

Executive

Sports Centres Modernisation - Update

3 November 2008

Report of Strategic Director - Environment and Community

PURPOSE OF REPORT

To provide an update on the Sport Centre Modernisation project.

This report is Public but has a financial appendix which is exempt from publication by virtue of paragraph 3 of Schedule 12A of Local Government Act 1972

Recommendations

The Executive is recommended:

- (1) To note the current position and progress to date; and
- (2) To endorse the approach to contingency planning
- (3) Approve a supplementary capital estimate of £295,154

Executive Summary

Introduction

- 1.1 The Executive received a Sports Centre Modernisation (SCM) update report on 7 July 2008 including a confidential financial appendix. It was agreed that regular six monthly reports would be submitted to keep the Executive informed of progress and any emerging issues.

Proposals

- 1.2 There are a number of previously outstanding issues which have been resolved during the early part of the project. There is nothing which is project critical which has arisen to date but there are some remaining issues which will be addressed during the next stages of the project and which will provide greater clarity and certainty. It is proposed to submit further periodic reports detailing progress and to raise any issues that need the attention of the Executive.

Conclusion

- 1.3 The sports centre modernisation programme has made good progress with only minor delays to date. The confidential financial appendix reports the current cost and affordability position.

Background Information

- 2.1 Cherwell Leisure Ltd (CLL) took over the sports centre operations on 26 April 2008. In effect, the day to day operation and management of the centres are being undertaken by Parkwood Community Leisure (PCL) and Moss Construction, part of the Kier group, is undertaking the refurbishment work at Bicester Leisure Centre (BLC) and Kidlington and Gosford Leisure Centre (KGLC) and the construction of the new Spiceball Leisure Centre (SLC).
- 2.2 The refurbishment programme at BLC and KGLC requires partial and phased building closures over the next year whilst SLC remains open during the construction of the new leisure centre. The refurbishment of BLC and KGLC are expected to be completed around June/July 2007, and the new SLC should be completed early in 2010.

Contract Monitoring

- 2.3 The contract is managed and monitored in a number of ways. Firstly, an almost daily dialogue takes place between the Council's lead officer and CLL's Project Manager to discuss progress, emerging issues and any matters of concern. Wherever possible issues are dealt with immediately or as soon as practicable following discussions with specialists and/or advisors. In addition, regular contact is maintained directly with the leisure centres management to ensure services are being delivered as required.
- 2.4 Each month a client meeting is held, chaired by CLL's Project Manager, with representatives from the Council, Gleeds - the Council's technical advisors, the Independent Certifier, the Employers Agent, PCL, and Moss Construction. Detailed reports are submitted for the construction contract and the leisure management functions. Detailed minutes are taken and circulated to parties. Shortly after the Client Meeting, the Council's Project Board meets to review progress, consider the strategic and significant issues and make necessary decisions. The Portfolio Holder for Community, Health and Environment is a member of the Project Board. Approximately, every six months or more frequently if the need arises, further reports will be submitted to the Executive to update on progress and to raise any material matters.
- 2.5 A very good rapport has been established between Council officers, CLL, PCL and Moss. Day to day dealings are conducted in an amicable, professional but robust manner, each aware of the others perspective and business position.

Leisure Management - Interim Service Provision (ISP)

- 2.6 After some initial minor teething problems during the bedding in period, PCL has successfully taken over the operation at all three sports centres and is providing the interim services in accordance with the Council's specification. The self monitoring systems and procedures required by the Council are now starting to function as planned and the performance reports have commenced.

Construction and Refurbishment Programme

- 2.7 Due to the nature and scale of this project it has not been possible to transfer all of the risks to CLL. Necessary variations and unforeseen issues have and will continue to crop up during the course of the construction programme that will

need to be addressed. However, all reasonable and cost effective risk transfer measures were included prior to Financial Close, in many cases, adopting a risk share approach to maximise value for money.

2.8 Risks and issues that remain include, any on-site soil contamination, flood compensation works, issues from the pre-commencement building surveys, provision of increased electricity supplies at BLC/KGLC, site/building health and safety and performance of the leisure operator. These have been reported previously to the Executive at the time of contract finalisation. The outstanding risks have been assessed and provisional sums included in the project cost plan and affordability update. The Executive are requested to endorse this approach as a means of accurate budgeting and cost containment within the affordability limits set by the Council.

2.9 To date, a 2 week extension of time (EOT) has been requested by CLL at the SLC site primarily associated with the highway works and site flooding and up to 2 weeks EOT to undertake remedial works at BLC and KGLC associated with issues not identified in the pre-commencement building surveys. The cost implications of these works and delays are included in the confidential financial appendix. These extensions have been assessed as reasonable, within the terms of the contract and agreed with CLL.

2.10 In addition, the capital payments requested to date by Moss for the value of construction work completed and certified is less by some £3.8m than the expected payment profile. A revised profile has been prepared which reveals that payments will slowly catch up between now and December 2009. This revised payment profile has been taken into account by the Council's Finance Team in income and expenditure projections this year and next.

Public Relations and Information

2.11 The Council's website contains a lot of information with regard to the project and weekly updates are being added to inform the public, customers and elected members of the progress to date. Furthermore, regular press releases are being issued as necessary to help inform customers of the latest service developments.

Key Issues for Consideration/Reasons for Decision and Options

3.1 There are no key issues or options arising directly from this report. However, it should be noted that there are outstanding risks that could impact on the final financial position and potentially delays in completion.

Consultations

None N/A

Implications

Financial: The financial effects are set out in the confidential appendix. The current capital cost has increased since financial close by £295,154 due to construction variations and compensation events. A supplementary estimate is required for this amount. This additional capital requirement has resulted in the annual net savings decreasing by £17,000. This is in relation to the additional cost of

capital and a minor increase in the management contract.

As a result of some of the compensation effects the leisure management operator PCL has incurred a loss of income of approx £77,000 which may be passed across to the Council in 2009/10 as part of the compensation event negotiations. A provision for these potential costs will be considered as part of the 2009/10 budget process.

An element of provisional sums for uncertain capital costs and assumptions on compensation events may change the overall position and will be considered in the next update report. This project is being monitored by Finance through the Project Board on a monthly basis.

Additionally the slight delay in draw down of capital funds has resulted in additional investment income at a corporate level of approx £78,000 for the year. This sum has not been included in the project's affordability calculation.

Comments checked by Karen Muir, Service Accountant 01295 221545

Legal: Within the Project Agreement the Council has taken on risks to reduce cost and passed on risk at an increased cost, where appropriate. These were reported to March 2008 Executive.

Comments checked by Liz Howlett, Head of Legal and Democratic Services 01295 221686.

Risk Management: Due to the scale and nature of the project, a separate risk analysis has been maintained throughout the project. The Council cannot transfer fully all risks to CLL/building contractor due to the nature of the project. However, all reasonable and cost effective risk transfer measures have been included in the project and, on many occasions, adopting a risk share approach to maximise value for money.

Comments checked by Rosemary Watts, Risk and Insurance Officer, 01295 221566

Wards Affected

All wards.

Corporate Plan Themes

A Safe and Healthy Cherwell

Executive Portfolio

Councillor George Reynolds
Portfolio Holder for Community, Health and Recreation

Document Information

Appendix No	Title
Appendix	Sports Centre Modernisation - Confidential Financial Appendix

Background Papers	
SCM files held in Recreation and Health	
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