

# **Merton Council**

## **Cabinet**

**18 May 2016**

### **Supplementary agenda**

6 Morden Leisure Centre - Award of Construction Contract

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## **Committee: Cabinet**

**Date: 18 May 2016**

**Exempt from Publication:** Appendix 1 - Detailed Tender Scoring - - By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972

**Wards:** Cannon Hill; St. Helier

## **Subject: Morden Leisure Centre - Award of Construction Contract**

Lead officer: Christine Parsloe, Leisure & Culture Development Manager

Lead member: Councillor Nick Draper, Cabinet Member for Community and Culture

Contact officer: Christine Parsloe, Leisure & Culture Development Manager

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### **Recommendations:**

- A. Approve the award of a contract to Organisation A, subject to planning approval, for Main Contractor for the provision of the Morden Leisure Centre. The contract cost for the Supplier's (1) fixed costs for the works delivered in the second stage via a Pre-Construction Services Agreement, (2) Preliminaries (including overheads and profit additions), and (3) Overheads and inclusive of profit percentage rate is **£834,825**, which is part of the main construction costs of £8.4m
  - B. Delegate to the Director of Environment & Regeneration, in consultation with the Lead Member, the authority to extend the contract to include additional leisure facilities within the project scope in accordance with the OJEU and the budget available
  - C. Delegate to the Director of Environment & Regeneration, in consultation with the Lead Member, the authority to finalise the award following the planning approval
  - D. Delegate to the Director of Environment & Regeneration, in consultation with the Lead Member, the authority to vary the Leisure Management Contract, within the terms drawn, to replace the Morden Park Pools with the Morden Leisure Centre.
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## **1 PURPOSE OF REPORT**

- 1.1. The purpose of this report is to seek Cabinet approval to award a contract for the main contractor for the construction of a new Morden Leisure Centre and associated works.
- 1.2. This report makes a recommendation that Cabinet agrees to the award of contract to Organisation A.
- 1.3. This report makes recommendations to delegate the finalising of the detail of the contract award and the extension of the scope to the Director of Environment & Regeneration in consultation with the Lead Member.
- 1.4. This report makes a recommendation to delegate the varying of the leisure operator's contract to the Director of Environment & Regeneration in consultation with the Lead Member.

## **2 EXECUTIVE SUMMARY**

- 2.1. At their meeting in November 2014, Cabinet agreed the project scope, location and the priorities for the facilities mix for a new Morden Leisure Centre.
- 2.2. Following that meeting a specialist project manager was procured and that appointment was followed by the appointment of a design and technical team, quantity surveyor and principal designer. This team have since been working to develop a high quality design, which is fit for purpose, affordable within the budget available and can be added to with more leisure facilities should they be affordable at the time of finalising the contract.
- 2.3. At the same time, specialists in ecological, archaeological, heritage and arboriculture matters and landscape architects, were engaged to determine the limiting factors that would affect this development and to seek to optimise location and size of the building expressing any mitigations which may be required to allow this new leisure centre to be constructed.
- 2.4. All of these factors have been taken into account and where it has not been possible, mitigating measures have been added to the project to ensure that there is 'no net loss' of any aspect and where possible the mitigation produces an enhanced solution.
- 2.5. Following RIBA Stage 2 Member and Chief Officer sign-off, further consultations took place in advance of the submission of a Planning Application. The application was made at the beginning of March for "*Erection of a new Leisure Centre with access, parking, landscaping and ancillary work together with change of use of a parcel of land from recreational land to car parking for disabled users, and the demolition of existing Morden Park Pools, reinstatement of landscape and transfer to Metropolitan Open Land (MOL).*"
- 2.6. RIBA Stage 2 plans were developed and shared with shortlisted main contractors as part of the ITT.
- 2.7. This is a strategically significant project for the Council, which will eventually allow for the demolition of Morden Park Pools and re-instatement of that landscape.
- 2.8. The Morden Park Pools facility has been deteriorating over a number of years and is beyond economic repair. The new facility will increase the facility mix, amount of water space available, add a café, increase the health and fitness offer, add a studio / community room and cater for all existing Morden Park Pools leisure facilities except for the sauna, however this is available as part of a larger Spa facility at Wimbledon Leisure Centre.

