

BABERGH DISTRICT COUNCIL

FROM: Project and Programme Executive
and Head of Contract and Asset
Management

REPORT NUMBER:

H103

TO: STRATEGY COMMITTEE

DATE OF MEETING: 18 September 2008

HADLEIGH LEISURE FACILITY

1. PURPOSE OF REPORT

- 1.1 To provide further information on the progress of this project, and to seek authority to continue with the design and tender process to award of contract subject to the overall cost not exceeding £2.0M (plus allowable tolerances).
- 1.2 To note that this is the most extensive non-housing capital project undertaken by the Council for many years and is anticipated to make a significant contribution to both achieving our strategic objective of a safer, healthier Babergh and in directly improving the vitality and viability of Hadleigh town centre.

2. RECOMMENDATIONS

- 2.1 That subject to 2.2 below, the Head of Contract and Asset Management be authorised to continue with the design and tender process to award of contract for the construction of a leisure facility building in Hadleigh, subject to the capital cost not exceeding £ 2.0 M, plus any tolerance in accordance with Financial Regulation 2.53(ii).
- 2.2 That if this overall cost limit is exceeded on receipt of tenders, then the Head of Contract and Asset Management will seek a further decision at the January 2009 meeting prior to acceptance of any tender.

The Committee is able to resolve this matter.

3. FINANCIAL IMPLICATIONS

- 3.1 In June Strategy Committee decided to treat the development and delivery of the Hadleigh Leisure Facility as its highest priority project following a review of the Council's key capital projects and availability of funds in June 2008.

- 3.2 The estimated capital cost of the project has increased by £0.3m. This can be funded from either:
- Some of the additional income and savings that arose in 2007/08 or that are potentially likely in 2008/09, including Business Rate Growth reserves
 - Reallocation of money from other capital projects
- 3.3 Ongoing capital and revenue costs, together with income forecasts, will be thoroughly detailed in the Business Plan, taking into account the current economic situation. The Business Plan will set out asset management costs and the long-term viability of the project.
- 3.4 The above will be considered in more detail through the service and financial planning process.

4. **RISK MANAGEMENT**

- 4.1 This report is most closely linked with the Council's Significant Business Risk No. 9 (management of major programmes and projects). Key risks are set out below:-

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
Tender costs higher than estimated	Low	Critical	Inflation allowance included within estimated costs and also a contingency sum
Timetable too ambitious and project delayed	Significant	Critical	Good project management controls in place
Revenue costs of operating the facility are higher than expected	Low	Medium	The final Business Plan will reflect the actual capital cost, and the associated whole life costing analysis

5. **KEY INFORMATION**

- 5.1 This matter was last considered by the committee at its meeting on 19 June 2008 (Paper H44 refers). Members agreed to treat this project as a priority and authorised officers to prepare an outline design and business plan to provide a new community building in Hadleigh, adjacent to the swimming pool (facilities to include a community space, social area, gym and dance studio). Approval was also given to commit £50,000 for:-
- Preparation of detailed design
 - Preparation of tender documentation
 - Submission of a planning application

