

Cabinet Report – Update on Gurnell Leisure Centre

Appendix 1 – Leisure Centre Construction Procurement Options Appraisal

The following options have been considered for the delivery of the leisure centre:

- Traditional
- Design and Build (single-stage)
- Design and Build (two-stage)
- Design, Build, Operate and Maintain (DBOM)

Guiding principles

In the development of this procurement strategy we have applied the following guiding principles to identify the most suitable procurement route for the leisure centre construction.

- Cost Certainty – the Council is protected from changes in costs;
- Quality of Design – design of the public assets is of a standard that is positively received by the public and prolongs the asset life;
- Delivery & Programme Certainty – the option ensures that the project is delivered on time;
- Risk Transfer to achieve best value for the Council; and
- Financial Sustainability – the project does not unnecessarily expose the council to financial variations during the works or operation of the facilities.

The four procurement options have been evaluated based on these guiding principles.

	Traditional	D&B 1 Stage	D&B 2 Stage	DBOM
Cost Certainty	With the design fully developed before priced by the builder, this option provides the most cost certainty compared to the other options.	This one stage process can lack the understanding or clarity required by the bidding parties and sometimes post appointment the interpretation of information has been misunderstood resulting in claims or variations which dilute cost certainty.	The process for identifying the contractor is more refined with a two stage process. Under this approach the design is developed with the building contractor to reflect the Council requirements but to reflect market conditions, buildability etc. Price is likely to be more certain.	Cost certainty on the capital costs are away from the Council and allocated to the Consortia. In theory the DBOM optimizes the cost between design, buildability and operations.
Planning ease	Council will have full control over planning before appointment of the contractor.	Council will have full control over planning before appointment of the contractor.	Council will have full control over planning before appointment of the contractor.	Planning will be submitted by the lead consortia who will take the planning risk, but if it is not successful, the reputational risk is with the Council.
Design Quality	Full control of the design process is with the Council and quality likely to be the highest.	Design may change for buildability by the main contractor or for cost efficiency so quality may be diluted	Design may change for buildability by the main contractor or for cost efficiency but likely to have been agreed at end of Stage 1 of the 2 stage process.	Design is in competition and therefore will be efficient for the purposes of winning the tender but reflecting operational and construction needs.
Programme	Longer programme as design is completed before building contractor is appointed. See opening time	Under this option, the building contractor can be appointed and works started prior to the completion of the design. See opening time	Under this option, the building contractor can be appointed and works started prior to the completion of the design. See opening time	The DBOM contract can take up to 18 months to develop and the preferred consortia appointed, and this is subject to planning approval. See opening time.

	Traditional	D&B 1 Stage	D&B 2 Stage	DBOM
Risk Transfer	All design risks with the Council and construction risks in the main are with the contractor. Any changes to designs post appointment will be at the risk of the Council. Operating risks shared between the Council and operator through a contract.	Contractor holds the design risk, however the client retains a risk over suitability of design requirements for the contractor to develop	Contractor holds the design risk, however the client retains a risk over suitability of design requirements for the contractor to develop	Risk is all managed by the consortia from design, construction and operations, with some risk sharing in the operational phase
Financial Sustainability	Any changes to the client design may transfer financial risk to the Council.	The contractor is responsible for changes to the design, however the client retains responsibility for scope changes at their decision	The contractor is responsible for changes to the design, however the client retains responsibility for scope changes at their decision	The price provided by the Consortia is fixed, subject to indexation.
Operator linkages with the Building Design and Works	Separate service contract required	Separate service contract required	Separate service contract required	Operator led consortia.
Projected Opening of the Facility under this option	Q1 2027	Q1 2027	Q1 2027	Q3 2027

Recommendation

On balance a design & build procurement route is more appropriate than a traditional route from a financial sustainability and risk transfer perspective and is more attractive than a DBOM route in terms of programme, planning ease and design quality.

A key consideration in choosing the design & build route of procurement is cost certainty and appropriate transfer of risk from the employer to the contractor. A significant amount of work has been done to identify and manage risks on the site, thus enabling the contractor to make due consideration within the Contractor's Proposals. This work extends to carrying out many specialist surveys.

Furthermore, at the time that the contract is awarded, the existing leisure centre will have been demolished and the ground conditions known with an element of remediation completed. Alongside this, the contractor will be presented with a comprehensive set of Employer's Requirements, specification and surveys and a relatively developed design, thus enabling a fair and accurate contract sum to be derived which transfers the risk substantively from employer to the contractor.

As a result, the recommended procurement route for this scheme is design & build on a two-stage tender process aligned with an appropriate framework. The reason for two-stage selection is that it allocates design risk to the contractor whilst having early contractor involvement in a first stage to provide increased certainty over cost and programme.