

CABINET MEETING – 18 JUNE 2014
EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Washington Leisure Centre – Procurement of Equipment

Author(s):

Executive Director People Services

Purpose of Report:

The purpose of the report is to seek Cabinet approval to procure and award contracts for the provision of wellness centre equipment and a Combined Heat and Power Unit (CHU) for the new Leisure Centre at Washington.

Description of Decision: Cabinet is asked to:

- (i) Authorise the Executive Director of People Services to procure and award a contract to supply and install the wellness centre equipment for the new Leisure Centre at Washington
- (ii) Authorise the Executive Director of People Services to procure and award a contract to supply and install (under a lease arrangement) a Combined Heat and Power unit for the new Washington Leisure Centre.
- (iii) Authorise the Executive Director of People Services to take all necessary steps to give effect to the matters set out in this report.

Is the decision consistent with the Budget/Policy Framework? *Yes/No

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

In accordance with the Constitution, Cabinet approval is required in relation to procurements exceeding £250,000 in value. The costs associated with the wellness centre equipment are £377k and in relation to the CHP over the term of the lease are estimated to save £250k net revenue and as such Cabinet approval is being sought to proceed.

This equipment is essential to the successful and efficient operation of the new facility

Alternative options to be considered and recommended to be rejected:

The alternative options open to Cabinet are:

- (i) Not to procure and appoint a contractor to provide the wellness centre equipment, this option has been rejected given the wellness centre is an important element of the new facility in terms generating increased income and levels of participation in activity.
- (ii) Use the existing Wellness Centre equipment. There are approximately 50 stations in the existing Leisure Centre, of which some of the pieces of equipment are dated and will need replacing. The existing equipment will need to be supplemented with new equipment to fill the provided space in the new build.
- (iii) Not procuring a CHP unit is not recommended as it will result in higher energy use, cost and associated carbon emissions.
- (iv) Whilst outright capital purchase of the CHP unit is an option this is not recommended given this approach places the operational and maintenance risks associated with this specialist piece of equipment with the Council.
- (v) Cabinet are recommended to reject the alternative options.

Impacts analysed:

Equality ☐ Privacy ☐ Sustainability ☒ (CHP) Crime and Disorder ☐

Is this a “Key Decision” as defined in the Constitution? Yes

Is it included in the 28 day Notice of Decisions? Yes

Scrutiny Committee

WASHINGTON LEISURE CENTRE – PROCUREMENT OF EQUIPMENT

REPORT OF THE EXECUTIVE DIRECTOR PEOPLE SERVICES

1. Purpose of the Report

- 1.1 The purpose of the report is to seek Cabinet approval to procure and award contracts for the provision of wellness centre equipment and a Combined Heat and Power Unit for the new Leisure Centre at Washington.

2. Description of Decision

- 2.1 Cabinet is requested to:
- (i) Authorise the Executive Director of People Services to procure and award a contract to supply and install the wellness centre equipment for the new Leisure Centre at Washington
 - (ii) Authorise the Executive Director of People Services to procure and award a contract to supply and install (under a lease arrangement) a Combined Heat and Power unit for the new Washington Leisure Centre.
 - (iii) Authorise the Executive Director of People Services to take all necessary steps to give effect to the matters set out in this report.

3. Background

- 3.1 Cabinet will recall recommending the appointment of Pellikaan as preferred bidder to construct the new Leisure Centre at Washington in June 2013. The contractor has been on site since January 2014. Construction is progressing, as planned, for an intended opening of the indoor facility in spring 2015 with the 6 new outdoor pitches and new 100 space car park opening in the autumn of 2015.
- 3.2 The new Leisure Centre will provide:
- 6 lane 25m Pool and Learner Pool including leisure features and two hydro slides
 - 4 court Sports Hall
 - Additional multi-purpose hall designed to accommodate Trampolining Training to international standard
 - 2 glass backed Squash Courts
 - Sauna and Steam suite
 - Wellness Centre with 100 station gym, separate spinning facility, exercise studio and 2 consultation rooms
 - Soft play provision with connection from the ground to first floor
 - Provision of space and appropriate services to accommodate catering/retail activity
 - 6 external 3G small sided football pitches

4. Equipment Requirements

- 4.1 In order to maintain good progress with the development of the facility arrangements now need to be made to procure the wellness centre equipment and the Combined Heat and Power (CHP) unit.

