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Our reference:
Your reference:
Date: Monday, 30 November 2020

To all Members of the Cabinet

Dear Councillor

AGENDA SUPPLEMENT

Please note the attached document below for the meeting of the Cabinet to be held on Tuesday, 8 December 2020, the agenda for which has already been published.

Yours sincerely



Sanjit Sull
Monitoring Officer

AGENDA

6. Chapel Lane Development (Pages 1 - 10)

The report of the Executive Manager – Communities is To Follow.

Membership

Chairman: Councillor S J Robinson
Vice-Chairman: Councillor A Edyvean
Councillors: A Brennan, R Inglis, G Moore and R Upton

Meeting Room Guidance

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Cabinet

Tuesday, 8 December 2020

Chapel Lane Development

Report of the Executive Manager – Communities

**Cabinet Portfolio Holder for Strategic and Borough Wide Leadership,
Councillor S J Robinson**

1. Purpose of report

- 1.1. The Council's Corporate Strategy Action Plan (2019-2023) identifies the projects the Council is dedicated to delivering. The Action Plan establishes development of a new leisure centre, community hall and separate office building on a Council owned site at Chapel Lane in Bingham, as a priority in order to provide employment and leisure opportunities in the area and meet the needs of a growing community.
- 1.2. On 12 February 2019, Cabinet approved the inclusion of £20m in the Council's Capital Programme to deliver the scheme. This was subsequently supported by Council on 7 March 2019.
- 1.3. On 14 January 2020, Cabinet approved the RIBA (Royal Institute of British Architects) stage 3 design and cost plan in line with agreed budgets; and approved the additional costs associated with the inclusion of carbon reduction measures in line with the Council's commitment to carbon management.
- 1.4. On 9 June 2020, Cabinet approved the RIBA stage 4 design and cost plan recommended by the member group in line with agreed budget, approved the procurement strategy as recommended by the member group to use the Procure Partnership Framework. Cabinet delegated the responsibility for proceeding to tender and the negotiation and completion of the Basic Asset Project Agreement (BAPA) to the Executive Manager for Communities, in consultation with the Section 151 Officer and the Portfolio Holder for Business and Transformation and the Portfolio Holder for Finance. This was completed on 11 August 2020.
- 1.5. The member group has met seven times between June 2019 and November 2020, shaping the design development process. The designs contribute to the delivery of the Bingham Master Plan, are energy efficient and meet the needs of both community leisure users and competitive swimmers.
- 1.6. On 26 November 2020, the member group met to consider and endorse the tender report and shape the recommendation to Cabinet. The member group was satisfied with the proposals and supported the approval of the

development. The member group was however particularly concerned that if the external funding is not achieved then the office development may not proceed. They suggested that if this was the case, a further report should be brought back to Cabinet to consider the best way forward for this element of the development, within the period for approval of the tender.

- 1.7. This report provides details of the procurement exercise for the appointment of the main contractor for the redevelopment of the Chapel Lane site to provide a combined leisure centre and community hall, and a separate office hub to be used by the business community.
- 1.8. The report identifies that, on a cost and quality basis, **Firm D** should be appointed as the preferred contractor for this development. It also identifies that **Firm D** proposed a contract period of 64 weeks which should form the basis of the contract with **Firm D**. The build cost for the project is currently estimated to be £17.9m.
- 1.9. Whilst positive negotiations are ongoing, this report does not cover;
 - the future operational management of the new leisure centre with Parkwood Leisure, options will be presented to a future Cabinet meeting; or
 - the renegotiation of the joint use agreement with Nova Education Trust for continued community use of the sports halls and outdoor sports facilities at Toot Hill School.

2. Recommendation

It is RECOMMENDED that Cabinet:

- a) Appoints Firm **D** as the preferred contractor for the full development subject to external funding being secured
- Or
- b) If external funding for the office is not secured, the tender be accepted for the leisure centre and community hall build only. A further report will be brought back to a future Cabinet to seek a way forward regarding the office element of the development prior to accepting tender for the full development.

3. Reasons for Recommendation

- 3.1. Appointment of the preferred contractor will enable the Council to progress with the redevelopment of the Chapel Lane site in accordance with the project timeline. When complete, this development will enable the Council to release the existing Bingham Leisure Centre for alternate purposes and deliver improved leisure, community and business facilities for our communities.

