

Report to: EXECUTIVE BOARD - 28<sup>th</sup> February 2005

**CONTRACT AWARD – NEW BUILD SWIMMING POOL IN BARTON**

<b>Report of:</b>	<i>Leisure &amp; Parks Business Manager</i>	<b>WARDS AFFECTED</b>
<b>Report Author:</b>	<i>Tony Stephens Leisure &amp; Parks Business Manager Officer Tel No : 01865 467262 Email: tstephens@oxford.gov.uk</i>	<b>ALL</b>
<b>Lead Member Responsible:</b>	<i>Councillor Bill Baker</i>	
<b>Overview and Performance Scrutiny Committee Responsibility:</b>	<i>Environment</i>	
<b>Key Decision:</b>	<i>Yes</i>	

**SUMMARY AND RECOMMENDATIONS**

This report seeks approval to award the contract for the proposed construction of a new swimming pool in Barton. Subject to approval by Executive Board to fund the additional capital costs of £121,270 agreement is sought to award the construction contract to SDC Construction in the sum of £2,583,744.

The project has now had Stage Two approval from Sport England board for grant funding of £1,694,986 towards the total original planned capital investment of £2,744,986. Sport England's conditional award of £1,694,986 was subject to further compliance with design criteria and more specifically the new, as yet unpublished, Design Guidance.

Executive Board gave Major Project Approval on September 6<sup>th</sup> 2004. Sport England Regional Sports Board gave conditional approval subject to design changes on 15<sup>th</sup> September 2004. Since that date officers, our retained specialists and the preferred contractor have worked to modify the design in order to make the award unconditional.

This has now been achieved however the capital cost for the project has risen as a result and approval is now sought to release the additional capital in order to proceed to contract award.

## Financial Implications

The total capital cost of the project is now currently projected at £2,866,256 with £1,050,000 contribution from Oxford City Council and £1,694,986 from Sport England. There is no extra capital funding available from Sport England. Additional capital is required and it is proposed to allocate other capital funding as outlined in the body of the report.

The Project complies with the Council's Vision and Priorities of:

*Improving environments where we live and work;  
Providing more and improved affordable leisure activities and  
Making Oxford a safer city because*

- A. It will provide a much needed community leisure facility built to modern fit for purpose standards in an area with limited access to such facilities
- B. It will enhance the overall quality of the leisure facilities offered to the City and provide facilities closer to those residents who historically demonstrated low participation rates
- C. It will provide worthwhile leisure opportunities for a range of key groups and contribute to community safety in the immediate area through the provision of purposeful and active leisure activities.

**The Executive Board is ASKED to:**

- 1. Approve the additional capital expenditure of £121,270 which, subject to recommendation 2, is currently within the Council's capital programme.**
- 2. Approve a virement of £121,270 from the Temple Cowley scheme to fund the additional capital expenditure**
- 3. Approve the virement of any future underspends on the Ferry scheme or other existing Leisure capital schemes to the Temple Cowley scheme to re-instate the original budget for Temple Cowley**
- 4. Grant award of the construction contract for the scheme to SDC Construction in the sum of £ 2,583,744**

## **1. Introduction**

- 1.1 The purpose of this report is to seek contract award for the construction of a new swimming pool on the Bayards Hill school site in Barton and to seek approval for the additional capital expenditure of £121,270.

## **2. Sport England**

- 2.1 Sport England considered the stage 2 application at its Regional Sports Board meeting on September 15<sup>th</sup> 2004 and confirmation of the award was given but subject to further design changes in order to comply with the new design guidelines that they were developing, but were unable to make available.
- 2.2 Since that time Leisure & Parks staff together with Ridge (project advisors appointed in February 2003), HLM (project architects) and the two lowest contractors have been working towards meeting the additional design requirements. Regular meetings have been organised with Sport England's officers to ensure that any potential problems are ironed out before any official award of contract.
- 3.3 Sport England have consistently confirmed that although they are requiring more stringent design control there will be no extra capital or revenue funding for this project. Any extra costs would need to be met by the Council.

## **3. Procurement method**

- 3.1 The feasibility study undertaken by Ridge in April 2003, the appointed project advisers, concluded that the capital sum of £2.7m was an adequate budget to meet the requirements outlined in the original brief.
- 3.2 Further discussion between Ridge and Sport England fine tuned the design requirements and agreed a procurement strategy to reach cost certainty in the shortest possible time.
- 3.3 The most effective procurement strategy that was used for project is via a "partnering" approach based on a two-stage design and build model. The process followed a negotiated tendering procedure as set out at rule 9.05(a) of the Constitution.
- 3.4 The construction contract sum does not exceed the OJEC procurement threshold of 5 million euros (£3.5 million pounds).
- 3.5 A tender advert for expressions of interest was placed in the Local and National Press for expressions of interest for the construction contract for Barton Pool at the beginning of May 2004. The deadline for submissions was the 20<sup>th</sup> May 2004. A total of 18 expressions of interest were received.
- 3.6 A list of four preferred contractors were selected in accordance with selection criteria agreed between Officers and Ridge as project advisers.
- 3.7 The four contractors were then sent Design & Build Tender documents that required pricing and submission by 18<sup>th</sup> August 2004.
- 3.8 Four contractors submitted a Tender bid and these are shown in confidential appendix 1.
- 3.9 The tenders were evaluated using a scoring system based on the following weightings:

Price	30%
Experience	20%
CVs and structure	15%
Method statements	15%
Design proposals	10%
Programme	10%

- 3.10 On agreement of the most suitable tender submission, the Project Managers interrogated the tender submission to a point where the two lowest contractors were able to provide a fixed price for the contract works at that time. A preferred contractor (SDC Construction) was then selected together with a second (Bluestone).
- 3.11 Since the stage 2 award by Sport England and the necessary design changes both of the two selected contractors have been asked to submit revised prices to reflect the original changes. The outcome of a further assessment has indicated that SDC remained the preferred contractor.

#### **4. Financial implications**

- 4.1 In January a further meeting was held with Sport England to identify final changes to the scheme. This has resulted in additional amendments and a final capital cost estimate of £2,866,256 which is £121,270 over the original sum approved by Executive Board.
- 4.2 Approval is sought to vire from one of the other Leisure capital schemes on the capital programme to fund the shortfall. Capital funding is allocated for both Peers Sports Centre and Temple Cowley Pools for 2005/06 and 2006/07 respectively. The Peers allocation is earmarked for roof repairs and additional DDA works, however, the scheme at Temple Cowley is not detailed at present. Also, there is anticipated to be an underspend on the Ferry Centre scheme, in the region of £50,000.
- 4.3 It is proposed that £121,270 is temporarily vired from the scheme at Temple Cowley to fund the additional cost of the Barton scheme and any future underspends on the Ferry scheme and any other Leisure capital schemes be vired back to the Temple Cowley scheme to re-instate the original budget.
- 4.4 A revised financial profile of Barton Pool is contained in Appendix 2 profiling capital and revenue expenditure and income. The revenue cost of the pool is estimated to be £236,000 per annum, as identified in the report to Executive Board on 6 September 2004, and budget provision has been made in the Leisure and Parks revenue budget for 2006-07 and beyond.
- 4.5 The construction works are planned to take place from June 2005 and will continue through to when the centre will open in April 2006.
- 4.6 There does remain a risk associated with the project in that the Sport England award is subject to a 25 year 'claw-back' clause should the building cease to be used as a swimming pool or agreed similar recreational facility. This is a standard Sport England term associated with Lottery awards but to date this condition has

not been invoked. The building will have an estimated life span of 30 years and the lease on the land on which it is built will also run for 30 years.

## **5 Impact on the Council's VAT position**

- 5.1 In the report to Executive Board on 6 September 2004, members were informed that the construction of a pool at Barton would result in the Council's VAT Partial Exemption limit being exceeded in 2005/06 resulting in the Council incurring penalties, estimated to be in the order of £360,000. At that meeting officers were instructed to pursue the externalisation of instructional activities to either a for-profit or a not-for-profit organisation in order to reduce the Council's VAT liability.
- 5.2 The Parks and Leisure business manager is currently investigating the options available with the intention of bringing in a third party to run some of the exempt activities at Barton Pool when the pool opens. This, together with an option to tax, would take the Council below its Partial Exemption limit, everything else being equal.
- 5.3 An option to tax means the Council applies VAT to the charges for some currently exempt activities, for example block bookings, which would result in either an increase in the charge to the service user or a reduction in the amount of income received by the Parks and Leisure Business Unit. An option to tax cannot be revoked for 20 years and would result in any sale or letting of the property being subject to VAT.
- 5.4 Although this approach at Barton Pool is expected to take the Council below its Partial Exemption limit, it is likely to be close, bearing in mind the potential development of the Well-being Hub at Blackbird Leys Leisure Centre, proposed to run concurrently during 2005-06. The decision to opt to tax on selected commercial properties taken in April 2004 and gradually being implemented will help reduce the VAT liability in 2005/06 but there will need to be careful management of all the Council's exempt activities so as not to exceed the limit. To this end, officers are seeking advice from the Council's VAT advisors and Customs and Excise.
- 5.5 As explained above, there is likely to be a small net loss of income to the Parks and Leisure business unit in 2006/07 and beyond from the option to tax and externalisation of certain activities at the pool, which will be addressed as part of the 2006/07 budget setting process.

**THIS REPORT HAS BEEN SEEN AND APPROVED BY:**

Councillor Bill Baker – Portfolio Holder for Procurement  
Councillor Maureen Christian – Portfolio Holder – Leisure, Culture, Events and Tourism  
Sharon Cosgrove – Strategic Director (Physical Environment)  
Sarah Fogden – Financial Management  
Lindsay Cane – Legal and Democratic Services  
John Bellenger – Built Environment

Background Papers:

EB Report – MPA – September 2004

Barton Pool Business Plan May 2004

Sports Development Plan May 2004

EB Report Barton Fees April 2004

EB Report Leisure Investment Ferry & Barton Pool April 2003

RIDGE Feasibility Study April 2003

Feasibility study March 2000