

## Central Bedfordshire Council

EXECUTIVE

4 August 2015

---

### Dunstable Leisure Centre Redevelopment

Report of Cllr Brian Spurr, Executive Member for Community Services  
[Brian.spurr@centralbedfordshire.gov.uk](mailto:Brian.spurr@centralbedfordshire.gov.uk)

Advising Officers:

Marcel Coiffait, Director of Community Services  
[Marcel.coiffait@centralbedfordshire.gov.uk](mailto:Marcel.coiffait@centralbedfordshire.gov.uk)

Jill Dickinson, Head of Service  
[Jill.dickinson@centralbedfordshire.gov.uk](mailto:Jill.dickinson@centralbedfordshire.gov.uk)

**This report relates to a Key Decision**

---

#### Purpose of this report

1. To approve the procurement of a building contractor for the redevelopment of Dunstable Leisure Centre and delegate authority for the award of contract.

#### RECOMMENDATIONS

The Executive is asked to:

1. **approve the procurement of a building contractor for the redevelopment of Dunstable Leisure Centre; and**
2. **delegate the authority for the award of contract to the Director of Community Services, in consultation with the Executive Member for Corporate Resources and the Executive Member for Community Services.**

#### Overview and Scrutiny Comments/Recommendations

2. The Sustainable Communities Overview and Scrutiny Committee considered options for the redevelopment of Dunstable Leisure Centre in January 2015 and recommended to Executive on 10 February 2015 the inclusion of a gross budget of £15.6m in the Council's capital programme to undertake a comprehensive refurbishment project which will also incorporate a new Dunstable library within the leisure centre building.

## Background

3. The Leisure Facilities Strategy and Libraries Strategy provide direction for the prioritisation and delivery of these services, and direct the Council's capital investment proposals to meet the needs of customers.
4. The project will address the requirement of the Leisure Facilities Strategy to refurbish the leisure centre, provide the shortfall in health and fitness facilities and also provide a new library for Dunstable. Other public health, social care and advice services may also be accommodated in this building, with the exact facility mix being planned over the coming months following engagement with key stakeholders.
5. The leisure centre and library are important services of great value to our customers and offer opportunities to support a broader public health agenda via the promotion and provision of health and wellbeing services, active lifestyles and positive lifestyle choices.
6. The leisure centre and library service in Dunstable operate from separate buildings which both require substantial investment. Neither the leisure centre nor library meet modern standards for service delivery and consequently are not fit for purpose. An assessment of the repairs and maintenance required to keep these two building operational over the next 5 years exceed £8m, and is otherwise unbudgeted for.
7. Even if investment is made to repair and replace the fabric of the building, further investment to the customer-facing environment at the leisure centre and library would be required at a later date to prevent future service decline and meet the shortfall in health and fitness equipment identified in the Leisure Facilities Strategy.
8. Unplanned closures resulting from mechanical and electrical failures in the buildings currently cause disruption to customers and result in compensation claims from the Leisure Management operator for loss of income.
9. Dunstable Leisure Centre is well located within Dunstable town centre adjacent to a range of education, retail, leisure, recreation and cultural services. It is easily accessed by public transport and has convenient car parking facilities. The Leisure Strategy confirms that the town centre location of this facility is important in meeting the needs of the area and offers a viable location for leisure and library services.
10. The future of library new builds and service models are in co-located settings with benefits for customers and tax payers of extended opening hours and choice in how they receive services.

11. Co-location of services offers further savings for customers and tax payers on utilities, repairs and maintenance and ongoing investment in an otherwise redundant building.
12. The leisure centre building will be transformed inside and out to house the new accommodation. The entrance will be reconfigured to provide for a shared reception area and new café overlooking the refurbished pools. The swimming pool and dry side changing rooms will be renewed and the sports hall will be redecorated. Reconfigured space on the ground and first floor will reorganise the internal layout and accommodate a library and extended health and fitness space. There will be space to accommodate activities for exercise, sports clubs, community hire and public health services.
13. The project is also an important part of the overall regeneration of Dunstable and will deliver a range of outcomes:-
  - Securing a long term future for a modern, efficient and fit for purpose leisure centre and library service in Dunstable for our customers.
  - Longer opening hours for the library and increases in footfall.
  - Providing the shortfall in health and fitness equipment.
  - Savings on the annual running costs and capital investment liabilities of two building.
  - A transformation to the external appearance of the leisure centre to match the theatre and new college buildings in the surrounding area.
  - The potential for other aligned services to deliver improved services to their customers by being co located and housed within a new building.
  - An opportunity to realise capital from our redundant library building to support the cost of redevelopment.
  - Further redevelopment opportunities at the vacant Vernon Place site to support the regeneration of the town.
14. The project will be implemented in 2015/16 and 2016/17 with completion being planned at the end of 2017. Key stages include the following, with some stages running concurrently;
  - Concept design development, and any specialist surveys July – September 2015
  - Main building contractor procurement August 2015 – November 2015
  - Pre planning stakeholder engagement September – October 2015
  - Detailed design development September 2015 – January 2016
  - Procurement of subcontractors November 2015- September 2016

- Planning application submitted January 2016 for approval by May 2016
- Construction period October 2016 – November 2017.

