

REPORT TO:	Cabinet 20th March 2017
AGENDA ITEM:	7
SUBJECT:	New Addington Leisure Centre and Housing Redevelopment – Award of Contracts
LEAD OFFICERS:	Shifa Mustafa, Executive Director of Place Saheed Ullah, Programme Manager
CABINET MEMBER:	Councillor Cllr Alison Butler, Cabinet Member for Homes, Regeneration and Planning
WARDS:	New Addington

CORPORATE PRIORITY/POLICY CONTEXT

Croydon’s Community Strategy 2016-21 aims to ensure that local people benefit from Croydon’s growth and regeneration by “making Croydon an exciting place to visit, live and spent time in” and to ensure that no community is left behind. Delivering these benefits to our district centres supports the “We are Croydon” vision outcomes: a great place to learn, work and live; a place of opportunity for everyone; a place with a vibrant and connected community and voluntary sector.

Specifically, the council’s delivery of a wide range of services in our district centres contributes to the vision within the **Croydon Promise - Growth for All (2014)** which states *“By 2020... Our district and local centres will be ‘neighbourhoods of choice’: With their own distinctive characters, they will provide a mix of new homes, jobs and community facilities”*.

In the **Corporate Plan (2015-2018)** borough wide ‘Ambitious for Croydon’ outcomes include growth, independence and liveability.

To achieve these the council is delivering a range of initiatives to create places where people and businesses want to be, and which communities are proud of and want to look after. In addition to enabling all people to live healthy, resilient lives and to maximise their life chances.

AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:

The delivery of this project is critical in ensuring the Authority is able to meet its obligations and will support the Authority in meeting the Policy Objectives of:

- Achieving better outcomes for children and young people
- Promoting economic growth and prosperity

FINANCIAL IMPACT:

£24.76m has been allocated within the Council’s Capital Programme Budget. This includes professional services, demolition costs and design and build costs. This project has already spent £0.697m in 2015/16 and is forecast to spend £0.250m in 2016/17, so

the remaining capital budget is £23.813m, which is the estimated net cost of the total scheme.

This report recommends a commitment across multiple contract awards to an estimated maximum contract value of £26.313m from the capital programme for the Leisure Centre, Community Centre and Housing programme.

KEY DECISION REFERENCE NO:-

This is not a Key Decision. The Key Decisions will be published when the delegated decisions are made.

The recommendations in this report are not key decisions. At the point of awarding the contracts detailed in paragraph 1.1.2 and 1.1.3 of the Recommendations and, as more particularly described in this report, these will then constitute key decisions and there will be a requirement for them to be published accordingly.

1. RECOMMENDATIONS

The Cabinet is recommended to:

1.1 note that in order to effectively deliver the New Addington Leisure Centre, community centre and Housing redevelopment the Leader of the Council will be asked to agree the following delegations associated with the award of contracts to the Executive Director of Place in Consultation with the Cabinet Member of Homes, Regeneration and Planning, Cabinet Member for Finance and Treasury and, where the contract value is in excess of £5m, the Executive Director of Resources:

1.1.1 Contract award for professional services which will be appointed to include a Quantity Surveyor and an Employers Agent via a consultancy to manage delivery of the construction contract to build the leisure centre, community facilities and housing on behalf of the Council at a maximum value of £750k for a term of 2.5 years.

1.1.2 subject to detailed contractor's costs and further allocation from the capital programme as required, a contract award recommendation to a construction contractor an estimated maximum contract value of £25.563m for 2 years to further develop and build the New Addington Central Parade Leisure Centre, Community Centre and housing scheme.

1.2. Subject to the decision maker being satisfied that the Council has received satisfactory proposals from the appointed Contractor on Time, Cost and Quality, that the above delegations include any subsequent contract approvals and decisions relating to:

- variations to the Main Construction Build NEC3 Contract;
- demolition works
- associated Enabling Works Contracts;
- and any early orders which may be necessary to secure production slots
- any requirement for temporary accommodation that may be required during the Works.

1.3 That any awards made under these delegations will be reported within the Investing in Our Borough report at the Cabinet meeting following any award.

1.4 To note that contract awards anticipated under these delegations and associated with the New Addington Central Parade Leisure Centre, community centre and housing scheme are estimated to be a value of £26.313m, subject to contractor's final costs submissions.

