

SUSPENSION OF FINANCIAL REGULATIONS

1. INTRODUCTION

Attached as an Appendix is a report outlining a scheme that is self explanatory. Due to the tender prices being greater than anticipated some adjustments have been made to minimise the financial impact of the scheme. The attached report could have been considered at the October Cabinet meeting but this delay would have had resulted in the Council achieving less income for the current financial year. The position would have been exacerbated as the projected opening is due to coincide with the annual post Christmas desire to increase physical exercise.

2. FINANCIAL REGULATIONS

In order to minimise the financial consequences to the Council the Director of Resources has suspended Financial Regulations. The Portfolio Holder supported this decision.

3. RECOMMENDATION

It is recommended that the Director of Resources decision to suspend Financial Regulations be noted.

For further information:

Background Papers:

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APPLEMORE HEALTH & LEISURE CENTRE CHILDREN'S GYM AND REFURBISHMENT PROJECT ADDITIONAL FUNDING

1. INTRODUCTION

- 1.1 Currently the Council's capital programme includes the following projects and budgets
 - 1.1.1 Squash court conversion to gym and new spinning studio £80,000
 - 1.1.2 Dryside changing refurbishment £30,000
 - 1.1.3 Studios 1&2 refurbishment £31,000
- 1.2 In order to attract the maximum level of interest from prospective contractors it was decided to tender these works as a combined design and build package giving a total budget of £141,000.
- 1.3 The revenue implications of the scheme include a net income from the first full year of operation of the new gym and spinning studio in 2006/07 of £23,000.
- 1.4 The payback on that element of the scheme is 3 Years

2. BACKGROUND

- 2.1 Out of an original 6 contractors who showed initial interest in this scheme only 2 tenders were eventually received the lowest of which was for £210,000 which was £69,000 (49%) in excess of the budget.
- 2.2 Property Services have identified several factors which have caused the shortfall between the budget and the tender prices submitted, as being;
 - 2.2.1 A 20% increase in the cost of steel supply which has further increased the manufacturing cost of components.
 - 2.2.2 A substantial increase in the supply and delivery of materials caused by the considerable increase in fuel price costs.
- 2.3 However the major element of the increase in cost was caused by a change to the design of the changing rooms in order to allow access by people with disabilities as part of the Inclusive Fitness Initiative. This work would have had to be completed at some stage to meet the requirements of the Disability Discrimination Act.
- 2.4 In the light of the substantial budget shortfall a fundamental review of the scheme was undertaken in order to:
 - 2.4.1 Re-examine key design priorities
 - 2.4.2 Reduce the specification where possible
 - 2.4.3 Identify any works which could be funded from other sources
- 2.5 The review was undertaken on the basis that the key elements of the scheme remained the creation of the gym and access for the disabled as these represented the potential for the greatest increase in participation and the ongoing generation of income.

3. CURRENT POSITION

- 3.1 The fundamental review of the scheme has now been completed and the outcomes are;
 - 3.1.1 Only absolutely essential work to the existing studios and changing rooms will take place.
 - 3.1.2 Other major elements of the Studio/Hall refurbishments have been completed as part of other ongoing projects and the remaining minor works can be completed by the Centre itself.
 - 3.1.3 There has been a slight downgrading of the specification for the gym and the new studio which however do not materially affect the capacity of the scheme to fulfil its aims and objectives.

4. FINANCIAL IMPLICATIONS

- 4.1 The effect of the review and the proposed action as outlined in section 3 is a reduction in the costs from £210,000 to £171,000 which is still however £30,000 in excess of the existing budget.
- 4.2 A schedule of works valued at £15,000 has been identified which can be funded via the current planned preventative maintenance programme which leaves a balance of £15,000 to be funded from other sources.
- 4.3 As part of Leisure's pool plant replacement programme 4 Centres have identified a need to replace their pool chemical dosing units and included funds as appropriate.
- 4.4 By combining replacement of the units into one project and tendering the work as a single contract the Council has realised savings of £15,000 and it is proposed that this money should be vired to the gym/ refurbishment project in order that it can proceed.

5. PORTFOLIO HOLDER'S ENDORSEMENT

- 5.1 As the Council's Portfolio Holder for Leisure I support the recommendation.

6. RECOMMENDATION

- 6.1 It is recommended that £15,000 be vired from the replacement of the Health and Leisure Centre dosing units to the squash court conversion and refurbishments in order that the scheme can proceed and the saving identified in the revenue programme achieved.

**For further information:
Papers**

Background

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