

Council

9 December 2021



Title	Replacement of Spelthorne Leisure Centre
Purpose of the report	To make a decision
Report Author	Lee O'Neil, Deputy Chief Executive Richard Mortimer, Development Advisor
Ward(s) Affected	All Wards
Exempt	Main report – No Confidential Appendix A - Yes
Exemption Reason	Appendix A contains exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006 Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority and potentially the preferred bidder in a competitive procurement process by allowing other bidders to know the financial position of the Council and the preferred bidder. This in turn prejudices the Council by (i) distorting the procurement process and (ii) prejudicing the opportunity for the Council to achieve a competitive price and good value for money and (iii) might dissuade organisations bidding for the Council's tenders if their commercial information was put into the public domain.
Corporate Priority	The contents of this report relate to the following proposed new priorities of the Council: Community Recovery Environment Service delivery
Recommendations	Council is asked to: 1. Note progress to date with the Pre-Construction Services Agreement (PCSA) with the preferred bidder as the main contractor for the construction of the proposed new Spelthorne Leisure Centre.

	2. Delegate authority to the Deputy Chief Executive in conjunction with the Chairs of the Corporate Policy & Resources and Community Wellbeing & Housing Committees to agree the fixed contract sum and award the contract to build the new leisure centre to the preferred bidder as the main contractor, provided that the final price for construction is within the Capital Programme provision agreed by Council on 29 October 2020 and reflected in the 2021-22 Capital Programme.
Reason for Recommendation	To enable the Council to fix the construction contract price and commence construction of the new Spelthorne Leisure Centre as soon as possible, to minimise the risk of escalating costs.

1. Key issues

- 1.1 The current Spelthorne Leisure Centre in Staines-upon-Thames has served the borough well, but this facility is nearing the end of its useful life.
- 1.2 Following a consultation exercise in February-April 2020, Spelthorne's Cabinet agreed on 24 September 2020 to proceed with plans for developing a new leisure centre ('the New Centre') on the open space between the current Spelthorne Leisure Centre site and the Knowle Green Council Offices, with the existing leisure centre location being used for parking for the New Centre.
- 1.3 On 29 October 2020, the Council approved a supplementary capital estimate for the construction of the New Centre, details of which are outlined in the **confidential Appendix A**. This included an additional capital provision to design and construct the New Centre to the full Passivhaus standard, which will result in a facility built to strict environmental/energy efficiency requirements.
- 1.4 Planning permission for the New Centre was granted on 23 June 2021.
- 1.5 On 5 July 2021, the Corporate Policy and Resources Committee approved the award of a Pre-Construction Services Agreement (PCSA) to the preferred bidder as the main contractor for the construction of the proposed New Centre.
- 1.6 On 15 July 2021, the Council confirmed approval of the award of the PCSA to the preferred bidder and the expenditure for this appointment.
- 1.7 Since that date the preferred bidder has been working with their supply chain/sub-contractors to complete the detailed design and firm up on final sum/price for constructing the New Centre. This is taking longer than was originally anticipated due to ongoing fluctuations in material and labour costs within the construction sector. The preferred bidder also had to build in additional time for the Passivhaus Institute to review the technical design and validate each design stage as being compliant with their stringent air tightness and energy efficient requirements. In order for the preferred bidder to finalise their contract sum, they need to have the final pre-construction design detail (RIBA Stage 4b) signed off and this is likely to happen at the beginning of January 2022.
- 1.8 The preferred bidder has advised of ongoing challenges in getting fixed quotations from sub-contractors for specific materials due to these market

fluctuations. For example, some are reporting steel prices can only be held for 5-7 working days at this moment in time. These issues are likely to continue for a number of months due to the continued pressures associated with the COVID-19 pandemic and other factors, such as Brexit. In view of these continuing problems and the possibility of cost inflation in the new year, there would potentially be significant benefits if the Council could fix the construction contract sum as soon as possible with the preferred bidder. This would enable the contractor to commit to placing orders for long lead-in items and materials where cost fluctuation and availability is at its greatest. Additionally, the Assets Team are seeking to reduce provisional sums to below 2% which will further reduce the Council's exposure to increases in costs. This will give the Council optimal certainty over development costs and enable construction to commence as soon as possible.