2. EXECUTIVE SUMMARY

- 2.1 This report details the approach for contracts awards associated with appointment of professional advisors and a 2 Stage Design and Build Contractor for the delivery of the New Addington Central Parade Leisure Centre and housing scheme for Sept 2018. This report is recommending an approval to award contracts for professional advisors off the SCAPE framework, or an equivalent recognised framework that demonstrates best value and programme expediency, and appoint a Contractor for the Works (including demolition). The report is also requesting an award of construction contract to the appointed contractor to an estimated maximum value of £25.563m subject to final contractors' cost submission and any further allocation from the Council's Capital Programme budget as required to deliver the scheme.
- 2.2 The Contracts & Commissioning Board has approved the procurement route for the appointment of professional advisors to the Council for the project by way of call off from the SCAPE framework or an equivalent recognised framework that demonstrates best value and programme expediency, and for appointment of a Contractor by way of call off from the Southern Construction Framework. A mini competition tender was issued via both frameworks in March 2017 to select a preferred professional advisor and a Contractor. In order to meet the delivery deadline of November 2018 it is critical that Cabinet approve the Recommendations as set out in this report so as to ensure sufficient time is dedicated to the demolition phase, design and build phases of this project.
- 2.3 High level cost estimates have been provided for the project and benchmarked against similar type of schemes. The total remaining estimated project cost inclusive of professional services, demolition, design and build is an estimated £26.313m, subject to final contractor's cost submissions. The construction budget for demolition works and the Design and Build of the scheme is considered to be an amount which represents Value for Money based upon the complexity of build and the prevailing market conditions.
- 2.4 The Detail section of this report sets out the background to the programme, the procurement approach and evaluation process to review the Contractors proposals and pricing for contracts to be agreed under these delegations.
- 2.5 The content of this report was presented to the Contracts and Commissioning Board on 2nd March 2017 and approved.

CCB Approval Date	CCB ref. number
2 nd March 2017	CCB1210/16-17

3. DETAIL

- 3.1 In September 2014, Cabinet approved the priority redevelopment of Central Parade and Fishers Farm within its 'Growth for All - The Croydon Promise' report. This report highlighted the enhancement of the borough's district centres as vital to support growth, independence and liveability. Within this report Central Parade was originally identified as a Council priority regeneration site in 2004. The recent Growth Zone initiative benefits district centres by providing a catalyst for development activity and inward investment in the borough, creation of local jobs and contribution to the local economy and technological innovations. Links will be made to the district centres at every opportunity.
- 3.2 The site is owned by Croydon Council and currently contains a 50 year old leisure centre, a large community facility and ageing council offices which have reached the end of their useful life. The site is bordered by a Town and Village Green (TVG) and the Construction Contractor of the redevelopment will need to take this into consideration to ensure they safeguard and do not encroach on this area of land. Separation works and service disconnections to the existing buildings on site, will be carried out by minor works contractor ahead of the main demolition and construction works. This work will be awarded under Directors delegation due to the small value of the works. Existing buildings will be retained for further consideration of use or demolition taking into account the protected green space (TVG) surrounding the boundary line.
- 3.3 The delivery of the New Addington Leisure Centre and Housing redevelopment is a crucial strategic priority for the Council. The recommendations within this report are necessary to meet the delivery time lines. The demolition works to the existing buildings ensure continuity of site presence and efficiencies of the build programme which considerably reduces the programme risks to ensure delivery of the development for November 2018.
- 3.4 Planning consent to redevelop Central Parade was received on 18th August 2016 incorporating:
- New leisure centre incorporating a 25-metre, 6 lane main swimming pool, a learner pool with spectator seating, sports hall and fitness suite, crèche and café.
 - Associated parking spaces
 - The second floor of the new community facilities will consist of x2 large halls with a demountable stage and kitchen area and office space
 - 8no. 3-story houses to the rear elevation
- 3.5 This design is an improvement on the existing leisure facilities as it will increase the leisure centre foot print and incorporate new Community facilities and will include eight (8) new build homes. The proposal has been designed to RIBA stage 2 and was approved at the Planning Applications Committee on 18th August 2016. Redevelopment on this strategic site which was identified as one of 18 priority sites for investment by the Council's new Revolving Investment Fund will be able to provide buildings that are modern and energy efficient, using less carbon. The approved design will provide active frontages which offer improved public realm with a visual statement encouraging passers-by to visit. Modern leisure facilities will support a healthy life style and positive health outcomes for residents meeting objectives of the Corporate Plan and Growth

plan. The development will also directly and indirectly generate employment opportunities.