## **3 PROCUREMENT**

- 3.1. Following approvals by Merton's Procurement Board, a restricted two-stage OJEU compliant procurement procedure was employed whereby the OJEU notice was published on 11 December 2015.
- 3.2. The tendering process was carried out in accordance with the Council's Standing Orders and in accordance with the Public Contracts Regulations 2015 and the EU Procurement Directive 2014/24/EC.
- 3.3. The tender was managed via the Council's web based Electronic Tendering System, Pro-Contract. The exercise was carried out and supported throughout by the Corporate Procurement Team to ensure a robust approach that adopted good

practice. Advice and expertise was also provided by the project's Project Management Company, Sweett UK Ltd and Lawyers, Blake Morgan LLP when requested to do so.

- 3.4. The restricted OJEU procedure comprised of three stages:
  - Pre-Qualification Questionnaire (PQQ)
  - Invitation To Tender (ITT)
  - Contract Award
- 3.5. During the Invitation To Tender processes, there was an opportunity for the tendering companies to seek clarifications from the Council if they felt that any element of the specification or contract terms were unclear.
- 3.6. The Council also had the opportunity to seek further clarifications of the tendering companies if they felt that any of the tender responses were unclear.
- 3.7. Following the entering into a Pre-Construction Services Agreement with Organisation A, the Stage 2 Procurement Process can commence and a full-build price tendered, evaluated and the construction contract awarded. During this stage the sub-contractors are engaged by the main contractor so that prices can be fixed, value engineering takes place to ensure the project stays within budget and the final construction details are agreed.
- 3.8. Once this stage is complete it is vital that any changes are resisted as it is unplanned changes that provide a significant increased cost risk and procurement risk.

#### **4 EVALUATION OF THE MAIN CONTRACTOR – MORDEN LEISURE CENTRE BIDS**

- 4.1. See confidential Appendix 1 – Detailed Tender Scoring for the full breakdown

Table 1 – Tender Bids Analysis

<b>Company</b>	<b>Organisation A</b>	<b>Organisation B</b>	<b>Organisation C</b>	<b>Organisation D</b>
Quality (70%)	57.92%	49.17%	47.92%	43.75%
Price (30%)	27.17%	28.68%	20.20%	17.99%
<b>TOTAL (100%)</b>	<b>85.09%</b>	<b>77.85%</b>	<b>68.12%</b>	<b>61.74%</b>

- 4.2. It should be stressed that the pricing response received from any given Supplier does not reflect the anticipated final Contract value, as this is developed in the second stage of the tender process, through a Pre-Construction Services Agreement. The pricing responses received are based upon a Supplier's (1) fixed costs for the works delivered in the second stage via the Pre-Construction Services Agreement, (2) Preliminaries (including overheads and profit additions), and (3) Overheads and profit percentage rate.

## **5 ALTERNATIVE OPTIONS**

- 5.1. Do Nothing – to not award a contract to a main contractor and not build a new Morden Leisure Centre would result in the loss of leisure facilities in Morden as eventually Morden Park Pools would fail beyond economic repair. Loss of leisure facilities in Morden could reduce the Council's ability to meet some of its strategic objectives in Health and Well-being; Social Inclusion; Local Economic Benefits; Children and Young People; Participation for Older People in this area of the borough.
- 5.2. Repair and Upgrade – to repair and upgrade the existing Morden Park Pools has been considered in previous years and it has been determined that the structure is beyond economic repair. It would be practically impossible to upgrade to modern day standards.
- 5.3. Replacement – to replace with a new, 'fit for purpose' leisure facility, meeting modern day standards and leisure services requirements. A new facility will be more sustainable, cost effective and built with modern day materials and techniques that will make such a facility more inviting and attractive to use as well as being able to increase the range and scope of sports facilities within the new building.
- 5.4. Other Tenders – There were three other tender bids received, from the suppliers listed in Appendix 1– Detailed Tender Scoring. All tenders were considered to be of a good standard.

