

<b>Fakenham Leisure and Sports Hub</b>	
<b>Executive Summary</b>	This report provides an update on the progress to date on the delivery of Fakenham Leisure and Sports Hub project and also sets out the procurement options for delivering the project.
<b>Options considered</b>	<ul style="list-style-type: none"> <li>• Procure delivery of the project through a traditional procurement process – not recommended due to the time taken not delivering the project to required timescales.</li> <li>• Procure delivery of the project through a single stage design and build process – not recommended due to likely impact on interest of suitable regional suppliers with strong local supply chains not bidding.</li> <li>• Procure delivery of the project through a two stage design and build procurement process - recommended as meets both timescales and strong supply chain/quality requirements.</li> <li>• Not to continue with the project - this would not meet the aspirations set out on the Corporate Plan objectives and Annual Action Plan.</li> </ul>
<b>Consultation(s)</b>	
<b>Recommendations</b>	<p>It is recommended that:</p> <ul style="list-style-type: none"> <li>• Progress on the Fakenham Leisure and Sports Hub Project to date is noted.</li> <li>• Members note the predicted inflationary costs of £450,000 since the bid was submitted and agree to make budgetary provision to meet these additional costs not covered by the Levelling-up Funding.</li> <li>• That Members note that no formal confirmation of funding has been received from the Department for Levelling Up, Housing and Communities.</li> <li>• Members agree to the use of a Two Stage Design and Build procurement process for the delivery of the Fakenham Leisure and Sports Hub project via a direct award to Contractor A through a Framework.</li> <li>• Members agree to make additional budgetary provision in respect of the Framework fees to a maximum of £330,000</li> <li>• Members delegate to the to the Director of Communities, in consultation with the Section 151 Officer and Portfolio Holder for Finance, to</li> </ul>

	<b>make the award through the framework which it is felt delivers the best cost benefit, considering the cost of access and additional services provided.</b>
<b>Reasons for recommendations</b>	<ul style="list-style-type: none"> <li>• <b>To keep members apprised of progress to date and to ensure that the project is delivered to meet the required Levelling-up Fund deadlines and meets the councils aspirations on cost certainty and quality.</b></li> </ul>
<b>Background papers</b>	<ul style="list-style-type: none"> <li>• <b>Report to Full Council – 27<sup>th</sup> July 2022</b></li> <li>• <b>Report to Full Council – 20<sup>th</sup> December 2023</b></li> </ul>

<b>Wards affected</b>	Fakenham wards (Lancaster North and South); and wards in the west of the district including Briston, Priory, Stibbard, Stody, The Raynhams, Walsingham; Wells with Holkham.
<b>Cabinet member(s)</b>	Cllr Tim Adams, Leader of the Council
<b>Contact Officer</b>	Steve Hems, Director for Communities Email:- <a href="mailto:steve.hems@north-norfolk.gov.uk">steve.hems@north-norfolk.gov.uk</a> Tel:- 01263 516182

<b>Links to key documents:</b>	
Corporate Plan:	The 2023-2027 Corporate Plan themes - Developing our Communities and A Strong, Responsible and Accountable Council.

<b>Corporate Governance:</b>	
Is this a key decision	NO
Has the public interest test been applied	Yes – there is private or confidential information to be considered by this report
Details of any previous decision(s) on this matter	See meeting minutes for Full Council on the 21 <sup>st</sup> December 2023

## 1. Purpose of the report

- 1.1 To advise Council of progress to date on delivering the project, the next steps and to gain agreement on the proposed route to procurement of the construction phase of the contract.

