

WAVERLEY BOROUGH COUNCIL

EXECUTIVE

5 APRIL 2022

Title:

Farnham & Godalming Leisure Centre - Refurbishments
and
The Edge Leisure Centre - Contract position

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

Head of Service: Kelvin Mills, Head of Commercial Services

Key decision: Yes

Access: Public

1. Purpose and summary

- 1.1 This report provides an update to Executive of opportunities for three of the leisure centres within the portfolio, to inform the specification for the new Leisure Management Contract commencing in July 2023.

2. Recommendations

It is recommended that Executive considers the findings of this report and agrees that:

- 2.1 Officers review the business case for the Farnham Leisure Centre refurbishment and, if viable, include the project within the new Leisure Management Contract specification;
- 2.2 Officers review the business case for the Godalming Leisure Centre refurbishment and, if viable, include the project within the new Leisure Management Contract specification, and;
- 2.3 Officers remove the Edge Leisure Centre from the new Leisure Management Contract, and work with Surrey County Council to terminate the lease and transfer the operation of the facilities.

3. Reason for the recommendations

- 3.1 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.

- 3.2 A Leisure Management Contract tender Project Working Group (PWG) has been established to drive this process forwards. The group consists of representatives from Leisure, Finance, Procurement and Legal to ensure that all necessary cross-cutting implications and risks are considered.
- 3.3 The recommendations will maximise the tendering opportunity and ensure that the leisure portfolio is in the best possible position to deliver value for money for the council.
- 3.4 The key decisions will also allow us to achieve the tight contractual timelines outlined below. It is important to note that these are indicative times which will be reviewed by the consultant once appointed.

Date	Activity
1 st two weeks of March 2022	Appoint consultancy support
Mar 2022	Kick-off meeting / Stage 1 - Commence
Apr – May 2022	Stage 1
Jun 2022	Submit Report covering all aspects required for Stage 1 and proposal project plan for Stage 2
Jul 2022	Stage 2 – Publish SQ
Beg Aug 2022	SQ close / Evaluate
Aug 2022	Publish ITT
Sep 2022	ITT close / Procurement Evaluations
Oct / Nov 2022	Dialogue / Negotiation sessions
Nov 2022	Procurement Evaluations (if required)
Dec 2022	Contract award (to include standstill period) Stage 2 completion
Jan – Jun 2023	Stage 3 - Mobilisation Period
1 Jul 2023	Contract Start

Farnham Leisure Centre

Background

- 3.5 Council approved a capital budget of £1.5m to progress with the detailed specification and procurement of the Farnham Leisure Centre scheme.
- 3.6 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.
- 3.7 Executive approval was granted on 3rd March 2020 to proceed with the project. However, in late March 2020 council decided not to progress due to the Covid-19 pandemic.
- 3.8 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 during this contract period.

Next steps

- 3.9 The leisure centre has now fully re-opened and therefore it is recommended that officers review the project and determine if a viable business case can be presented.
- 3.10 This will include further discussions to explore opportunities to improve the youth offering with 40 Degreez and potentially release the site for development to deliver against corporate priorities.
- 3.11 If deemed viable the redevelopment project should be included in the new Leisure Management Contract specification.

Godalming Leisure Centre

Background

- 3.12 Council approved a capital budget of £1.6M to progress with the detailed specification and procurement of the Godalming Leisure Centre scheme.
- 3.13 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. A car park extension was also included.
- 3.14 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.
- 3.15 Executive approval was granted on 3rd March 2020 to proceed with the project. However, in late March 2020 council decided not to progress due to the Covid-19 pandemic.
- 3.16 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 during this contract period.

Extension of car park

- 3.17 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 includes an extension of the existing car park creating circa 88 additional spaces, on an unused corner of the adjacent Broadwater School owned by Surrey County Council (SCC).
- 3.18 The transfer of land (classed as disposal of school land) to create additional car parking, necessitated an application to the Department for Education which will be determined by the Secretary of State.
- 3.19 In partnership with SCC and Broadwater School we submitted the application in 2021. The application was assigned to a Case Officer for review, and we are currently awaiting a decision by the Department for Education.

Next steps

- 3.20 The project is on hold until such time that permission has been granted by the Department for Education for land transfer.
- 3.21 The leisure centres have now fully re-opened and therefore it is recommended that officers review the project and determine if a viable business case can be presented.
- 3.22 If deemed viable the redevelopment project should be included in the new Leisure Management Contract specification.