- 3.6 The nature of a 2-Stage Design and Build method of delivery is to ensure early engagement with a contractor thereby driving buildability and best value as early as possible from the design stage. Although there is no commitment to proceed from the Stage-1 PCSA Design Phase into the Stage-2 Construction phase, if the three requirements of Time, Cost and Quality are shown to have been met, it is usual for the contracting authority to proceed into Stage-2 with the contractor under separate contract(s).

The Procurement

- 3.7 To deliver the scheme there is therefore a need to commission two contracts:
- Professional services consultancy
 - Main Design and Build works inclusive of demolition work
- 3.8 The professional services consultancy will provide Quantity Surveying services to ensure costs are appropriate, VFM and in-line with market pricing; to assist in value engineering exercises; and to act as an Employers Agent (EA). As EA the professional services consultancy will ensure that the employers requirements are translated and realised through the 2-stage Design and Build construction tender process and will have responsibility for ensuring main contractor adherence during the detailed design phase through to handover at contract close. They will also act as contract administrator throughout the life of the construction contract.
- 3.9 It is proposed that provided the Contractor to be appointed for Stage-1 (for a 2 stage design and build) has demonstrated to the satisfaction of the Council and its cost consultants that any proposals for Stage 2 are:
- within the Construction Budget;
 - will be completed by the specified deadline, or to a timescale acceptable to the Council;
 - are of an agreed, accepted design and quality;
 - and, in the case of the demolition works that necessary consents have been secured.
- 3.10 The procurement for this project is to be called off via a mini competition using the multi supplier Southern Construction Framework Lot 3 (London) for construction works and via the SCAPE framework or an equivalent recognised framework that demonstrates best value and programme expediency for professional services in accordance with the Council's procurement procedures. A mini competition tender has been issued in March 2017 via the Scape Framework (for professional advisors) and off the Southern Construction Framework (for main works contractor including demolition works).
- 3.11 This procurement route was approved by Contracts and Commissioning Board on 16th February 2017 (Ref: CCB1205/16/17). At the mini-competition stage the contractor sets out his overheads and profit for both stages. These cannot be subsequently increased. In determining the Main Contract sum for the construction phase (Stage-2) the sub-contract packages, where a minimum of three subcontract tenders are obtained, are subject to an 'Open Book' approach

whereby all responses from the sub-contractors can be viewed and interrogated by the Council and its cost consultants.

- 3.12 Timelines for the procurement process for both construction contractor and professional advisors are as follows:
- Deadline for Mini-competition 2 submissions Fri 17th March
 - Complete Evaluation and preferred contractor selection Fri 31st March
- 3.13 For the works elements for this procurement the following timelines have been set for the respective providers;
- Commence Demolition works via preferred contractor from May 2017
 - Complete RIBA Stage 3 & 4 in August 2017
 - Enabling works and pre construction mobilisation from Sept 2017
- 3.14 The main construction works contractor will take forward the main demolition works and the design and build phase through to practical completion. Should suitable professional services not be acceptable to the Council from the SCAPE Framework then a mini competition calling off from an equivalent recognised framework that demonstrates best value and programme expediency will be initiated.
- 3.16 The Leaders Scheme of Delegation, Section C provides that in respect of contractual transactions from £500k up to the value of £5m in accordance with Executive Protocol 5A are reserved to individual Cabinet Members relating to their portfolio in consultation with the Cabinet Member for Finance and Treasury. The Leaders Scheme of Delegation, Section B1.8 reserves to Cabinet the authority to determine any matter which, under the Council's Tender and Contract Regulations, requires the approval of the Cabinet. Under the Tenders and Contract Regulations, award of contracts valued above £5m are reserved to the Cabinet. In order to maximise efficiency, this report recommends that the Leader delegate such authority as set out in recommendation 1.1.
- 3.17 Accordingly, any recommendations for contract awards to deliver the scheme and any financial commitments to secure production slots to maintain programme are to be agreed by the relevant Executive Director in consultation with the Lead Member and Member for Finance and Treasury and, where the contract values are above £5m, in consultation with the Executive Director Resources & Section 151 Officer.
- 3.18 To ensure robustness and probity, the following process will be adopted in awarding any contracts required to deliver the scheme:
1. The New Addington Project Board will agree requirements and approve the proposals produced by the Contractor. The Director of District Centres and Regeneration chairs this board.
 2. A due diligence check to be performed on the returned quote to ensure that it represents value for money, is deliverable within required timeframes and any contractors overheads and profit is in accordance with those tendered in the procurement. This will be undertaken jointly by the Councils cost management officer and with the externally appointed cost advisor (Quantity Surveyor).