## 2. Introduction & Background

- 2.1 In response to a call for applications under Round 2 of the Levelling Up Fund programme in March 2022, North Norfolk District Council developed a proposal for the Fakenham Leisure and Sports Hub facility in partnership with Fakenham Town Council and the District Council's leisure contractor, Everyone Active. This proposal envisaged an £11million project to extend the existing Fakenham Sports Centre facility at Trap Lane in the town to include a 25-metre four-lane swimming pool with moveable floor, extended gym and fitness studio facilities, 3G all-weather pitch and environmental improvements to the existing sports hall building.
- 2.2 Details of the project to be the subject of the Levelling Up Fund Round 2 application were approved by Full Council at its meeting of the 27<sup>th</sup> July 2022 and the project was submitted to Government on 2<sup>nd</sup> August 2022. Round 2 of the Levelling Up fund programme was four times overbid and in January 2023 the District Council was advised that the Fakenham project had not been successful in being awarded Levelling Up Fund monies. As the project proposal was heavily reliant on Government support, the District Council has not committed further resources to developing the project in the period since January 2023.
- 2.3 The Government subsequently announced that a number of projects would be supported through a Levelling Up Round 3 announcement on 20<sup>th</sup> November 2023 and that five further projects, including the Fakenham Leisure and Sports Hub project, would receive funding support in the Chancellor's Autumn Statement on 22<sup>nd</sup> November 2023. The funding support offered reflects the application for Levelling Up Fund Round 2 funding made by the District Council ie with Government funding of £9,856,277 towards total project costs of £10,951,419, meaning that the project can now be taken forward.
- 2.4 At the Full Council meeting on the 20<sup>th</sup> December 2023 it was resolved that:
- 1. Full Council welcomed the Government funding of £9.856million awarded towards the cost of the Fakenham Leisure and Sports Hub project. The Council further recognised that confirmation of the Government funding would allow plans for the new facility to be taken forward in the coming months.**
  - 2. Council approved the establishment of a Capital Budget of £11million for the Fakenham Leisure and Sports Hub project within the Capital Programme.**
  - 3. Council approved the funding of this project made up of £9.856million of Levelling Up Fund (central government) monies, £0.408million Section 106 monies, £0.575million from the Football Foundation and the value of the land contributed by Fakenham Town Council. Any shortfall in this funding would need to be funded by the Council, for which borrowing will be taken.**
  - 4. Council approved the project management and governance arrangements for the project as outlined in Section 3 of the report.**
  - 5. A traditional procurement process would disadvantage the Council due to the timescales involved and supports an exemption under the**

**Contract Procedure rules to appoint the consultants, FMG Consulting, who have previously worked on this project, as principal advisors to the Council in the development and delivery of the Fakenham Leisure and Sports Hub proposal.**

**6. Subject to recommendation 3 above, delegated authority is given to the Director of Communities to appoint FMG Consulting to advise the Council on the detailed design, construction and tender processes for the project including the submission of a planning application for the development.**

**7. Tender prices received to be reported to Council for approval before any construction contract is awarded as a key “gate” point in the delivery of the project.**

2.5 The funding requirement for the project to be completed by the end of March 2026 is a significant pressure and key driver in some of the decision making for the project.

### **3. Progress update**

3.1 In early January 2024 work began to progress the project. It became apparent that the original recommendation to suspend standing orders and make a direct award to FMG Consulting (FMG) was not possible due to the likely value of that award. It was therefore necessary to find a route to award which did not involve a lengthy procurement process.

3.2 In consultation with the Procurement Officer and Monitoring Officer, the award to FMG was made through a framework agreement, allowing the direct award but remaining compliant with procurement rules. Prior to this award FMG and their team worked “at risk” in order to keep the project on time.

3.3 The requirement to submit the second stage validation to the Department of Levelling Up, Housing and Communities to a relatively short deadline would not have been deliverable without this “at risk” work by FMG. The validation submission required updating of the original costing figures submitted with the bid in August 2022 and confirmation that the project timeline was capable of being delivered by deadline date of March 2026.

3.4 The validation was submitted by the deadline of the 2<sup>nd</sup> February 2024. The figures submitted allowed for the inflationary costs due to the time which has passed since the original scheme had been submitted. These inflationary costs amounted to £450,000.

3.5 Confirmation was provided to the Validation Team that the project could be completed by the end of March 2026.

3.6 Despite chasing repeatedly for updates, at the time of drafting this report, there has not been any further clarification questions from the Validation Team or confirmation that the funding is confirmed for the project. Whilst the Council has received the grant offer letter in the absence of formal confirmation that the funding has passed the second stage validation, any further work completed on the project is at the Council’s financial risk. An update will be provided once information is provided back from the Validation Team.

