

REPORT TO: Cabinet

DATE: 15 April 2010

SUBJECT: Southport Cultural Centre - Award of Second Stage Tender

WARDS AFFECTED: Southport Wards

REPORT OF: Alan Moore, Strategic Director - Communities

CONTACT OFFICERS: Andy Dunsmore, Technical Services (2766)

**EXEMPT/
CONFIDENTIAL:** No

PURPOSE/SUMMARY:

- 1) To seek Cabinet approval for the award of the Second Stage tender for the construction of the Southport Cultural Centre.
- 2) To provide Members with an update on progress.

REASON WHY DECISION REQUIRED:

The recommendations set out below are required in order to meet the timetable set within the grant aiding bodies' terms and conditions. It is essential to make a start of the main contract in May 2010.

RECOMMENDATION(S):

1. That Cabinet approves the award of the second stage tender to the Bovis Lend Lease for the Target Cost of £11,004,896

KEY DECISION: YES

FORWARD PLAN: YES

IMPLEMENTATION DATE: Immediately following Cabinet Approval

ALTERNATIVE OPTIONS: The course of action set out in this report is essential to meet the stringent deadlines set by the funding agencies. Any delay to the procurement process would seriously impede the Council's chances of defraying sufficient expenditure to claim the full NWDA and Sea Change contributions to the project.

IMPLICATIONS:

Budget/Policy Framework: The project is in line with corporate and Community Strategy objectives.

Financial: financial implications were set out in the report to Cabinet on 12 November 2009. The total project cost remains £15,300,000

<u>CAPITAL EXPENDITURE</u>	2007/ 2008 £	2008/ 2009 £	2009/ 2010 £	2010/ 2011 £
Gross Increase in Capital Expenditure				
Funded by:				
Sefton Capital Resources				
Specific Capital Resources				
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure				
Funded by:				
Sefton funded Resources				
Funded from External Resources				
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

Legal: The proposed procurement route is in line with EU requirements.

The Legal Director will be asked to formalise the respective Contracts in accordance with normal procedures.

Risk Assessment: The tender appraisal associated includes a project risk assessment. Delay to the overall programme will increase the risk of not being able to claim the full NWDA and Sea Change grants with knock on implications for the Council.

Asset Management: The site is owned by the Council; The Council will retain the freehold of the Centre when the work is completed.

CONSULTATION UNDERTAKEN/VIEWS

FD 372 The comments of the Interim Head of Corporate Finance and ICT have been incorporated in this report.

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community	√		
2	Creating Safe Communities		√	
3	Jobs and Prosperity		√	
4	Improving Health and Well-Being	√		
5	Environmental Sustainability	√		
6	Creating Inclusive Communities	√		
7	Improving the Quality of Council Services and Strengthening local Democracy	√		
8	Children and Young People		√	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

N/A

BACKGROUND

1. INTRODUCTION

- 1.1. Members will be aware from previous reports of the complexity this project and the wide range of issues that need to be addressed to enable the project to move forward to a successful conclusion.
- 1.2. Members will also be aware that Sea Change and the NWDA (North West Development Agency) contributions each of £4M are conditional on a target spend figure being achieved by the end of March 2011 in order for the grants to be claimed in full. These are the key drivers to the project.
- 1.3. In order to achieve these targets the Project Programme has been carefully considered and a Procurement Strategy developed
- 1.4. Conscious of the tight timescale for delivery of the project, Officers recommended a two stage tender process be adopted for the contract rather than a single stage process. Subsequently first stage tenders were invited, and Cabinet Urgent Business on 21st January 2010 approved the appointment of Bovis Lend Lease as the Preferred Contractor for the project.
- 1.5. Bovis Lend Lease have been working with the Design Team to seek prices for a series of packages of work that will make up the main Contract. They have also been engaged in careful planning of the works as well as examining potential options for further cost savings.
- 1.6. Having secured prices for the main packages of work and having established provisional sums for those elements of work which have yet to be designed in detail, the Council's design Team and Bovis Lend Lease have been able to establish a realistic Target Cost.

2. SCHEME FUNDING

- 2.1. In November 2009, Members agreed to the Council accepting a grant offer of £4M from the North West Development Agency for the project, to supplement the £4M already received from the Sea Change programme. Members also agreed to a Council contribution of £7.3M to the project this establishing an overall budget of £15.3M.
- 2.2. This budget has been established to fund the construction cost, the pre construction survey work, costs associated with acquisition and legal agreement, design fees, relocation cost for staff, artefacts and equipment, marketing and post handover fit out.
- 2.3. It should be stressed that the offer of funding is conditional on a target spend of £8M being achieved between the NWDA approval of the scheme in November 2009 and March 2011.
- 2.4. Council Officers have been working with Bovis Lend lease to ensure that the above target is achievable within the agreed programme as failure to achieve this target could result in the grant received being less than the full NWDA £4M allocation. This is acknowledged as a risk to the project and highlights the need for the Programme to be adhered to and progress to be carefully monitored.
- 2.5. Members are also be aware that a funding application was submitted to the Heritage Lottery Fund in October 2009 for a further £2.8M contribution to the project. The Council has received a response that the HLF Board did not approve the application. However it appears that the HLF are willing to accept a further, 'more focussed' bid at a later Board meeting this year.
- 2.6. From a programming perspective, Council Officers have already undertaken a Value Engineering exercise with the design team with the aim of reducing the scope and hence the anticipated cost of the works in order for the project not be to be reliant on an HLF

