



Agenda Item:

Originator: D S Evans

Tel: 77854

Appendix 1 is confidential/exempt under Access to Information Procedure Rule 10.4.3 'Information relating to the financial or business affairs of any particular person (including the authority holding that information)'. It contains information which if disclosed to the public would, or would be likely to prejudice the commercial interests of the Council. Appendix 1 will be circulated to Members at the meeting and collected back in following consideration of the matter.

**Report to Executive Board**

**Date: 13 December 2006**

**Subject: Swimming and Diving Centre, John Charles Centre for Sport  
Capital Scheme Number: 02794 / 000 / 000**

**Electoral Wards Affected:**

Middleton Park, Beeston and Holbeck,  
City and Hunslet

**Specific Implications For:**

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In  
(Details contained in the report)

**EXECUTIVE SUMMARY**

The report advises the Executive Board of the current budget shortfall as detailed in appendix 1 of the report, which is confidential under Access to Information Procedure Rule 10.4.3. The Project Board has identified additional funding of £665,000 for the proposed development of the new Swimming and Diving Centre which is due to be completed and open in September 2007. It details a number of work areas that have contributed to the current budget shortfall, the reasons and the actions that have been, and are being, undertaken to try and reduce the current budget deficit.

The report advises that additional external funding has been sought from both Sport England and Yorkshire Forward but such approaches have been rejected. In addition the report outlines a number of cost saving exercises that have been undertaken at various stages of the project. The consultant Project Manager and Design Team are working on preparing an anticipated final account by late January 2007.

The report recommends that the Council authorise incurring additional expenditure as detailed in appendix 1, and identifies the funding required to meet the current budget shortfall.

## 1.0 PURPOSE OF THIS REPORT

- 1.1 The purpose of this report is to update Members on the schemes latest position and to seek approval for the Council to authorise the additional funding required to make up the current budget shortfall.

## 2.0 BACKGROUND INFORMATION

- 2.1 The new Swimming and Diving Centre which will replace the current Leeds International Pool (LIP) is being built at the John Charles Centre for Sport. The new centre includes a 10 lane 50m pool which can be subdivided into three areas to offer maximum flexibility of use, diving tank with boards up to 10m high, dryland training gymnasium, seating for 800 spectators, dance studio, wet and dry area changing rooms, meeting room, café and kitchen area. The diving tank and part of the swimming pool also incorporate adjustable height floors again to offer maximum flexibility of use. It also includes a new 370 space car park and Phase 1 of the new link road connecting Middleton Grove to Old Run Road in Belle Isle.
- 2.2 The funding profile for the scheme as approved at Executive Board in January 2005 can be summarised as follows:

Sport England	£ 4,761,000
Leeds City Council (part receipt from LIP)	£11,469,700
<b>Total (excluding link road phase 1)</b>	<b>£16,230,700</b>

- 2.3 In March 2005, following a competitive tender exercise where cost and quality was evaluated by Officers from Learning and Leisure, Corporate Procurement Unit and Development, Sir Robert McAlpine Ltd were appointed to build the new Swimming and Diving Centre. The contractors commenced work on site in April 2005 with a programmed completion date of 28 February 2007. The car park and phase 1 of the Link Road are now complete. The remainder of the project is approximately 60% complete with most of the external fabric of the building now in place and it is envisaged that the remaining works will be complete and the building open in September 2007.

## 3.0 MAIN ISSUES

- 3.1 The current project cost, and the overspend are identified in appendix 1 which is confidential under procedure rule 10.4.3 for the reasons identified in 6.1
- 3.2 The main reasons for the scheme being over budget are outlined below. The projected costs are shown in Appendix 1, which is confidential under category 10.4.3 due to some of the costs still being subject to final agreement with the contractor.

### **Piling and Statutory Services**

- 3.2.1 All tenderers stated in their tender submissions that they were not willing to provide a lump sum price as requested for the piled foundations and that the piling would be

subject to remeasuring once the work was complete. The tenderers adopted such a position due to the magnitude of the risk in that the integrity of the rock and the ultimate depth of the piles could not reasonably be forecast until the post tender test piling had been carried out. The design team reviewed these tender qualifications and advised that going back out to tender was likely to result in new tenders that would be higher than the cost of accepting the contractor's qualifications.

### **Variations**

- 3.2.2 These are items that have come to light once the contractor started work onsite. The reasons for these are detailed in appendix 1 which is confidential under Procedure Rule 10.4.3. Examples of such variations include amended/additional structural steelwork, concrete reinforcement, gas membrane, fire boarding and drainage.

### **Additional Works**

- 3.2.3 These are areas of work which could not have been reasonably foreseen at tender stage. It includes part of the excavated earth which was originally planned to be used for the link road having to be taken offsite to a licensed tip due to contamination. The site investigation undertaken did not reveal this contamination. It also includes the need to alter the Stadium escape ramp due to the sequence of the work, drainage alterations and service alterations within the car park.
- 3.3 The Project Manager, design team and cost consultants are undertaking a detailed review to estimate the anticipated final cost. This is programmed to be complete by late January 2007 and will be reported in the February Capital Review report to Executive Board. It is likely that there will be significant additional costs, for the reasons detailed in Appendix 1, which is confidential under category 10.4.3.