- 3.7 The Governance arrangements set out in Section 3 of the Full Council report of the 20<sup>th</sup> December 2023 have been established with the internal Project Team and external Steering Group having been formed. A Project Team meeting was held on the 29 January 2024 as a kick-off meeting for the project. The first meeting of the steering group took place on the 5 February 2024.
- 3.8 To enable the project team to develop the design brief, beyond the initial work completed to support the bid submission, for the Stage 2 design a number of surveys have been undertaken and briefing workshops held including:
- Project Steering Group meeting
  - Measured Building Survey
  - Topographical Survey
  - Design Briefing Session – Building Control
  - Design Briefing Session – Planning
  - Design Briefing Session – Sustainability
  - Site Inspection Meeting
  - Design Briefing Session – Leisure
  - Design Briefing Session – 3G Pitch (FA & Football Foundation)
- 3.9 In addition to the briefing sessions an initial procurement options appraisal workshop was undertaken to establish the possible procurement routes available to deliver the project. Considerations which were taken into account during this workshop included:
- the length of time each would take and the impact this would have on the deliverability of the project.
  - How the market was likely to view each procurement option and therefore the likelihood of limiting the pool of potential bidders.
- 3.10 It was clear from the discussions during the briefing session that some procurement routes were not feasible either due to the length of time that they would take or the likely lack of appetite from contractors rendering the project undeliverable.
- 3.11 In order to test the position further a Pre-Market Engagement Workshop was arranged to which three regional contractors with swimming pool and leisure experience were invited. Additionally, a provider of an alternative framework option was invited to present their model for further consideration. The workshop was held in accordance with the planning and conduct of procurement procedures in relation to 'preliminary market consultation' under regulation 40. Each presenting contractor was informed of this and that their attendance did not pre-qualify them for any further involvement.
- 3.12 Further detail and consideration of this workshop is set out in section 5 of this report.
- 3.13 Procurement processes through a Request for Quotation (RFQ) tender and evaluation has recently been undertaken for the following key specialist design consultants:
- Building Services Engineer
  - Pool Filtration Engineer

- Civil & Structural Engineer

3.14 Further design briefing sessions have taken place since the drafting of this report including return visits with Building Control as the design develops and updates with the Football Association and Football Foundation.

#### **4.0 Next Steps**

4.1 Further investigation surveys will be procured with specification and briefing provided through the consultant team including those for:

- Geotechnical Survey
- Ecology Surveys
- Arboricultural Surveys
- Flood Risk Assessments
- Highways, Transport, Travel Assessments
- Utilities Survey

4.2 These will need to be tendered, scored, evaluated with recommendations issued in March 2024 for Council consideration and instruction.

4.3 The most significant next step to be taken is to decide on the preferred procurement route. This report sets out the options available, a brief appraisal of each option against the project requirements informed by the procurement appraisal workshop and pre-market engagement workshop which have been undertaken by some of the project team.

- Commence Stage 1 tender process March 2024
- Award preferred Principal Contractor under PCSA April 2024
- Stage 3 design development April to June 2024
- Stage 2 negotiation period June to August 2024
- Agree Contract sum & award of Contract August 2024

#### **5.0 Procurement Options**

5.1 There are three main procurement routes to deliver the Fakenham Sports and Leisure Hub project. A summary of these routes is set out in Appendix 1 to this report.

5.2 In considering the most appropriate route to market for the procurement several key considerations have been taken into account:

- The ability of the chosen route to meet the project delivery timelines that also achieves early cost certainty and maintains the Council's quality aspirations.
- Lessons learnt from the Reef project in Sheringham, in particular in relation to attracting regional contractors with relevant swimming pool experience and strong local supply chains.

5.3 In summary the following points were reviewed in conjunction with the above project specifics;

- Design & Build is a quicker procurement method than Traditional (no requirement for fully detailed design and a bill of quantities) which supports the key driver i.e. LUF funding timescales.