3.2. Full planning approval was received for the scheme on 29 April 2020.

4. Supporting Information

4.1. The procurement process for the appointment of the preferred contractor for the Chapel Lane development has been managed in conjunction with the Council's external project manager on this development, Henry Riley. The procurement process has been undertaken with Welland Procurement using the Procure Partnership Framework Agreement, with the procurement strategy and in compliance with the relevant regulations. This supports the Council's statutory duty to secure best value under the Local Government Act 1999.

4.2. The project team undertook an expression of interest with six interested suppliers on the Procure Partnership Framework. Within the expression of interest, bidders were required to provide information across three categories: experience of similar schemes, Covid-19 impact and controls and Brexit readiness. The returns were scored independently by three assessors and a blended average taken. The financial status of each company was also obtained from the Framework manager. Based upon this exercise, four shortlisted bidders were identified and invited to tender. Separate Status Inquiries were requested on the four shortlisted bidders in furtherance of due diligence checks.

Tender Evaluation

4.3. The assessment of submissions has been undertaken using a Most Economically Advantageous Tender (MEAT) model, which assesses both the cost and the quality for each tender. For this project assessments were made on a 30% cost: 70% quality basis.

4.4. **Build Programme-** As shown below, the four firms provided four different submissions for the contract period. Summary project programmes for all four submissions are detailed below.

	Contract period
Firm A	68 Weeks
Firm B	54 Weeks
Firm C	64 Weeks
Firm D	64 Weeks

4.5. **Cost-** The financial costs associated with each submission are as detailed below. It should be noted that financial assessments under the MEAT assessment are based on the initial tender cost and do not include potential post tender adjustments or other non-tender costs.

Tendering Contractor Submission	Tender Sum £
Firm A	£16,998,952.00
Firm B	£13,642,423.00
Firm C	£18,329,632.00

Firm D	£15,926,518.00
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4.6. **Quality** - As part of the quality evaluation, each bidder was required to demonstrate how they would deliver a quality project across a range of measures identified in the below table.

Quality	7% per question
1.	Management Structure
2.	Programme
3.	Management of Network Rail/subcontractors
4.	Procurement Strategy
5.	Management of site quality and control
6.	Collaborative Working
7.	Risk Management
8.	Defects and handover process
9.	Value Engineering
10.	Social Value and Biodiversity Gains

4.7. The quality evaluation interrogated several critical elements including the four firms experience of delivery of leisure and office developments, including:

- recent experience of working with Myrtha Pool Technology;
- experience of working adjacent to an active rail line and working with Network Rail;
- a robust set of proposals aiming for zero defects; and
- a soft-landing process to manage the handover process.

4.8. For the social value element, each firm provided submissions on how they would meet the Council's requirements on this project which were:

- Local employment of one year or more: 10 Full Time Equivalent (FTE);
- Employees taken on that are NEET (Not in Employment, Education or Training): Three FTE;
- Long term unemployed taken on: Five FTE;
- Employees with disabilities: Three FTE;
- Training opportunities (BTEC, City & Guilds, NVQs, HNC): Six;
- Apprenticeships created on this project: Eight;
- Meaningful unpaid work placements of six weeks or more: six placements;
- Meaningful work placements of six weeks or more paid at the national living wage: six placements;
- Hours dedicated to supporting unemployed into work: 200 hrs;
- Hours spent helping young people into work: 200hrs;
- Hours committed to local schools and college visits: 200 hrs; and

- Total amount spent through local SMEs: 25%.

The Project Evaluation Panel was looking for the firm, which demonstrated that they would meet or exceed these requirements. The submissions were required to demonstrate collaborative working with the local community through initiatives for offsite biodiversity net gain.

4.9. As detailed below, the assessment of these submissions are as follows:

	Cost (30)	Quality (70)	Total (100)	Rank
Firm A	24.08%	56.00%	80.08%	2
Firm B	30.00%	49.00%	79.00%	3
Firm C	22.33%	54.60%	76.93%	4
Firm D	25.70%	57.40%	83.10%	1

Based on the above assessment it would be recommended that, on a MEAT basis, **Submission D** is the proposal that provides the best balance between cost and quality for the Chapel Lane development and should be accepted.

