

WAVERLEY BOROUGH COUNCIL

OVERVIEW & SCRUTINY

MARCH 2022

Title:

Leisure Management Contract update

Portfolio Holder: Cllr Kika Mirylees – Health, Wellbeing, Parks and Leisure

Head of Service: Kelvin Mills, Head of Commercial Services

1 Leisure Management Contract

Current position

- 1.1 The current leisure management contract, for our five leisure centres, expires on 30 June 2023 and the Council needs a new contractual arrangement to be in place for the 1 July 2023.
- 1.2 A Leisure Management Contract tender Project Working Group (PWG) has been established to maximise the tendering opportunity for the Council and ensure that the leisure portfolio is in the best possible position to deliver value for money for the council. The group consists of representatives from Leisure, Finance, Procurement and Legal.
- 1.3 In September consultants, Max Associates, were appointed to produce an options appraisal of alternate management arrangements.

Max Associates Options Appraisal headlines

- 1.4 Management options reviewed included:
 - In house provision
 - Setting up a company under Teckal procurement rules
 - Setting up a charitable trust, and
 - External leisure provider.
- 1.5 The review centred on;
 - a) The value of joint procurement for the two independent leisure contracts for WBC and GBC
 - b) The value of one joint contract for all of the leisure facilities within Waverley and Guildford
- 1.6 The options appraisal included detailed knowledge and experience of the leisure industry and identified the specific positives and negatives of each option (including the time related risks of going to market).

- 1.7 The Draft Management Appraisal conclusions are;
- 1.7.1 Across all options the external contractor model has scored highest and is considered best able to deliver against the Councils' priorities set out in the evaluation criteria.
 - 1.7.2 The in-house, Local Authority Trading Company (LATC) and Not for Profit Distributing Organisation (NPDO) options have all scored considerably lower across both Councils due to the additional financial and operational risk they place on the Councils.
 - 1.7.3 The NPDO option would also require the Councils to go through a procurement process where the newly established NPDO would have to compete against established operators. Due to the lack of trading history it is unlikely that a NPDO would be successful in a procurement process and therefore it is recommended that the Councils do not progress the NPDO option.
 - 1.7.4 The leisure centre portfolios for each Council are very different. Waverley Borough Council facilities are typical community leisure centres with a standard facility mix. Guildford Spectrum is a significant facility and destination venue, with a facility mix that some operators have little experience of managing. The size of the building brings its own maintenance and lifecycle issues and therefore higher level of risk than standard leisure centres.
 - 1.7.5 Due to the nature of Guildford Spectrum and its unique facility mix it is anticipated that whilst there would be interest from the largest national operators, overall interest could be limited due to;
 - Guildford Spectrum presenting a significant operational and financial risk to operators that some will not be willing to take as they recover from the Covid19 pandemic.
 - Guildford Spectrum is likely to require a different contract specification compared to other leisure centres due to the facility mix and activities available. It also has different priorities being a destination venue with a significant commercial offer.
 - There are only a few operators that have the experience of delivering large scale investment projects, therefore if investment into Guildford Spectrum is required as part of the tender (even if funded by the Council), then this is likely to impact the operators that are able to bid for the contract.
 - 1.7.6 Due to the facility mix and building condition of Guildford Spectrum, operators are likely to look for a risk share in maintenance and lifecycle that reflects the current condition (more risk to remain with Council).
 - 1.7.7 Taking the above into account a joint contract could limit the level of competition/bidders available to both Waverley and Guildford Borough Councils. Additionally, due to the level of risk presented by Guildford Spectrum, under a joint contract Waverley Borough Council may not secure as good a deal as it would with a standalone contract.