## **6 CONSULTATION UNDERTAKEN OR PROPOSED**

- 6.1. Public consultation took place in 2014 and Cabinet accepted the findings of this public consultation as the basis for procuring the new Morden Leisure Centre at their meeting in November 2014.
- 6.2. The findings of this consultation formed the basis of the Client Brief, which was signed off by the Lead Member and Chief Officer as part of the RIBA Stage 1 sign-off and used as part of the procurement process published as part of the OJEU process.
- 6.3. Three newsletters have been published and distributed to all those people requesting to be kept informed. The lead officer has presented at all of the Morden Area Forums and Sustainable Communities Overview and Scrutiny Panel Meetings since November 2014. The lead officer also presented at the Faith and Belief Forum and the Joint Consultative Committee with Ethnic Minority Organisations in February and March 2016 respectively. Wider public consultation on the RIBA Stage 2 designs took place in February 2016 as well as Pre-Planning meetings and discussions with the GLA and the London Borough of Merton Development Control team. Sport England was asked if they wished to have a Pre-Planning meeting with Merton Council as a statutory consultee on the planning application, but they declined as they did not feel it was required. The project team also presented their proposals twice to Merton's Design Review Panel for their advice and guidance. The project team also met with the Merton Centre for Independent Living, South Thames College students and senior managers, users of the existing Morden Park Pools, representatives of local swimming and diving clubs, the staff from GLL at Morden Park Pools, Merton's cross-council project officers' group and public at the Civic Centre.

- 6.4. All feedback from these sessions have been considered by the project team and considered against the project scope, budget, limiting and mitigating factors and wherever deemed possible, changes have been made to improve the quality of the design without compromising any other matters. These have been incorporated into the RIBA Stage 3 Report. Further comments will be incorporated as appropriate during RIBA Stage 4.
- 6.5. Formal consultation has also recently been undertaken as part of the planning application process. Those findings will be reported at the Planning Committee when this project is due for planning determination.

## 7 TIMETABLE

- 7.1. The timetable for contract award (subject to democratic procedures) is as follows:

Table 2 – Timetable for Contract Award

Activity	Date
Report issued	10 May 2016
Decision made*	18 May 2016
Internal Council 'Call-In' Period Concludes (If no 'call in' timetable continues – otherwise delayed until 'call-in' considered)	24 May 2016
Successful supplier informed / Standstill - Alcatel period commences	24 May 2016
Alcatel period concludes	05 June 2016
Award of Pre-Construction Services Agreement	06 June 2016
Detailed Design Period Commences	06 June 2016
Planning Committee*	16 June 2016
Contractor Final Tendering Commences	13 July 2016
Stage 2 Procurement Completes	23 Aug 2016
Main Construction Contract Awarded	Aug 2016
Implementation pre- start on site**	Sept 2016
Start on site*	Sept 2016
Completion*	Nov 2017
Operator Mobilisation Period*	Nov – Dec 2017
Opening of Morden Leisure Centre to public*	02 Jan 2018

\* subject to approvals

\*\* subject to no challenges and selected contractors timelines.

- 7.2. The outcome of the planning decision for the new Morden Leisure Centre would ordinarily be required to be submitted to the Greater London Authority (GLA) for their subsequent approval, however as part of their response to the Council's Planning Department they have advised "...Pursuant to Article 5(2) of the Order, the Mayor does not need to be consulted again, and your Council may therefore proceed to determine the application without further reference to the GLA."

## 8 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 8.1. A capital budget of £11m was agreed as part of the Council's Capital programme on 3 March 2010. It should be noted that this amount was based on soft market testing of the Sport England Affordable Leisure Facilities Models which were at that time being developed to specify low-cost, high quality model community sports facilities. So far the following sums have been spent on the scheme:

Table 3 – Budget Spent to Date

Year	£
2014-15	24,316
2015-16	507,723
<b>Total</b>	<b>532,039</b>

- 8.2. The budget available is sufficient to replace and improve upon the existing facility through increasing the amount of water space in re-configured pools lay-out by 29%; the number of fitness stations by 60 to provide 100 stations; adding a studio / community space and a café. However, it is not envisaged funding the additional facilities that are not included in the present MPP – sports hall, spinning studio and related equipment for these areas.