3. An award report will be prepared by the Project Manager for submission to the appropriate decision maker setting out the works order proposed, due diligence checks undertaken to ensure that it is line with any contracted rates, represents value for money and is deliverable within required timeframes and any other relevant information. This report would also provide confirmation of budget allocation from the Council's capital programme.
4. These subsequent Stage 2 contracts will be awarded and executed by the appropriate delegated authority, in accordance with the Council's internal governance procedures. .
5. The Award of such contracts will be included in the Investing in Our Borough Report (presented at Cabinet by the Director of Commissioning and Improvement) at the next available Cabinet meeting after the award date. For information, a copy of the award report will be included as a background paper to the Contracts Report.

4. CONSULTATION

- 4.1 The most recent consultation was carried out during 2015-2016 by the Council's Regeneration Service alongside the Development Service on the present proposed scheme for leisure and community facilities including residential development. This proposal has received strong support from residents evidenced throughout this consultation process and has informed elements of the design proposal. This is further demonstrated by only 2 objections made during the statutory planning consultation process. Planning consent on the scheme was received in August 2016. There had been substantial consultation with residents and other stakeholders over three previous periods; in 2008 on the TESCO proposals, in 2009 for the John Thompson Study and more recently in 2012 through the Council's commissioned master planners 5th Studio and with local businesses through the Knight, Kavanagh and Page (KKP) Indoor Leisure Needs Assessment Study 2014.
- 4.2 A public exhibition and engagement event was held with local residents and businesses in June 2014 ahead of the formal planning application process. Comments received at the consultation event have been addressed within the design proposal as part of the submission for planning consent.
- 4.3 Ongoing community engagement will be conducted with identified community and ward forums. In addition once works commence on site there will be regular updates and engagement meetings throughout the construction works programme, as part of the Contractor's responsibilities and the project's registration under the Considerate Contractor's Scheme.
- 4.4 Community groups and services previously located in the ACA building will, after a period of temporary accommodation in nearby locations, be relocated in the retained buildings of the ACA. The new leisure centre development will complement existing local community services by ensuring the provision of new purpose built community facilities. Once completed community facilities will be included within the building which will be incorporated into the ongoing operation.

This is being addressed through the inclusion in the Scope for the tender of a Leisure Operator for the delivery of Croydon's leisure services. Through the inclusion within the scope as a mandatory element, operators ensure –compliments, rather than competes, with other facilities at New Addington. This will include stipulating within the contract certain provisions through protected usage and or pricing to ensure the fundamental purpose of it is not compromised. Through the competitive dialogue process being undertaken for the retendering, the council will be able to take a view on the most beneficial proposals made.

- 4.5 The delivery of the new Leisure Centre will contribute to the Council's new active lifestyles strategy. The physical activity strategy has been created and produced by the team, with consultation and contribution from a range of other council services and partners. The Council is seeking to enter into a long-term successful partnership with an established operator to manage our leisure centres, parks and green spaces physical activity, to enhance the current leisure offer, working in partnership with the Council's existing services. We are therefore looking for a leisure contractor who will take into consideration local, regional and national policy, as well as understanding the borough's needs, aspirations and priorities, to establish a fruitful and holistic approach to leisure services.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

£24.76m has been allocated within the Council's Capital Programme Budget for the New Addington Leisure Centre, Community Centre and Housing programme. This project has already spent £0.697m in 2015/16 and is forecast to spend £0.250m in 2016/17, so the remaining project budget is £23.813m.

This report recommends an estimated award for construction cost of £25.563m and professional fees of £0.750k, subject to contractor's final cost submission and costs checks. All final cost submissions will be reviewed by the Council's professional team and will be subject to value for money checks.

The estimated construction cost excludes the soft fit out of the leisure centre and the purchase of leisure centre equipment which is expected to be provided by the leisure provider.