The Edge Leisure Centre

Background

- 3.23 The Edge Leisure Centre is a dual use facility, owned by Surrey County Council (SCC) and leased to Waverley, with shared use between Woolmer Hill School and the public.
- 3.24 The nature of the dual use dry centre (no swimming pools) limits its commercial viability, and it has always been a cost to the council, as part of the Leisure Management Contract. By removing the leisure centre from the new contract, a saving will be made in line with that committed to in the Commercial Strategy targets as part of the Medium-Term Financial Plan. This is detailed at point 3.32.
- 3.25 Haslemere Leisure Centre is located only 1 mile away and in 2016 underwent a £4m refurbishment. The provision offered will ensure leisure services are not lost to the area with the transfer of the Edge.
- 3.26 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.

Contract position

- 3.27 Surrey County Council owns the freehold of the land and building.
- 3.28 WBC has a Lease and licence for the land and building with a right to serve a break notice on Surrey County Council to terminate both the Lease and the Licence.
- 3.29 A Management Agreement is in place between WBC and Places Leisure, together with a Lease, which will continue until it ends on 30 June 2023.
- 3.30 A Sub-Underlease has been granted by Places Leisure to Healthflex Limited, to operate in part of the building, ending on 24 June 2023.
- 3.31 It is important to note that this proposal will not mean a closure of the leisure centre, but is a change of the management model, which would return to SCC.

Financial performance

- 3.32 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

- 3.33 It is important to note that the internal charges will not be cashable savings if the Edge were to be transferred.
- 3.34 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.
- 3.35 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.
- 3.36 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 step

- 3.37 Officers to begin discussions with Surrey County Council, and Woolmer Hill School, regarding terminating the lease in line with the contract end date and the transfer of the building and management from July 2023.

4. Relationship to the Corporate Strategy and Service Plan

- 4.1 The Leisure Management Contract and provision of facilities directly links with Waverley's Corporate Strategy 2020-25 and our strategic priorities:
- Supporting a strong, resilient local economy
 - Taking action on Climate Emergency and protecting the environment
 - Effective strategic planning and development management to meet the needs of our communities
 - Improving the health and wellbeing of our residents and communities

- 4.2 The provision of quality leisure facilities will directly facilitate the Council's vision to promote:
- high quality public services accessible for all
 - a financially sound Waverley, with infrastructure and resilient services fit for the future
 - a strong, resilient local economy, supporting local businesses and employment
 - effective strategic planning and development management which supports the planning and infrastructure needs of local communities
 - a sense of responsibility by all for our environment, promoting biodiversity, championing the green economy and protecting our planet
 - the health and wellbeing of our communities.
- 4.3 Future investment in leisure facilities is based on a robust feasibility assessment that offers value for money to the Council. External funding and developer contributions will be sought to support funding of any capital cost.
- 4.4 The collaboration with Guildford Borough Council has been considered as part of the Leisure Management Options Appraisal. It was 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.

5. **Implications of decision(s)**

5.1 **Resource (Finance, procurement, staffing, IT)**

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

5.2 **Risk management**

A comprehensive Risk Log is in place, which will be monitored by a Leisure Investment Project Working Group and associated Leisure Investment Programme Board.

By removing the leisure centre from the Leisure Management Contract post July 2023, it significantly reduces the risk and financial deficit to the council.

5.3 **Legal**

The Legal Services team is supporting this project as part of officers' leisure investment working group. Should the Council agree this report's recommendations from the Executive, legal advice will be provided in respect of the renegotiation of any arrangements with Places Leisure under the current management contract, together with any other implications arising from a decision to proceed with this project.

The current leisure management contract expires on 30 June 2023, with no provision or ability for a further extension.

Future legal work on the contractual and land aspects involved with the site will be complex and multi-faceted, and the budget for that work is included within the financial section of this report.

5.4 **Equality, diversity and inclusion**

There are no Equality and Diversity implications associated to the matters raised in this report.

The refurbishment projects will offer an improved contract specification and associated management fee through the enhanced facilities in Farnham and Godalming, which will benefit the whole community

The transfer of the Edge Leisure Centre will offer the same service specification regardless of the management option and bookings will be protected and honoured for those sports clubs currently using the facilities.

5.5 **Climate emergency declaration**

The leisure centre refurbishments are the opportunity to make carbon reduction an integral part of the delivery specification, which will reduce energy usage and the leisure centres carbon footprint.

The projects offer an opportunity to implement new energy efficiency options and contribute to the council's commitment to become zero carbon by 2030.

6. **Consultation and engagement**

6.1 Key stakeholders will be involved at all relevant stages of the projects moving forwards.

7. **Other options considered**

7.1 All options have been considered have been incorporated into the report above.

8. **Governance journey**

8.1 The report has been to Overview & Scrutiny Committee (Services) on 21/03/22 to note.

Annexes:

None

Background Papers

There are background papers, as defined by Section 100D(5) of the Local Government Act 1972).

1. Leisure centre Investment: Farnham Godalming and Cranleigh – Executive report (10 July 2018)
2. Indoor Leisure Facilities Strategy (May 2017)

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