- Contractors and consultants are familiar with Design & Build (especially in the local market). Contractors can assist in the final design ensuring 'buildability' and co-ordination.
- There should be greater cost certainty as the contractor takes the risk for developing the construction design and overall build (and with appropriate contract amendments, the majority of design/construction risk is passed to the contractor).
- In addition to the above point, there is a single point of responsibility for delivering the project. With traditional procurement, the client's consultant team are responsible for delivering detailed construction details which can lead to change, increased costs and programme delays.

5.4 Of the options available the following conclusions were reached:

5.4.1 **Traditional:** The traditional procurement route would not allow for the project to complete by the required deadline due to the length of time the process would take. On this basis it was discounted.

5.4.2 **Single Stage Design and Build:** This route is quicker than a traditional procurement and would enable the timetable to be met. A single stage design and build was used for the procurement of the Reef construction. Whilst the Reef has been a hugely successful project for the Council it is appropriate that relevant lessons learnt are reflected in this project.

5.4.3 The key learning from the Reef was that a single stage design and build was not attractive to key regional contractors and attracted contractors from across the UK who lacked swimming pool experience, a regional presence and or suitably experienced subcontractors in North Norfolk. Management and quality of workmanship suffered when traveling from further afield with Quality Assurance and Supervision procedures falling short of expectation.

5.4.4 During the Pre-Market Engagement Workshop, each of the attending contractors was asked to comment on their appetite for the project. All indicated their appetite for the project, but two of the three regional contractors indicated they would not bid if the procurement route was a single stage design and build. On this basis the Single Stage Design and Build procurement route was not considered to be the most appropriate for this project.

5.4.5 **Two Stage Design & Build:** Two-stage tendering is a procedure typically used to achieve an early appointment of a contractor to a lump-sum contract. For the first stage, the objective is to competitively appoint, on the basis of limited information, a preferred contractor for further negotiation.

5.4.6 The first-stage competition is typically based on deliverables including a construction programme and method statement, detailed preliminaries pricing, and overheads and profit. The first stage may also include the competitive tendering of some work packages, together with lump sums for pre-construction services, design fees, risk margins for work that will not be tendered in the second stage. The first stage concludes with the appointment of a preferred contractor on a separate pre-construction services agreement (PCSA) prior to the completion of a contract at the end of stage two i.e. JCT contract.

- 5.4.7 The second stage, which is typically managed as a negotiation between the employer and the preferred contractor relies upon competition between the preferred contractors supply chain for work packages under an agreed open book tender with three subcontractor returns. The second stage is concluded with the agreement of a lump-sum contract sum, based upon the competitive tender of circa 80% of the value of work packages.
- 5.4.8 This process is undertaken via cooperation in terms of the negotiation elements during the second stage.
- 5.4.9 The two-stage tender option is typically adopted for a number of reasons, including:
- Achieving early appointment of the main contractor ahead of the completion of design, and a quicker start on site.
  - Securing the involvement of a contractor for pre-contract services on a competitive basis, to obtain input on buildability, sequencing and subcontractor selection.
  - Retaining greater client involvement in the pre-selection and appointment of subcontractors.
  - Motivating the design and construction team to drive out cost and to drive in value.
  - Transferring a greater degree of design and other construction risk to the principal contractor.
- 5.4.10 The two-stage process meets the project timescale requirements and would ensure that key regional contractors would have an appetite to deliver the project. For these reasons the Two Stage Design & Build route procurement is recommended for the delivery of this project.
- 5.5 During the Procurement workshop it was established that there were further options to deliver the Two Stage Design & Build procurement route.
- 5.6 The first would be a direct award through an existing framework. The second would be to run a two stage design and build procurement exercise. Whilst the use of a framework provides the quickest route to market there are additional costs associated with accessing the framework. Running the two stage design and build would save these costs but is likely to take longer, need additional input from the internal project team and additional services delivered through FMG Consulting, with resultant additional costs.
- 5.7 Due to the key driver of the LUF completion deadlines and in order to streamline the process as much as possible it is recommended that a framework solution is the preferred route.
- 5.8 Frameworks provide quick route to procurement as the framework providers have already undertaken a compliant procurement process to obtain competitive prices. The use of a framework provides the quickest route to market for the project. There is a cost to use the framework and this varies from framework to framework but typically is a percentage of the overall cost of the project.
- 5.9 In respect of the frameworks considered for the Fakenham Sports and Leisure Hub project it is anticipated that the additional cost of using the framework will be in the range of £230,000 – £330,000, although negotiations are still