4.10. The appointment of the preferred contractor will enable the Council to progress with the development of the Chapel Lane site.

5. Alternative options considered and reasons for rejection

5.1 The options for the delivery of the project are detailed at **Section 4**. These options do not preclude, however, Cabinet determining that they do not wish to proceed with the project at the current time. The project could be delayed or retendered with the current or a revised specification. However, this would require an amendment to the planning submission, would lead to increased costs and delay project delivery. The proposed designs cater for a range of community, leisure and business needs, whilst minimising carbon emissions and are within the budget allocated for the project.

6. Risks and Uncertainties

6.1. There is a risk associated with Brexit, which has recently increased the building industry inflation indices. There is a risk that indices may fluctuate further however, the overall project budget contains a contingency, which could be used to mitigate this risk. All bidders provided commentary on how Brexit risks will be managed and mitigated within their procurement strategy which formed part of the quality evaluation of the bids.

- 6.2. There is risk associated with the Covid-19 global pandemic leading to time delays and cost implications in delivering the project. There has been no guidance on the need to change designs as a response to the pandemic but if anything emerges, the design team will respond accordingly. The overall project contains a contingency, which could be used to accommodate any change required later due to Covid-19.
- 6.3. There is a risk that the changing economic environment and working requirements as a result of Covid-19 could reduce the demand for office space and, therefore, rental income associated with it. This risk has been partially mitigated by changing the original design strategy for the first-floor offices from a shared serviced space to own front door offices to mitigate the associated risks regarding demand for shared workspace.
- 6.4. The Council is seeking grants to support the community hall and office build and, until formally approved, there is an associated risk with any grant being revised or withdrawn.
- 6.5. Delays in the delivery of the project will impact on the revenue benefits associated with the new facility.

7. Implications

7.1. Financial Implications

7.1.1. There is £20m in the Capital Programme for this project. It will be funded by: just under £3m Section 106 contributions (of which £1.2m is from Bingham Community Chest for the community hall); £0.924m LEP funding (£0.174m towards the community hall and £0.75m towards the office); between £1.5m and £1.6m European Regional Development Sustainable Urban Development Funding for the office; potential to externally borrow £7.5m; and the balance from capital receipts. The need to borrow will be interdependent with the Council's capital receipts generation. This is under constant review. The external funding has not been secured and is still subject to approval of final business cases submitted.

Fund	Amount	Approval date	Spend by
Community Hall			
LEP (Local Growth Funding)	£0.174m	10 December	31 March 2021
S106	£1.214m		
Office building			
LEP (Local Growth Funding)	£0.75m	9 December	31 March 2021

ERDF Sustainable Urban Development Funding	£1.675m bid Capital £1.655m Revenue £20k (the capital element could be reduced to £1.491m pro rata as office costs potentially reduced.	Approx. 18 December (then subject to grant funding agreement)	April 2023
RBC – potential borrowing/capital receipts	£1.290m		

7.1.2. The funding allocations are based on the cost estimates for the build produced by Henry Riley. Following due diligence regarding the preferred bidder's tender submission a revised allocation of £17.9m is to be allocated to this project. This mainly consists design fees and contingency.

In addition, a provision of £0.750m is required for client specification furniture, fixtures, and fittings and £0.250m has been earmarked to support any remedial works to facilitate our partial withdrawal from the existing Bingham site and to allow continued access to Community Leisure. There will also be additional costs to be met by the Council such as employing a Clerk of Works to oversee the project from the client side together with internal project management costs. Appointment of the preferred contractor will allow the project to be delivered within the Capital Programme provision of £20m.

7.1.3. To allow for increases in inflation indices as referred to in paragraph 6.1 the total development cost estimates include contingency at 3% to mitigate this risk.

7.1.4. The budget allows for £7.5m borrowing which would result in a revenue cost of £0.310m per annum over 40 years. This is subject to the interest rates at the time of borrowing.

7.1.5. These will be included in the Transformation Programme along with expected annual gross revenue from the new offices of around £0.1m. The current estimated capital costs of the offices are £3.530m which includes estimated fees and allows a contingency provision. This gives a rate of return of 3.67%. The more external funding that is attained improves the business case for the offices and their viability and the rate of return. Importantly, this project also delivers business growth and job creation.