### **Next Steps**

15. In order to progress the redevelopment project the next step is to prepare for the procurement of a main contractor to undertake the construction work to redevelop the building. As set out in the procurement section of this report, following consultation with the Chief Procurement Officer it is recommended to undertake a two stage design and build procurement route, using the Southern Construction Framework to procure the main contractor.

### **Reasons for decision**

16. Approval to commence the procurement of a main contractor will ensure the project programme remains on track for completion towards the end of 2017. By delegating the authority to award the contract to the Director of Community Services, in consultation with the Executive Member for Corporate Resources and the Executive Member for Community Services, it has the benefit of keeping the programme to a minimum and limiting any costs by commencing the building contract.

### **Council Priorities**

17. The implementation of the Leisure Facilities Strategy is a high level target in 'Delivering Your Priorities' within the Council's Medium Term Plan and supports the following Council priorities:
  - Enhancing Central Bedfordshire – creating jobs, managing growth, and enabling businesses to grow.
  - Promoting health and wellbeing and protecting the vulnerable.
  - Great universal services –leisure
  - Value for money – freezing Council tax.

### **Corporate Implications**

#### **Legal Implications**

18. (a) The procurement process and contract award must comply with the Council's contract standing orders where applicable and be properly authorised in accordance with the Council's Constitution. The Council's Executive Arrangements and Regulation 8 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 confirm that key decisions must be taken by the Council's Executive.

- (b) The Council is subject to the requirement to obtain best value in the procurement process because it is a best value authority for the purposes of the Local Government Act 1999. The act requires the Council to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. To this end, the Council must be satisfied that its procurement process achieves best value in terms of price and quality.
- (c) The procurement of a building contractor must comply with the requirements of the Public Contracts Regulations 2015 and, if the procurement is pursuant to a framework, the rules and requirements prescribed in the framework.
- (d) The Council must also ensure that the procurement process complies with the EU Treaty principles of proportionality, equal treatment, transparency and mutual recognition. Compliance with procurement regulations and EU Treaty principles will ensure a robust process.
- (e) The building contract should be based on a suitable industry standard contract and be approved by legal services. The contract should be completed to ensure the Council is sufficiently protected whilst maintaining commercial viability.

### **Financial Implications**

- 19. A gross budget of £15.6m is approved for this project. £1,997m in 2015/16, £12,863m in 2016/17 and £600k in 2017/18 is included in the Council's capital programme, approved by Council on 26 February 2015.
- 20. A financial affordability assessment was undertaken by comparing the potential funding (the sum of prudential borrowing and capital receipts) against the capital cost of providing the facilities. The assumptions are that:
  - a) A capital receipt for the sale of Dunstable Library of £1m will be delivered and required in full to support the project.
  - b) Capital borrowing used by the Council at this stage is based on a 25 year loan term at an interest rate of 3.94% plus allowance for a Minimum Revenue Provision (MRP) principal repayment. The borrowing costs, based on the projected interest rates and MRP mean that revenue of £79,400 is required to support each £1m borrowed.

- c) The likely potential change in revenue performance of the leisure centre is assessed (shown as an annual average over the first 10 years of operation) and is compared with the revenue performance of the existing facility over the 3 last years. The anticipated change in annual net revenue operating position of the leisure centre following this redevelopment is an improvement of £467,805.
- d) An improvement in annual revenue performance as a result of refurbishment (compared to current performance) will be used to fund a proportion of the capital repayments via prudential borrowing. Using borrowing calculations supplied by the Council's finance team the additional borrowing potential has been estimated, i.e. how much capital can be financed using the improved annual revenue position.
- e) Capital borrowing afforded by the redevelopment

Net Capital cost	Change in net revenue operating position of the leisure centre	Capital borrowing that could be supported by the improved annual revenue performance
£14,575,700	(£467,805)	£5,891,749

- f) Net revenue impact of borrowing

Revenue Improvement	(£467,805)
Revenue Impact of Net Capital Expenditure (the cost of borrowing)*	£1,157,311
<b>Net annual Revenue Impact</b>	<b>£689,506</b>

\* £79,400 revenue impact per £1m multiplied by estimated net capital cost

21. The current library running costs of £95k per annum will cease and will be realised when the building is sold.

### Equalities Implications

22. Public authorities have a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The improvements to the leisure and library facilities aim to enhance customer experience and promote equality of opportunity by providing civic space to accommodate a range of co-located services within a building which is accessible, and extending opening hours so that customers have more choice about when and how they access the services.