continuing at the time of the drafting of this report. This cost was not included in the bid submitted as part of the bid process and so would have to be funded by North Norfolk District Council.

5.10 Pre-Market Engagement workshop:

- FMG Consulting identified a number of key national contractors with regional bases who have experience of delivering projects in the leisure area. These three contractors were approached to attend a workshop to explore a number of issues around the project, to gauge their approach and preferences around procurement.
- The aim of these discussions was to provide greater understanding to the Project Team as to what route would to procurement would meet the aspirations of the project around timescales, cost certainty and quality aspirations.
- A provider of an alternative procurement model was also invited to attend.

5.11 Details of the workshop outcomes are considered commercially sensitive and therefore included in the confidential Appendix to this report.

## **6.0 Corporate Priorities**

6.1 Delivery of the Fakenham Leisure and Sports Hub project supports the Council's Corporate Plan themes – Developing our Communities and A Strong, Responsible and Accountable Council.

6.2 The Annual Action Plan was update following the announcement of the funding from a proposed action to re-submit the Fakenham Leisure and Sports Hub project in any Round 3 of the Levelling Up Fund programme, to state "Development and Delivery of the Fakenham Leisure and Sports Hub proposal".

## **7.0 Financial and Resource Implications**

7.1 Development of this new facility - swimming pool and 3G pitch - will have an impact on local rates of participation in sport and wellbeing activities in the Fakenham area, based on the experience of participation rates at The Reef, Sheringham. Additional users of the new facilities at Fakenham would be expected to have a positive impact on the contract arrangements between the Council and its leisure contract partner, Everyone Active and work will be undertaken to assess such returns as the project is developed up until the tender approval stage of the project and reported to members at that time.

7.2 The Director of Resources (Section 151 Officer) has provided the following comments in advising on the preparation of this report:-

7.3 The original bid to Government was for a project value of £11million which has increased to £11.780 million due to inflationary costs and additional budgetary provision in respect of the Framework fees. Government funds have recently been awarded to the project totalling £9.856 million. This requires the Council to match-fund the project potentially up to £1.560 million, which could reduce by £575,000 following receipt of funding from the football Foundation subject to meeting specific requirements. This would have to be funded through borrowing.

## **8.0 Legal Implications**

- 8.1 The Monitoring Officer has provided the following comments in advising on the preparation of this report:-
- 8.2 The Project Lead Officer will be required, within the Council's project governance framework, to comply with the Contract Procedure Rules and continue to liaise with the Council's Procurement Officer with reference to the two-stage process.

## **9.0 Risks**

- 9.1 There are a number of potentially significant risks associated with this project, which are being managed via a Project Risk Register.
- 9.2 The most significant risk is the lack of formal confirmation of funding, following submission of the second stage validation on the 2<sup>nd</sup> February 2024. This means that the Council is working at risk in respect of the expenditure on the project until formal confirmation is received.

## **10.0 Net Zero Target**

- 10.1 A significant element of the £11million project budget (£1million) was for the incorporation of environmental / Net Zero features within the design and operation of the new facility, including retro-fitting measures to the existing Sports Centre through additional thermal efficiency measures, incorporation of solar photovoltaic roof panels etc. These measures will be given detailed consideration in the development of the detailed project design.
- 10.2 Potential contractors were asked to present their approach to decarbonising the development in relation to both the new build and retrofitting measures to the existing building. There was a consistency of approach to the measures proposed and these were in line with some work undertaken by the Greater South East Net Zero Hub.
- 10.3 Further work will be completed as part of the design brief work to consider further the potential decarbonising measures which will be included in the design. The proposed project design will be taken through the Council's new De-carbonisation Strategic Group such that due consideration can be given to the Council's stated Net Zero objectives alongside issues of value for money, carbon-pricing and offsetting etc.