- 5.2 Members asked that progress be reported to this meeting in order that a decision can be made whether to proceed to tender and to contractually commit to construction of the facility.
- 5.3 An update was given to the Hadleigh Leisure Facility Steering Group (Cllrs. Nick Ridley, Sue Wigglesworth, Michael Miller and Brian Riley plus representatives from Hadleigh Town Council and South Suffolk Leisure) on 2 September. This included a draft accommodation schedule.
- 5.4 Further progress has now been made on the design, capital cost and business planning.
- 5.5 Design
- 5.5.1 As Members will appreciate this project is on an extremely tight timetable, with weekly meetings being held with our architects in order to complete the initial feasibility work.
- 5.5.2 As a result of these meetings an initial accommodation schedule and layout was prepared and estimated based on our Client Brief. The construction cost alone was over £2.1M.
- 5.5.3 In the light of this cost the Head of Contract and Asset Management considered therefore that further work was required to fully examine the implications of reducing the four key areas within the building. This would not simply be based on the need to reduce the capital cost, but would include comparison of the brief with Sport England guidance and existing similar facilities (e.g. Kingfisher, the 'Info Bar' in Ipswich), together with discussions with our financial consultant.
- 5.5.4 As a result of the investigations a revised accommodation schedule has been produced. The key implications are:
- The Community Area is reduced from 200 sq.m. to 150 sq.m. It should be noted that the 200 sq.m. was not a space defined from any guidance, but simply based on an estimated room size of 20m x 10m. The reduction to 150 sq.m still provides seating for 100 people with a stage, or seating for over 120 people without a stage
 - The Social Area requirements are unchanged. The space will provide a range of seating for 20 people, and will accommodate over 30 people for 'casual' use.
 - The Fitness Studio will provide 30 stations rather than 35. The advice from our financial consultant is that the number of stations is not critical, as they are rarely used to capacity. What is important is the membership, which has been estimated at 650 based on demographical information.
 - The Dance Studio requirement was originally set as a maximum of 40 users. Sport England recommend a maximum of 30-35 users. The space to be provided has been set at 25 users, but with a generous space per person of 4.2 sq.m. per person i.e. more can be accommodated if required.
- 5.5.5 This is considered by your officers, our architects and our financial consultant to be sufficient to meet the needs generated from the consultation process.

5.5.6 The latest plans for the project will be displayed at your meeting.

5.5.7 It should be noted that there may be minor changes to the accommodation schedule during the detailed design phase, but the four key areas will not be altered.

5.6 Capital Cost

5.6.1 The estimated capital cost given in Paper H44 was £1.6M, plus £100,000 for gym equipment. As indicated above an initial layout based on the design brief produced a capital cost in excess of £2.1M for construction, which in turn would have increased the overall cost even further.

5.6.2 The estimated capital cost for the revised accommodation schedule is:

Construction	1,680,000
Inflation Allowance	60,000
Contingency	50,000
Professional Fees	200,000
Total	£1,990,000

It should be noted that approaches have been made to Suffolk County Council and Hadleigh Town Council for contributions towards this capital cost.

5.7 Business Plan

Based on the revised accommodation schedule, and the estimated capital cost in the table above, a draft Business Plan has been prepared by our financial consultant. This indicates a net operation cost (deficit) of approximately £5,500 per annum. This does however assume that the 'operating company' would be applying a central office charge of £40,000 per annum. If this were less, then the Business Plan could well be in surplus. The initial advice therefore from our consultant is that the Business Plan can be considered as being cost neutral.

This Business Plan also includes the funding of gym and IT equipment through leasing i.e. revenue expenditure as opposed to capital.

5.8 Revised Timetable

September – December	Planning process and detailed design
November – December	Tender period
January 2009	Tender analysis
15 January 2009	Strategy Committee (if necessary)
End of January	Tender acceptance
Mid-February to Mid-March	Contract lead in
Mid-March to October 2009	Construction/commissioning
November 2009	Opening

6. CONCLUSION

- 6.1 It is considered therefore that a suitable layout has now been developed for the building that can be taken forward to detailed design and planning approval. The capital cost is affordable, and the initial Business Plan indicates a cost neutral revenue position for the Council.
- 6.2 In order to ensure therefore that the timetable to award of the contract is maintained, the Head of Contract and Asset Management be authorised to continue with the design and tender process to award of contract subject to the overall cost not exceeding £2.0M (plus allowable tolerances).
- 6.3 Should this overall cost limit be exceeded, then the Head of Contract and Asset Management will seek a further decision from the committee in January 2009 prior to acceptance of any tender.
- 6.4 In addition the Business Plan will be further developed to ensure it remains at least cost neutral.

7. APPENDICES

None.

8. BACKGROUND PAPERS REFERRED TO:

None.

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