1 Revenue and Capital consequences of report recommendations

	Medium Term Financial Strategy – 3 year forecast			
	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Capital Budget available				
Expenditure	8,134	8,500	7,429	
Effect of decision from report				
Expenditure	250	8,500	7,429	
Remaining budget	7,884	0	0	

2 The effect of the decision

The total remaining capital budget for the project is £23.813m, made up of slippage from 2016/17 of £7.884m, and the 2017/18 budget of £8.5m and the 2018/19 budget of £7.429m.

The maximum contract value of £26.513m can be met from capital programme.

3 Risks

If this Award is not approved, the project will be delayed and as a result further cost escalation due to market conditions and professional advisor prolongation costs. The knock on effect is that delivery of the leisure centre services and associated community facilities will not be possible for November 2018. This will delay the Council from delivering its strategic regeneration priorities as detailed in section 3 of this report. There may also be abortive implications for any newly appointed leisure services operator who may have mobilised to commence operations from the new leisure centre from November 2018.

4 Options

- 4.1 The option of not delivering the new project has been rejected as it would mean the Council will not deliver one of its key strategic regeneration priorities.

The option of direct awarding a contractor was not considered to ensure the Council obtained a cost effective tender from a competitive process.

5 Future savings/efficiencies

- 5.1 The new buildings have been designed to meet BREEAM 'Excellent' together with (where applicable) consequential improvements to the existing buildings as required by Building Control. The buildings are therefore designed to be energy efficient and low maintenance which will minimize on going energy costs and repair and maintenance costs.
- 5.2 The sale of the houses are expected to generate a financial return to the council and this return has been assumed in the total net cost of the scheme which is estimated as £23.813m

Approved by: –Lisa Taylor Assistant Director of Finance, Investment and Risk and Deputy 151 Officer

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Council Solicitor comments that the overall procurement process as detailed in this report meets the requirements of the Council's Tenders and Contracts Regulations and seeks to support its statutory duty to secure best value under the Local Government Act 1999.

Approved for and on behalf of Jacqueline Harris-Baker Acting Council Solicitor and Acting Monitoring Officer.

7. HUMAN RESOURCES IMPACT

7.1 This report does not directly raise considerations of staffing levels, restructuring/regarding, TUPE implications, recruitment, employee relations, the Council's personnel policies or other Human Resources matter and therefore has not sought approval from Human Resources.

8. EQUALITIES IMPACT

8.1 An Equalities Impact Assessment has not been undertaken and will be commissioned from the Design team prior to any works commencing on site should it be required as part of the development.

9. ENVIRONMENTAL IMPACT

9.1 The new building works have been designed to comply with LBC requirement for BREEAM 'Excellent' and also the London Plan which exceeds the minimum energy efficiency requirements in the latest Building Regulations.

9.2 There will be a Site Waste Management Plan for the proposed construction site to ensure that a minimum of waste is sent to landfill and opportunities for recycling and reusing materials are maximised.

9.3 The design of the scheme to date ensures there is no impact on the environment as the following points have been incorporated:

- Identification and promotion of environmental issues.
- Sustainable solutions are designed into the scheme, and minimises waste, the carbon footprint and resources.
- Minimises the impact of vibration, and air, light and noise pollution.
- Protects the ecology, the landscape, wildlife, vegetation and water courses.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 Secure by Design have been consulted with as part of the design process and recommendations incorporated where practicable. There are no immediate Crime and Disorder consequences from the award of these contracts.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 To enable the Council to deliver the schemes identified in para 2.1 in the most efficient and cost effective way.

11.2 The award of the contracts will be in accordance with the process outlined from para 3.9.

11.3 The Council and Southern Construction Framework require contractors listed

within the Framework to submit a bid for the requirements in accordance with the Framework rates. These bids will be evaluated by officers and consultants to ensure the Authority is receiving Value for Money and are both viable and of a suitable quality.

12. OPTIONS CONSIDERED AND REJECTED

- 12.1 The option of not providing the new development was rejected as it would mean that the Council would deliver a key strategic regeneration priority as set out in section 3 of this report.
- 12.2 The option of procuring from a single supplier Contractor framework (SCAPE) was rejected on the basis that it did not provide any significant cost advantages to the Council and it was important seek a competitive market price for this development due to the scale and value.

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BACKGROUND PAPERS - None