contribution. This exercise has been completed in the full knowledge that the Business Plan remains largely unaffected. However, it should be acknowledged that the receipt of any HLF grant would help increase the scope of what the centre may offer, especially within the final fit out of the rooms.

- 2.7. Officers are anticipating meeting with the HLF team within the next few weeks to agree the focus of a second bid. If successful, a formal grant offer is anticipated later in 2010. Officers will need to determine how additional work can be completed without detrimentally affecting progress.

3. PROGRESS AND RISKS

- 3.1. Acknowledging the importance of fulfilling the principle requirements of the Funding Partners a programme of relocation, surveys and legal negotiations has been established in order to ensure that start on site can be established in May 2010.
- 3.2. Following approval from Cabinet Urgent Business in November, a specialist arts removal company have successfully removed the various works of art to storage for the duration of the works.
- 3.3. A programme of moves for existing staff has also been initiated using vacant space within other Council buildings.
- 3.4. Asbestos, Drainage, Dimensional and Structural Surveys have also been completed following the closure of much of the centre in December 2009. As some of the critical 'As Built Drawings' from the 1980's extension of the building have not been found, some further intrusive work has been necessary within the vacant shop units with Cambridge Walks. These works have been completed out of normal trading hours to minimise disruption to existing traders.
- 3.5. Members should be aware that agreement is required from the owners of Cambridge Walks, for the works to proceed. Their approval is dependent upon their own independent assessment of the impact of the works upon their property. It is anticipated that this assessment will have been completed and hence the legal documentation progressed by the date of this meeting.
- 3.6. If there is a delay in securing the appropriate consent it is suggested that an enabling package of works be let to ensure the May 2010 start date be achieved, but the appointment of Bovis for the main works is delayed until the consent is secured.
- 3.7. Arriva, who currently occupy space within the Cultural Centre were served a notice to surrender their lease by April 2010 in order to allow for vacant possession to be achieved. Arriva have asked for an extension to their current lease until August as their new premises are not available for occupation. Bovis and Officers are looking carefully at the implications of this.
- 3.8. The Council have also been negotiating with the owner of a shop in Cambridge Arcade to determine whether they would be willing to either surrender their lease in lieu of an appropriate compensation payment, relocate to an alternative unit, or cease trading for a short time whilst works progress around their shop. If they are unwilling to accept these offers, or a compensation sum can't be agreed, then works progress within the vicinity of the shop will be programmed to enable them to continue to trade, as per the condition of their lease.

4. TARGET COST

4.1. The budget headings for the various elements of the project are as per the table below. These costs are based on careful assessment component parts but will be subject to minor changes as the project develops,

4.2. As the table below demonstrates the cost remaining for the main works contract is £11.55M

Costs for Base Contract	Total
Main Contract (including 5% conting)	11,555,141
Service connection (paid in advance by the Council)	131,251
Client Fit Out (inc IT)	633,000
Acquisition	419,570
Relocation Costs	327,095
Design and administration fee	2,076,194
Other Fees (e.g. planning/other consultants)	88,023
Marketing and Consultation	7,000
Surveys	62,726
Total	15,300,000

4.3. The First Stage Tender exercise with Bovis identified the overheads and profits and preliminary percentages to be applied to the Works Packages. Capita have subsequently recommended a 5% contingency be allocated to the budget to fund any unforeseen costs.

4.4. Tenders have been invited for the key construction packages to determine an accurate cost. It is acknowledged that there are a number of less significant packages which still need to be subject to formal tendering when these areas of design have been further developed. Consequentially, Capita, in agreement with Bovis, have established realistic provisional sums for these remaining items.

4.5. Having completed this exercise, the following Target Cost has been established;

Works Packages including Prelims	10,789,114
Overheads and profits	215,782
Target Cost	11,004,896
Contingency (5%)	550,245
Total Anticipated Works cost	11,555,141

5. RECOMMENDATION

- 5.1. On the basis of the two stage tendering exercise completed, it is recommended that the Council enter into a Contract with Bovis Lend Lease for the delivery of the Southport Cultural Centre project for a Target Cost of £11,004,896.