## **Risk Management**

23. A number of risks have been considered and are considered in more detail below;
- a) Council priorities; Investment in Dunstable Leisure Centre and Dunstable Library which improves and extends the Council's infrastructure directly helps deliver Great Universal Services and Promotes Health and Wellbeing and helps make Central Bedfordshire a Great Place to Live and Work.
  - b) Reputational risks; Delivery of the approved Leisure Facilities Strategy and Library Strategy supports the Council's Medium Term Plan.
  - c) Risk to customer satisfaction: Investment in the Council's leisure facilities improves customer satisfaction at those facilities where investment is undertaken. Without expenditure the Council risks periodic closure which has a negative impact on customer satisfaction and confidence. In time the facilities will become uneconomic to run and will face potential closure.
  - d) Financial Risks; The capital cost is an estimate based on benchmarked rates per m<sup>2</sup> and there is a risk that costs could increase as the project develops due to unknown or unforeseen factors. Alternatively, the actual costs could transpire to be lower than estimated. The capital receipt of £1m from Vernon Place library building is an estimate, and could be higher or lower, and may not be realised if the site is not sold. Building costs are increasing at present, and any delays in procurement are likely to lead to capital cost increases which will impact on the affordability of the scheme. Borrowing costs may also rise from historically low levels in the short to medium term. In addition, any slippage extends the annual costs of running the library from Vernon Place. Further funding opportunities are being considered including the sale of redundant assets and securing developer contributions from nearby developments. The revenue income used to pay for prudential borrowing has not yet been secured and would not be received until after the total capital expenditure has been made in 2017/18, and that once the operation of the facility commences, income is profiled to reflect how the centre operation develops to its maximum potential during and after the third year of operation.

- e) Health and Safety; The leisure centre and library is already failing and has had periods of closure to undertake remedial repairs. At the leisure centre there is a risk that any further failure of the pool hall ceiling would result in permanent closure of the pool due to the failure of the pool tank tiling once the pool is emptied.
- f) Repairs, maintenance and running costs; Vernon Place and the library cost £95k per annum (cleaning, grounds maintenance, utilities, minor repairs and maintenance, rates), and capital costs of £863,000 (currently unbudgeted for) are estimated to keep the library operational over the next 5 years. The co-location of leisure and library services gives the Council the opportunity to limit its ongoing liability to maintain, operate and manage two separate buildings.
- g) Any refurbishment will require periods of closure which will incur costs for loss of income from the leisure management operator, and consideration of how customers could be accommodated at other facilities. The Council and the current operator would need to agree these costs. It is likely that a series of temporary closures would cause more disadvantages for customers in disruption to services, and temporary access and service arrangements.
- h) Communication Strategy; This project is a key component of the overall regeneration of Dunstable and delivers improvements and opportunities which support a number of the Council's objectives on health and wellbeing and freezing Council tax. A clear communication and marketing strategy will be required so that the rationale and benefits of the scheme are clearly articulated to key stakeholders and the wider community. The strategy will also mitigate the risk of any declining customer loyalty and to promote the benefits of the new facility.

## **Public Health**

- 24. Leisure and library facilities are key community health resources which provide safe civic space for people to take part in healthy and active lifestyles which support the Council's Health and Wellbeing Strategy. Implementation of the Leisure Facilities Strategy and Libraries Strategy ensures there is a sustainable and high quality infrastructure for local communities to access services and engage in regular physical activity to help prevent ill health, generate long term improvements in overall levels of health and wellbeing and thereby reducing the costs to society, particularly for the NHS and social care.

## **Community Safety**

25. Under section 17 of the Crime and Disorder Act 1998 the Council has a statutory duty to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder within its areas. Leisure and library facilities and the activities that they offer provide positive opportunities, particularly to young people, who may otherwise engage in activities that may be criminal or anti-social.

## **Sustainability**

26. Extending and improving opportunities that increase the number of people accessing library service and participating in sport and physical activity through a network of good quality, accessible and readily available facilities reduces the need for customers to travel to other local authority areas to participate in these activities.
27. Maintaining Leisure Centres and libraries at a local level are significant contributors to the Council's carbon footprint (12%) and improving energy consumption/efficiency (which also has benefits in terms of lower running costs) through refurbishment and redevelopment is a key objective.

## **Procurement**

28. The Procurement Strategy for Dunstable Leisure Centre has been developed in consultation with the Chief Procurement officer. It has considered the options available for the procurement of redevelopment of Dunstable Leisure Centre, the various commercial approaches to pricing and whether to procure the project via a framework; or use the OJEU procedure.
29. The broad purpose of contract procurement is to appoint an appropriately skilled contractor, with the right team, agreed costs, programme and appropriate transfer of risk. A structured and systematic approach is required in order to select the most suitable option for Dunstable Leisure Centre.
30. A number of procurement routes have been considered and a 2 stage design and build approach is considered to be the most suitable option for this project, procured via a framework.

## **Conclusion and next Steps**

31. Approval to commence the procurement of a main contractor for the redevelopment of Dunstable Leisure Centre is the next step in the implementation of this project, and is recommended to Executive.

**Appendices**

None

**Background Papers**

None