- 1.9 It is anticipated that the preferred bidder will be able to confirm their final build price for the New Centre early in January 2022. In the report to the Corporate Policy and Resources Committee on 5 July 2021, the timetable indicated that a report would be brought back to Full Council in January 2022 to seek approval for the contract sum. However, with the next scheduled Council meeting not scheduled until 24 February 2022, there could be a delay of over a month in being able to get agreement to fix the contract sum for the construction of the new centre, which could result in further adjustments to the price and the risk of potentially inflated costs. Even if an Extraordinary Council could be arranged for January 2022 there would still be a risk that the construction costs could rise in the weeks leading up to that meeting, particularly if the preferred bidder does, as anticipated, can submit their proposed build costs for the New Centre at the beginning of January.
- 1.10 In order to minimise the risk of future cost inflation for this project, this report requests Council's approval to delegate authority to proceed with fixing the contract sum and awarding the contract for the construction of the New Centre, provided that the price is within the agreed Capital Programme provision agreed by Council on 29 October 2020 and reflected in the 2021-22 Capital Programme (as outlined in **confidential Appendix A**).
- 1.11 If the price is higher than the agreed Capital Programme Provision, the matter would be brought back to the Council at the earliest opportunity to seek a decision as to whether to proceed with the award of the contract.

2. Options analysis and proposal

2.1 Option 1 (preferred option) – Council is asked to:

- A. Note progress to date with the Pre-Construction Services Agreement (PCSA) with the preferred bidder as the main contractor for the construction of the proposed new leisure centre.
- B. Delegate authority to the Deputy Chief Executive in conjunction with the Chairs of the Corporate Policy & Resources and Community Wellbeing Committees to agree the fixed contract sum and award the contract to build the new leisure centre to the preferred bidder, provided that the final price for the construction is within the agreed Capital Programme Provision agreed by Council on 29 October 2020 and reflected in the 2021-22 Capital Programme.

- 2.2 **Option 2** – Council could decide that it should make the final decision as to whether to proceed with the award of the contract irrespective of whether the final contract sum for the construction of the centre is within the Capital Programme Provision agreed by Council on 29 October 2020. As outlined above, this would require a delay in fixing the price of the contract until the February 2022 Council meeting or until an Extraordinary Council meeting can be arranged before that date. This would present a significant risk that the price of the contract could rise as a result of inflationary pressures in the construction market.

3. Financial implications

- 3.1 The Council has already approved Capital Programme provision to the level outlined in **confidential Appendix A** for the construction of the new centre.
- 3.2 If delegated authority is given as outlined in Option 1, the Council can be reassured that should the final contract sum proposed by the preferred bidder be above the current budget allocated, the matter would be brought back to Council for a decision as to whether to proceed.
- 3.3 The income which will be generated from any new operator contract will not fully cover the costs of constructing the New Centre. It is therefore in the Council's interests to minimise construction and borrowing costs if possible. Any delays in getting the final contract price agreed with the preferred bidder would present a significant risk of this budget gap being extended due to possible construction cost inflation and rising interest rates.

4. Other considerations

- 4.1 There is a possibility that construction costs could stabilise during the next year as supply chain issues are overcome. However, with continuing uncertainties over COVID-19 variants, Brexit impacts and the threat of rising inflation, it is considered unlikely that this will happen for the foreseeable future, and that these factors are more likely to lead to higher prices in the short to medium term.
- 4.2 As the current Spelthorne Leisure Centre is nearing the end of its useful life and the new centre will not be operational until early 2024, it is essential that we progress with this project as soon as possible in order to ensure continuity for users of the centre and maintain its customer base.

5. Equality and Diversity

- 5.1 An Equality Impact Assessment has been completed by the Council's Leisure Services team and this has been fully considered in designing the New Centre. Some of these issues will be the responsibility of the operator and this would be taken into account in drafting any future operator contract.

6. Sustainability/Climate Change Implications

- 6.1 The Leisure Centre proposals will deliver the first fully Passivhaus compliant multi-functional leisure centre in the UK (there is one other centre in the UK which partly meets those standards). By delivering a centre which meets such high environmental standards, the Council would demonstrate its commitment to sustainability and minimising climate change impacts. This should also act as an exemplar to other Councils and local businesses/developers.

6.2 Typically, leisure centres consume significant levels of energy in order to deliver appropriate climate-controlled environments for the activities which take place in them. Being mindful of these impacts on the environment and the rising costs of energy consumption, the design team have sought to actively mitigate these impacts by designing the New Centre to meet the Passivhaus standard.

7. Timetable for implementation

7.1 If delegated authority given:

- (a) Approval of contract sum - early January 2022
- (b) Start on site Q1 (calendar year) /2022
- (c) Practical Completion Q1(calendar year) /2024

7.2 If Full Council approval for the final contract sum is required:

- (a) Approval of contract sum – Full Council meeting 24 February 2022 (possibly sooner if an ECM could be arranged for January 2022)
- (b) Start on site likely to slip to Q2/2022 as preferred bidder would need at least 4 weeks to mobilise and start works
- (c) Practical Completion Q1/2024 (may slip into Q2/2024)

Background papers: There are none.

Appendices:

Appendix A – Confidential – Summary of Estimated Costs and Budget Provision for the proposed new Spelthorne Leisure Centre (as reported to Council 29 October 2020)