- 1.7.8 Additionally, it is also worth noting the different stages each Council is at in terms of developing investment plans for its leisure centres. Waverley Borough Council updated feasibility work for a new Cranleigh Leisure Centre in September 2021, to confirm the facility mix and preferred location following the Covid-19 pandemic. The Council is looking to approve funding in early 2022 and procure a design and team by the end of 2022, with construction starting in 2025. At Guildford, whilst plans for the refurbishment of Guildford Spectrum are being developed and discussed it is not at the same stage as Cranleigh Leisure Centre in Waverley. This could present complications with regards to procuring under a joint contract, where there is a clear development pathway in Waverley that could be incorporated into a tender process and a level of uncertainty in Guildford with no clear options to bid against at present.
- 1.7.9 Given the above findings, it is recommended that the Councils retain separate leisure management contracts for the delivery of leisure services. Ensuring that the specifications and outcomes for the leisure service reflect that of each local authority and the portfolio mix. However, savings could be achieved if the Councils run their procurement processes in parallel, where they could achieve economies of scale with legal/consultant support costs.
- 1.7.10 As both Councils are considering investment projects within their leisure portfolio, if the external contractor option is progressed, then the Councils should consider how the investment can be delivered so it maximises the benefit of working with an external contractor

Next steps

- 1.8 Appoint a Leisure consultant to achieve a fully specified leisure management contract that reflects current best practice, embeds performance management with a suitable contract monitoring system and support in the identified a procurement route that provides the council with best value.
- 1.9 O&S to appoint a sub-group to allow the committee to be informed throughout the tender period outside of the committee cycle.
- 1.10 Go out to tender to an external operator for the management of the Leisure Contract.

2. Cranleigh Leisure Centre

Background

- 2.1 In December 2021 Council approved;
- 2.1.1 that a capital budget of £19.95m be allocated to deliver a low carbon new-build Cranleigh Leisure Centre, to a minimum of Passivhaus standard;
- 2.1.2 that officers appoint a project manager and specialist energy consultant as part of the professional technical services team, to be supported by an in-house client team and to approve an associated budget of £250,000;

- 2.1.3 to approve a new-build leisure centre on Village Way car park, subject to planning, (Option 1, to the north of the existing centre) as the preferred location, as set out within Annexe 1 of the report; and
- 2.1.4 to ask officers to report back to members when final costs, design, preferred contractor, and precise funding arrangements are known.

Project timescales

- 2.2 External consultants have prepared an indicative delivery programme for the new build, which is set out below.

Delivery Stage	Completion Date
Council approval to proceed	January 2022
Prepare brief and procure design team, undertake surveys and specialist reports	Winter 2022
Design up to detailed planning application and planning application period	Summer 2023
Detailed design, discharge of planning conditions and construction information	Winter 2023
Procure and appoint contractor	Summer 2024
Construction phase 1: construct new leisure centre	Summer 2025
All facilities open to community	Summer 2025
Construction phase 2: demolish existing centre and construct external works and additional car parking	
Total completion	Winter 2025

- 2.3 It is important to note that these are only indicative timescales at this stage and are likely to change when the design is developed, and the contract is procured.

Next steps

- 2.4 Include the new build project in the tender specification for the new Leisure Management Contract.
- 2.5 Appoint a project manager and specialist energy consultant as part of the professional technical services team to start the design process.

3. Farnham Leisure Centre

Background

- 3.1 Council approved a capital budget of £1.5m to progress with the detailed specification and procurement of the Farnham Leisure Centre scheme.
- 3.2 The project proposals were further explored with Places Leisure, to deliver the agreed improved revenue position of £100,000. Including extending the soft play offer with a much larger adventure space and additional connected seating, and options to utilise technologies to make the facility more energy efficient.

- 3.3 Executive approval was granted on 3rd March 2020 to proceed with the project. However, in late March 2020 all major projects were put on hold by Council during emergency recovery phase of the Covid-19 pandemic.
- 3.4 In July 2020 Places Leisure confirmed that, due to the financial impact of the pandemic and associated risk, they could not commit to the improved revenue position.

Next steps

- 3.5 Officers to assess business case and request for the Farnham Leisure Centre redevelopment to progress.
- 3.6 If viable, include the project within the contract specification for the new Leisure Management Contract commencing in July 2023.

4. Godalming Leisure Centre

Background

- 4.1 Council approved a capital budget of £1.6M to progress with the detailed specification and procurement of the Godalming Leisure Centre scheme.
- 4.2 The proposal included an extension of the current site to increase the size of the gym by 35 stations, introduce a second dance studio and double the size of members changing facilities.
- 4.3 The specification and procurement of the Godalming Leisure Centre scheme was further developed with Places Leisure to deliver the improved revenue position of £100,000.
- 4.4 Executive approval was granted on 3rd March 2020 to proceed with the project. However, in late March 2020 all major projects were put on hold by Council during emergency recovery phase of the Covid-19 pandemic.
- 4.5 In July 2020 Places Leisure confirmed that, due to the financial impact of the pandemic and associated risk, they could not commit to the improved revenue position.