## **11.0 Equality, Diversity & Inclusion**

- 11.1 The new Fakenham Leisure and Sports Hub facility will be developed with detailed consideration of Equality, Diversity and Inclusion issues, building on the learning gained through the delivery and operation of The Reef leisure centre at Sheringham and the sharing of plans with our leisure contract operator, Everyone Active and the proposed Engagement Group.

## **12.0 Community Safety issues**

12.1 The detailed plans for the new facility will be designed to minimise opportunities for crime and anti-social behaviour, including engagement with the Norfolk Constabulary Architectural Liaison Officer as appropriate.

## **13.0 Conclusion and Recommendations**

13.1 Progress on the project has been good and is on track for delivery in accordance with the timescales required to meet the Levelling up Fund deadlines.

13.2 The decision on the procurement route will allow the project to continue to be delivered at the required pace. A further report will be provided to Full Council when the construction tender prices are received in late August 2024.

13.3 It is recommended that:-

13.3.1 Progress on the Fakenham Leisure and Sports Hub Project to date is noted.

13.3.2 Members note the predicted inflationary costs of £450,000 since the bid was submitted and agree to make budgetary provision to meet these additional costs not covered by the Levelling-up Funding.

13.3.3 That Members note that no formal confirmation of funding has been received from the Department for Levelling Up, Housing and Communities.

13.3.4 Members agree to the use of a Two Stage Design and Build procurement process for the delivery of the Fakenham Leisure and Sports Hub project via a direct award to Contractor A through a Framework.

13.3.5 Members agree to make additional budgetary provision in respect of the Framework fees to a maximum of £330,000

13.3.6 Members delegate to the to the Director of Communities, in consultation with the Section 151 Officer and Portfolio Holder for Finance, to make the award through the framework which it is felt delivers the best cost benefit, considering the cost of access and additional services provided.

## **Appendix 1**

### **Procurement Options**

#### **Traditional**

- Design / Consultant Team appointed fully by the client through the life of the project
- Full set of tender design information and a Bill of Quantities prepared by the consultant team
- Open tender process, usually based on lowest price selection
- Risk profile; all risks sit with the client
- Timescales; longer design process and notorious slow process tender / negotiation process
- Consultant costs higher due to the level of detail required, at this stage and cost of preparing Bill of Quantities

#### **Single Stage Design & Build**

- Design / consultant team appointed from RIBA 1 to 4a
- Full set of Design & Build tender design information prepared by the consultant team
- Open tender with a Pre-Qualification Questionnaire/Invitation to Tender stage pre-stage to select a shortlist of contractors
- Tender to 3/4 contractors, usually based on lowest price wins
- Fixed price at tender stage
- Risk profile; Design & Build risk transfer to contractor
- Timescales; faster than traditional but slower than two stage
- Client also appoints a monitoring team to review Contractor design proposals and provide ongoing advice to Client

#### **Two Stage Design & Build**

- Design / Consultant Team design the project from Inception to planning (RIBA 1 to 3)
- Design / Consultant Team develop the 'Employers Requirements'
- Simultaneously a procurement process begins to identify 'Preferred Contractor'
- Either through an Open process or through a recognized framework
- Ideally the preferred contractor shadows the scheme through RIBA 3 or as early as possible
- From RIBA 3 onwards the Contractor and Designers work on a PCSA (Pre Contract Services Agreement) to contract
- Second stage commercially takes longer, than a straight bid, and costs not known until final package of work procured
- Construction contract is signed with designers appointed by the Design & Build contractor deliver the scheme
- Risk profile; Design & Build risk transfer to contractor
- Timescales; faster than single stage because the preferred contractor is appointed earlier, shadows the project and prices it in tandem with the design as it develops (no tender period in the programme)