Table 4 – Cost Plan – Replacement Pool Facility

Description	Initial Budget	Stage 3 Design Report
Demolition MPP	£ 1m	£ 0.6m*
Pre-Construction Services Agreement, Preliminaries and Overheads and Profits	Included in Construction Costs	£ 0.8m**
Construction Main Building MLC	£ 8m	£ 7.6m*
Professional Fees	£ 1m	£ 1m
Risk Management***	£ 1m	£ 1m
<b>TOTAL</b>	<b>£ 11m</b>	<b>£ 11m</b>

\* Soft market testing on demolition and landscaping contracts of leisure centres has resulted in this budget being reduced and allowing more into the Main Construction Contract for the new leisure centre.



\*\* Pre-Construction Services Agreement, Preliminaries and Overheads and Profits Tendered Sum is £834,825. The Construction Main Building combines with this sum to produce the total construction budget of £8.4m

\*\*\* Risk Management is an allowance of 10% to cover design development and construction contingency.

- 8.3. In the next tender stage the project team will work with Organisation A to ensure that the final design and fit-out can be afforded within the budget available at that time. The main construction contract will be awarded and the terms of the contract including cost management will be monitored and managed by the client team which includes G&T - cost consultants and Sweett UK Ltd. – project management.
- 8.4. Once the contract has been entered into, the intention is that changes will only be those that are essential to the success of the project and these will be issued through a change order regime once costs are known and deemed affordable within the budgets available.
- 8.5. The demolition of Morden Park Pools and re-instatement of the land in that location will be let as a separate contract(s) to specialists in demolition and landscaping. This will be done later in 2017 with demolition set for early 2018.
- 8.6. The removal of the existing Morden Park Pools and the addition of the new Morden Leisure Centre will require a Deed of Variation to the operational contract with Greenwich Leisure Limited (GLL).
- 8.7. It will also require the surrender of the lease to Greenwich Leisure of Morden Park Pool and the grant of a new lease on similar terms of the new Morden Leisure Centre. The leases for the buildings are appended to the contract. The Council will also need to publish a Section 123 notice, notifying the public of our intention to enter into a lease with GLL for a facility in public open space in advance of completing the contractual change.
- 8.8. The operational contract is required to generate efficiencies of £100k, which are already agreed as part of the Business Plan 2015/18. Discussions are underway with the operator and this is considered to be achievable commencing 2018/19, providing the facility is in place and all changes have been implemented in accordance with the existing timescales.

## **9 LEGAL AND STATUTORY IMPLICATIONS**

- 9.1. The procurement process has been undertaken in accordance with the council's Contract Standing Orders, the Council's Procurement Strategy, the Public Contracts Regulations 2015 and the EU Procurement Directive 2014/24/EC.
- 9.2. Blake Morgan has been appointed to provide legal advice in response to specific queries raised by the Council's project management team. Blake Morgan has provided advice and assistance in response to such specific requirements throughout the tendering process.

## **10 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 10.1. There are not expected to be any human rights implications.
- 10.2. The design and technical team have been required to design a facility that is not only Equality Act 2010 compliant but also designing in elements to make the facilities easy to use and appealing from a family friendly and inclusivity perspective.

- 10.3. The facility is designed to be open and welcoming to all, recognising personal preferences and accommodating for those in a respectful and appropriate way so as to create a place where all people can engage together in a community setting, harmoniously supporting the community cohesion of Merton.

## **11 CRIME AND DISORDER IMPLICATIONS**

- 11.1. During the design process the design team worked with the Metropolitan Police Officer with responsibility for designing out crime. The designs at RIBA Stage 3 have met with their approval.
- 11.2. The openness of the exterior of the design creates a welcoming approach, whilst the interior leads to activity spaces with limited corridors and corners to dwell in.
- 11.3. CCTV coverage will be provided both internally and externally.

## **12 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

- 12.1. Risk, assumptions, issues and dependencies are being actively managed as part of the programme.
- 12.2. Health and safety implications are paramount in such a construction contract and these are overseen on the projects behalf by the Principal Designer.

## **13 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

- 13.1. Appendix 1 – Tender Scoring - Exempt from publication by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972

## **14 BACKGROUND PAPERS**

- 14.1. None.