4.2 Wellness Centre Equipment

- 4.2.1 The commercial viability of the existing leisure facility was considered and tested against each of the available leisure spaces during the design process of the new build. This exercise identified that expansion of the Wellness Centre provision over what is currently provided will have a positive impact on the costs associated with running the facility.
- 4.2.2 Through the procurement exercise we will be seeking the contractor to provide a range of equipment including cardio vascular, resistance machines, free weights, spinning bikes and functional training equipment. This will ensure the wellness centre appeals to a wide audience of existing and new customers.
- 4.2.3 As the facility is double the size of the current Wellness Centre it is projected within the business plan that there will be a significant increase in income as a result of increased participation in this area of the new facility. This increased income into the facility will contribute to reducing the overall subsidy aligned to this facility.

4.3 CHP Unit

- 4.3.1 Washington Leisure Centre is being designed to obtain a “Very Good” BREEAM rating in terms of environmental performance. The CHP unit is an essential piece of equipment to help reduce carbon dioxide emissions to a level that is required for this “Very Good” rating
- 4.3.2 The exact size/output of the CHP unit is to be finalised following the conclusion of the mechanical and electrical design. Based on installations at the other pools in the City the CHP is expected to save approximately 250 tonnes of carbon dioxide and a net revenue saving of £25,000 per annum
- 4.3.3 Consistent with prevailing arrangements across the Council, the preferred method of financing the CHP unit is via a 10 year discount energy purchasing (DEP) lease. Under this arrangement all of the operational risk and maintenance costs fall to the CHP provider rather than the Council. These arrangements are in place at the Aquatic Centre, Hetton and Silksworth Pools.
- 4.3.4 Subject to Cabinet approval arrangements will be put in place to ensure the most appropriate CHP unit is selected to secure the best value for money and minimising energy usage and carbon emissions.
- 4.3.5 A schedule of DEP costs along with equipment reliability, suitability and lead in times will provide the basis on which the suppliers will be evaluated.
- 4.3.6 The DEP agreement can be novated to any future operator of the leisure facility

5. Reasons for the Decision

- 5.1 In accordance with the Constitution, Cabinet approval is required in relation to procurements exceeding £250,000 in value. The costs associated with the wellness centre equipment are £377k and in relation to the CHP over the term of the lease are estimated to save £250k net revenue and as such Cabinet approval is being sought to proceed.
- 5.2 This equipment is essential to the successful and efficient operation of the new facility

6. Alternative Options

- 6.1 The alternative options open to Cabinet are:
- (i) Not to procure and appoint a contractor to provide the wellness centre equipment, this option has been rejected given the wellness centre is an important element of the new facility in terms generating increased income and levels of participation in activity.
 - (ii) Use the existing Wellness Centre equipment. There are approximately 50 stations in the existing Leisure Centre, of which some of the pieces of equipment are dated and in need of replacement. The existing equipment would need to be supplemented with new equipment to meet identified demand.
 - (iii) Not procuring a CHP unit is not recommended as it will result in higher energy use, cost and associated carbon emissions.
 - (iv) Whilst outright capital purchase of the CHP unit is an option this is not recommended given this approach places the operational and maintenance risks associated with this specialist piece of equipment with the Council.

6. Impact Analysis

6.1 Equalities

- 6.1.1 The selection of the gym equipment will be carried out to ensure the service offer includes fitness machines to safeguard equalities and DDA access.

6.2 Sustainability

- 6.2.1 The recommendations outlined above will ensure that the Council minimises carbon emissions from the energy use associated with the leisure centre.

7. Other Relevant Considerations / Consultations

7.1 Financial Implications

- 7.1.1 The Capital required to fund the wellness centre equipment is approximately £377k and is provided for within the overall capital allocation of £11.3m for the project
- 7.1.2 The funding for the CHP unit will be provided for via the lease arrangements which have been factored into the business plan for the new facility.

7.2 **Risk Analysis** -The Risk and Assurance Logs were prepared, updated and monitored throughout the project and this process will continue until the building is constructed.

7.3 **Legal Implications**

7.3.1 The procurement procedure will be conducted in a manner which is consistent with the Council's obligations under The Public Contracts Regulations 2006 (as amended).

7.3.2 The CHP unit is required to help ensure the new Washington Leisure Centre meet the criteria of Part L of the current Building Regulations.

7.4 **Project Management Methodology**—The Council standard project management methodology will be followed.

7.5 **Procurement**

7.5.1 The procurement procedure will be conducted in a manner which is consistent with the Council's obligations under The Public Contracts Regulations 2006 (as amended).

9. **Background Papers**

9.1 The following background papers were relied upon to complete this report:
Cabinet Report – Washington Leisure Centre Replacement 10 October, 2012 and 17 June 2013.