7.1.6. If the external funding is not formally approved, this will have cost implications. For the community hall, loss of the £0.174m LEP funding will mean that desired enhancements to the basic build will have to be reviewed. There is, however, a more significant financial impact if LEP and ERDF funds are not secured for the offices. Primarily, it brings into

question the viability of the project. In addition, whilst theoretically meaning there is a saving on contract costs by omitting the office build, this is not the true financial impact. Costs would reduce but this would be offset by the loss of external funding. Residual impact costs would need to be spread to the leisure build complex and these are estimated to be £0.67m. Design and direct costs already incurred for commissioning the offices amount to £0.2m and these would be deemed abortive and must be written off to the revenue budget.

7.2. Legal Implications

7.2.1. The construction contractor has been procured in accordance with procurement regulations and the Council's financial procedure rules, and within the project budget as approved by Council.

7.2.2. A BAPA has been entered into with Network Rail. Although the BAPA is not a legal requirement, it is good practice while working adjacent to a live railway and serves to ensure works are monitored and approved by Network Rail to mitigate risk. The Chairman and Vice Chairmen of the Member Working Group, along with the Executive Manager – Communities, the Council's Section 151 Officer and Monitoring Officer are satisfied that the BAPA is prudent and required. To further mitigate risk to the Council, the Council's Public Liability Insurance level will be increased to £50m for the duration of the project. The contractor will be required to have similar liability insurance to provide further assurance to liability within the BAPA as part of their appointment.

7.2.3. The form of contract for the works will be a bespoke contract incorporating and amending the JCT Design and Building 2016 edition standard industry contract. The amended contractor appointment terms will be subject to legal review before execution.

7.3. Equalities Implications

By providing a new leisure facility in Bingham, the Council will be able to sustain the existing provision whilst it is being built and, therefore, not cause any adverse effects on specific groups. The designs for the new leisure facility and offices meet the requirements in relation to accessibility and equalities legislation, including accessible equipment and concessions for underrepresented groups.

7.4. Section 17 of the Crime and Disorder Act 1998 Implications

The Department for Culture, Media and Sport has studied published evidence on the varied benefits of sport. Key findings are that underachieving young people who take part in sport see a 29% increase in numeracy skills and a 12-16% rise in other transferable skills. Investment in sports programmes for at-risk youth are estimated at £7.35 of social benefit for every £1 spent – through financial savings to police, the criminal justice system and the community.

8. Link to Corporate Priorities

Quality of Life	The new leisure and community facilities will provide much needed community infrastructure, which has been identified as, needed within the Bingham Community Plan and Rushcliffe Borough Council Leisure Facilities Strategy.
Efficient Services	The new facilities will be more efficient to operate than the current outdated Bingham Leisure Centre and deliver revenue cost savings to the Council through the leisure contract.
Sustainable Growth	Developing this strategic site will deliver the vision within the Bingham Master Plan to enlarge the local centre. Creation of a modern 10,000 sq/ft office hub for small and medium sized enterprises will create up to 91 FTE jobs and support economic growth by meeting a gap in the market not met by private developers.
The Environment	The new facilities will incorporate over £350k of energy efficiency measures to minimise the carbon emissions from this site. Technology proposed includes a combined heat and power system, photovoltaic panels, LED lighting, office heat recovery units and air source heat pumps.

9. Recommendations

It is RECOMMENDED that Cabinet:

- a) Appoints Firm **D** as the preferred contractor for the full development subject to external funding being secured

Or

- b) If external funding for the office is not secured, the tender be accepted for the leisure centre and community hall build only. A further report will be brought back to a future Cabinet to seek a way forward regarding the office element of the development prior to accepting tender for the full development.

For more information contact:	Dave Mitchell Executive Manager - Communities dmitchell@rushcliffe.gov.uk
Background papers available for Inspection:	Report to Cabinet 14 January 2020 'Chapel Lane Development' Report to Cabinet 12 February 2019 'Bingham Leisure Centre – Review of Chapel Lane Site'

	Report to Cabinet 9 June 2020 'Chapel Lane Development'
List of appendices:	Nil