council has transferred the operational lease for both the current and redeveloped asset, as with the remaining leisure centre sites managed under the existing agreement, the responsibility for the buildings in terms of structure and maintenance remains with the Council as the Corporate Landlord.
- 7.3.8. As set out in paragraph 5.4, the current building is as efficient as it can be, and it is envisaged that unit price increases (e.g. for energy) and repair costs as the building moves beyond its useful life will see future facilities costs increase. In comparison, it is anticipated that the redeveloped facility will realise energy and efficiency savings over the lifespan of the building.
- 7.3.9. Facilities Management (FM) colleagues within the project team have reviewed the projected costs from the Preferred Bidder to maintain the redeveloped facility, such as utilities and ongoing maintenance costs. Whilst the redeveloped facility will increase in size these costs can be met within the existing budget for the current facility from year one to year four. Year five sees a slight increase on the profiled budget and this increase will be built in to the facilities management budget in the future.

- 7.3.10. The project will identify a specific work stream focusing on the efficiency of the redeveloped building for future years, where FM and Assets colleagues will lead and liaise with the Preferred Bidder on the design elements and mechanical and electrical requirements for the redeveloped facility to optimise the opportunity to realise efficiency savings.
- 7.3.11. In addition, there is the potential for Highways and the Public Realm to be affected by the scheme. Therefore, co-ordination will be required with those services to understand these implications and to ensure that appropriate decisions and adequate budget provision is made if required.

7.4. Equality Implications

- 7.4.1. The redeveloped leisure centre will ensure that the site becomes fully accessible to all residents. In addition a range of programmes and facilities will continue to be developed by ESAR to attract a wide range of user groups.

7.5. Rural Community Implications

- 7.5.1. The new and improved leisure facility will serve as a destination offering a diverse range of accessible facilities not only for Congleton town residents but also the wider rural communities in and around this locality.

7.6. Human Resources Implications

- 7.6.1. None

7.7. Health and Wellbeing Implications

- 7.7.1. The provision of improved leisure facilities will enable the Council and ESAR to continue to make a significant contribution to Outcome 5 of the Corporate Plan “ People Live Well and For Longer”.
- 7.7.2. The redevelopment will provide elements of ‘lifestyle’ with inclusive facilities and community space accessible to a diverse user group.
- 7.7.3. Following the successful tendering by ESAR for the ‘One You Cheshire East’ contract from Public Health commissioners, the redeveloped facilities will become increasingly important in providing a range of programmes to improve active participation and improved health outcomes.

7.8. Implications for Children and Young People

- 7.8.1. The Preferred Bidder solution will optimise the offer for a diverse user group. The skate park will remain and be enhanced and will see greater synergies of the indoor and outdoor leisure provision.
- 7.8.2. There is innovation within the Preferred Bidder solution which now sees opportunities for children (and families) to undertake a range of leisure pursuits not previously capable of being provided at the legacy facility, such as indoor climbing and soft play areas.

7.9. Overview and Scrutiny Committee Implications

- 7.9.1. There are no implications for the Council's overview and scrutiny committees at this time.

7.10. Other Implications (Please Specify)

- 7.10.1. There are no further implications for the Council at this time.

8. Risk Management

- 8.9. The project does have inherent risk being a construction project.
- 8.10. It should be noted that this is a Target Cost contract and the budget envelope was set two years ago. The procurement phase commenced at the beginning of 2017 and throughout the dialogue process, Bidders have had the opportunity to amend and update their prices in line with the marketplace.
- 8.11. Within the Cost Plan the bidders were required to outline their contingency sums for the entirety of the project in order to manage and mitigate project costs and risks.
- 8.12. A corporate risk register is in place and continues to be updated and discussed at project boards.
- 8.13. The Council will work in conjunction with the development partner during the pre planning, construction and handover stages utilising the Programme Management Office (internal to Cheshire East Council) and a construction industry standard approach to risk management.
- 8.14. The Senior Responsible Officer (SRO) will have the authority and autonomy to value engineer solutions within the construction process. Where necessary, any significant risk or issue that cannot be resolved on site and within the authority of the SRO will be escalated to the Executive Director of Place and Portfolio Holder to agree the appropriate resolution.

- 8.15.** Whilst every effort will be exhausted to remain within the Target Cost budget it should be noted that there is inherent risk with construction projects particularly those involving the refurbishment of buildings. There is therefore the potential approvals to be sought to vary the budget in the future.

9. Access to Information

- 9.9.** The background papers relating to this report can be inspected by contacting the project team.
- 9.10.** In accordance with paragraph 19.4 of the access to information procedure rules, the Tender Evaluation Summary Report is available to members on request (subject to appropriate steps being taken to protect any confidential or privileged information). The Report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) and is therefore not for publication).

10. Contact Information

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Appendix A

(Appendix A of this Report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) and is therefore not for publication.)