## **4.0 ACTIONS TAKEN TO REDUCE PROJECT OVERSPEND**

- 4.1 Additional funding has been sought from both Sport England and Yorkshire Forward to reduce the deficit but the requests were unsuccessful.
- 4.2 As soon as a budget shortfall was identified to the Project Board they requested that the design team look at the potential of reducing specifications/omitting areas of work from the project in order to contain the project in budget. The Project Board considered reducing specification of various elements of the building, reducing the spectator seating and omitting the dance studio and associated dry changing rooms
- 4.3 The Project Board concluded that there was little real opportunity to reduce the scope of works/specification given that there had already been extensive value engineering exercises undertaken to identify cost savings and that given the stage in the construction programme considerable abortive costs would be incurred, minimizing any savings that may be achieved. The Project Board had looked at omitting the first floor containing the dance studio and dry changing rooms but when consulted Sport England informed the Council that if this was done they would reduce their grant accordingly.

- 4.4 The Chair of the Project Board requested that independent reports be procured to advise what actions needed to be taken to try and reduce the budget overspend. Subsequently, the following reports were procured:-
- (i) Advice on potential claims (received October 2006).
  - (ii) Audit of how the design team, contractor and client have performed with actions to be undertaken to improve organisational arrangements of the project (received November 2006).
- 4.5 The independent reports referred to in item 4.4 above, the contents of which are confidential under Access to Information Procedure Rule 10.4.3, include recommendations as to how the financial position of the project may be able to be improved. The independent consultants recognise that the position the parties are taking is causing a strain on their relationship. The key recommendations from the independent reports are included in appendix 1.
- 4.6 Ahead of the conclusions of the independent reports the Project Board concluded that the Project Manager from Lend Lease was not performing adequately and should be replaced. Lend Lease have agreed with this and a new Project Manger has been in place since early October 2006 with active support from his Regional Director. Initial indications show that the new Project Manager is adopting a more proactive approach, both to addressing the concerns raised by the Project Board and to the project itself. He has sought to introduce the following before the end of November:-
- (i) A site based design manager whose primary role will be to interface between the contractor and the design team to ensure information queries and specification/contract disputes are reduced and resolved quickly to enable satisfactory completion of the project. This will help to prevent the design team from being diverted from their primary task of providing necessary instructions and information in order for the contractor to build the facility. The Project Manager proposes that this role will be funded from the existing fee allowance for the Clerk of Works.
  - (ii) A revised and more robust method to control any potential changes and therefore additional costs to the project.
  - (iii) Clearer cost and Project Board reporting.

## **5.0 CONSULTATION**

- 5.1 A wide range of consultation was undertaken in the preparation of the scheme design. The organisations consulted included Sport England, Amateur Swimming Association, local aquatic organisations, local community as well as statutory undertakers.

## **6.0 LEGAL AND RESOURCE IMPLICATIONS**

- 6.1 The Appendix to this report contains information which if disclosed to the public would, or would be likely to prejudice the commercial interests of the Council. The Appendix contains costs and details about the relationships between the parties and if

disclosed may prejudice the Councils position in dealing with potential claims and future negotiations.

- 6.2 In January 2005 Executive Board approved total funding for the scheme of £16,230,700. This consisted of £4,761,000 Sport England Lottery Grant and a Council contribution of £11,469,700 from the sale of the Leeds International Pool site (LIP). This funding package excluded the cost of the Link Road Phase 1 scheme which was funded from a budget provided from within the Development Department
- 6.3 Members of Executive Board should note that a condition within the Sport England Grant award stated that if the difference between the total project cost and the final sale figure achieved for the LIP site is less than £5m, then the award will be reduced accordingly. As the difference between the estimated final cost of the facility and the estimated sale of the LIP is now more than £5m then the grant will be maximised at £5m with additional Sport England funding of £239,000.
- 6.4 In a report to Executive Board entitled South Leeds Stadium Link Road and dated 15 September 2004 the Swimming and Diving Centre scheme provided £250,000 funding for improvement of non- vehicular access from the surrounding communities to the facility. Subsequently the footpath access to the Stadium has been improved by means of works to the new Link Road scheme and the new South Leeds High School scheme thus reducing the extent of works required to improve footpath access to the facility. Therefore, the Project Board has recommended that £150,000 of this £250,000 funding be returned to the Swimming pool scheme to help fund the budget deficit.
- 6.5 The Project Board have identified and supported the following additional funding provision to help offset the projected budget shortfall:
- |       |  |          |
|-------|--|----------|
| (1)   | Maximisation of £5m Sport England Grant<br>(see item 6.2)                                      | £239,000 |
| (ii)  | Learning and Leisure funding for equipment   | £276,000 |
| (iii) | Transfer of footpath funding back to this scheme<br>from Development Department (see item 6.3) | £150,000 |

The total funding identified by Project Board is therefore £665,000.

## **7.0 RISK ASSESSMENT**

- 7.1 There remains a risk that unforeseen costs will arise as practical completion is not due until July 2007. The new project management team is working with the Design Team and Cost Consultants to provide an anticipated final cost but this will not be available until January 2007. However, even when this is received there still remains 7 months before the project is complete when further additional costs may arise. These risks are being mitigated by actions stated in items 4.4 to 4.6. The anticipated final costs will also include a contingency figure to cover this risk.
- 7.2 The remaining risks are included with Appendix 1 as they are confidential under procedure rule 10.4.3

## **8.0 COMPLIANCE WITH COUNCIL POLICIES**

- 8.1 The Councils Corporate Plan identifies the need to:
- (i) Make the most of people. This scheme will increase swimming participation with subsequent health benefits.
  - (ii) Looking after the environment. It has a number of energy saving initiatives including a combined heat and power unit

## **9.0 RECOMMENDATIONS**

- 9.1 Executive Board is requested to approve the recommendations detailed within Appendix 1 which is confidential under procedure rule 10.4.3. The recommendations are to approve the identified funding to make up the current budget shortfall.