Extension of car park

- 4.6 One of the vital enabling elements of the project is parking provision and creating additional spaces to keep cars off Summers Road. The scheme therefore also included an extension of the existing car park creating approximately 88 additional spaces, on an unused corner of the adjacent Broadwater School owned by Surrey County Council.
- 4.7 The disposal of the school land, to create additional car parking, necessitated an application to the Department for Education which will be determined by the Secretary of State. In partnership with SCC and Broadwater School we have submitted said application, which has been assigned to a Case Officer for review.

Next steps

- 4.8 Officers are currently awaiting a decision, regarding the change of use of land, by the Department for Education.
- 4.9 Officers to assess business case and request for the Godalming Leisure Centre redevelopment to progress.
- 4.10 If viable, include the project within the contract specification for the new Leisure Management Contract commencing in July 2023.

5. The Edge Leisure Centre

Background

- 5.1 The Edge Leisure Centre is a dual-use dry site which limits its commercial viability and has always been a cost to the Council as part of the Leisure Management Contract. It. By removing the centre from the new management contract, a saving will be made in line with that committed to in the Commercial Strategy targets as part of the MTFP.
- 5.2 It is important to note that this is not a closure of the leisure centre but is a change of the management operator, which would return to Surrey County Council as the land and building freeholder.
- 5.3 Woolmer Hill School is one of the few Academies within the borough that does not manage and have control over their leisure facilities. Other schools successfully manage the on-site facilities to make a financial surplus and improve their provision and offering. This opportunity will be explored with SCC and the School to ensure that current costs to WBC are not just transferred to another organisation.

Financial performance

- 5.4 Prior to the start of the Covid-19 pandemic in March 2020 the Council was incurring annual costs of £99,602 to operate the Edge Leisure Centre. A breakdown of these costs can be seen below;

Cash impact	£
Management Fee	130,022
SCC Rent	- 75,956
	54,066
Internal charges	
Staff recharges	28,600
IT recharges	513
Depreciation	16,422
	45,535
Total cost to WBC	99,602

- 5.5 The current cost to SCC of operating the Edge Leisure Centre is £75,956 per annum. Therefore, SCC would also see a saving should WBC terminate the Lease and associated licence.

- 5.6 Post Covid the centre is only performing at 17% capacity. The majority of facilities including gym and classes, can be offered at Haslemere Leisure Centre (HLC) only 1 mile away.
- 5.7 There are a number of management options for the two Artificial Turf Pitches, which are not provided at HLC. These could be operated by SCC or the school for external use or continue to be managed by Waverley and through a contract with a third party. This would remove any impact on the community (both customers and local sports clubs).

Next steps

- 5.8 To ask for approval to remove the Edge Leisure Centre from the new leisure management contract commencing in July 2023 and work with Surrey County Council and Woolmer Hill School to transfer the facilities back.
- 5.9 Officers to begin discussions with SCC and Woolmer Hill School regarding the transfer of the building and future management of the site from July 2023 and report back to council.

6. Implications

6.1 Finance

The July 2018 approval of funds for the Farnham Leisure Centre and Godalming Leisure Centre projects remains, therefore no further funds are requested. The original financing of £3.22m is, as previously approved, using both S106 and developer contributions and capital receipts.

Although it is not advised at this time to pursue a joint leisure management contract, it is worth considering the alignment of contract end dates with Guildford Borough Council so that contracts can be aligned at a later date.

6.2 Climate emergency

The new Leisure Management Contract provides the opportunity to make carbon reduction an integral part of the delivery specification, which will reduce energy usage and the leisure centres carbon footprint.

As part of the specification for a new leisure management contract, energy performance indicators should be considered that will act as an incentive for the contractor to actively drive energy consumption down.

The leisure centre developments are the opportunity to implement new energy efficiency options and make a significant contribution to the council's commitment to become zero carbon by 2030.

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