

CABINET

21 May 2009

RIVER PARK AND MEADOWSIDE LEISURE CENTRES – MANAGEMENT AND
MAINTENANCE ARRANGEMENTS

REPORT OF HEAD OF ECONOMIC AND CULTURAL SERVICES

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RECENT REFERENCES:

CAB 1559 – Corporate (Non-Housing) Property Condition Survey – Initial Results 12 December 2007

EXECUTIVE SUMMARY:

The management contract for River Park Leisure Centre comes to an end in March 2011. It is therefore necessary to consider how the Centre should be managed from that time to allow sufficient time for tendering or other legal processes to be completed. The mechanism for the future management of Meadowside Leisure Centre at Whiteley is also considered and a recommendation made.

Cabinet is asked to approve the commissioning of an external independent assessment of the relative benefits of either tendering of a new ten year management contract or the extension by a further ten years of the existing contract held by DC Leisure Management, based on a proposal received from them. The outcome of this evaluation will be reported back to Cabinet for consideration and a final decision on the procurement route to use.

The report seeks approval for capital expenditure of up to £205,000 in 2009/10 for carrying out urgent maintenance works and the feasibility studies (detailed within the report -paragraphs 3.6 & 3.7 refer).

The report also considers the likely need for more major refurbishment as identified in the Asset Management Plan. This would require a closedown period of up to six months which it is suggested would be most efficiently programmed at the commencement of the next contract period to minimise the uncertainty and, therefore, cost to the contractor and the public.

The report further identifies the need to consider the longer term provision for the sports and leisure needs of the area and the role that local authority provided facilities will play in this.

RECOMMENDATIONS

- 1 That subject to the outcome of consultation with affected staff and Whiteley Parish Council Meadowside Leisure Centre be included with River Park Leisure Centre in a single leisure facilities management contract from April 2011;
- 2 That the expenditure of up to £6,000 for the appointment of a leisure consultant to provide an independent assessment of the relative merits of either tendering the management contract for River Park (and Meadowside) for ten years from April 2011 or extending the current contract with DC Leisure Management for the same period (also to include Meadowside) be agreed from existing budgets;
- 3 That if necessary, external legal advice be also obtained at an estimated cost of £3,000, also to be funded from existing budgets.
- 4 That a report be brought to Cabinet in July detailing the findings of the above study and recommending the option offering best value for money for consideration;
- 5 That capital expenditure of up to £205,000 be approved under Financial Procedure Rule 6.4 for high priority repairs and associated works at River Park.
- 6 That following completion of the feasibility studies, a further report be brought to Cabinet to advise on the scope and extent of works required in 2011/12, estimated costs and any closedown details that will determine the full capital investment requirement for the Capital Programme.

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DETAIL:

1 Introduction

- 1.1 There are two leisure centres in the Winchester District. River Park Leisure Centre (RPLC) is a large facility situated in the centre of Winchester and attracting around 500,000 visits a year from a wide catchment area. The centre generally performs well, but at 35 years old is beginning to show evidence of the need for major expenditure on its fabric. Meadowside Leisure Centre, at Whiteley, serves a growing community which now has an active parish council taking an interest in local service provision. With health and wellbeing taking a high priority nationally and in the Local Area Agreement both facilities have an increasingly important role to play for the District.
- 1.2 Although there are some other local facilities which provide a degree of public access, notably in schools and colleges, there is no significant private sector provision in the Winchester area. This means that RPLC plays a very important role for those living in and around the town – reflected particularly by the high levels of pool usage, and gym membership which is almost fully subscribed. In a survey carried out in February 2009 with users at the Centre only 2% of respondents were from outside the Winchester District.
- 1.3 In the run up to the 2012 Olympic and Paralympic Games in London, there is a national objective to increase regular participation in physical activity through initiatives such as free swimming, which Members recently approved for RPLC. New schemes to improve health and wellbeing are also coming forward through partnerships such as the local Sports and Physical Activity Alliance (SPAA), with the support of the Health and Wellbeing Strategic Outcome Group. These programmes are likely to place additional strain on the facilities currently provided at RPLC.
- 1.4 The Centre has required investment in recent years to keep it fit for purpose. Condition surveys conducted to inform the Council's Asset Management Plan have identified the need for further substantial repairs to the roof coverings, and further major mechanical and electrical works. Some works can be carried out with the existing capital programme provision but significant additional funding will be required beyond this. These issues are covered in more detail below.

- 1.5 The other matter requiring consideration now is that of the future management arrangements for RPLC and of Meadowside. The management contract for RPLC with DC Leisure Management expires at the end of March 2011. The contractor has generally performed well and the operating cost to the Council is a relatively small percentage of the total cost of sports and leisure provision by the Council. Meadowside is managed in-house. Although staff at the facility are very committed, it is difficult for the Council to obtain the economies of scale that would be possible for a multi-site contractor: for example from procurement of equipment, marketing and specialist training. It would therefore seem sensible to consider both facilities together from April 2011 and to bring them together as a single contract package.
- 1.6 There are a number of options for the letting of the contract. With a newly built facility which a local authority proposes to have managed privately, it will often consider a very long contract period of up to 25 years. This provides for long term commitment to the facility and often involves leasehold type repairing responsibilities. Such an arrangement is sometimes possible with older facilities as well if there are obvious benefits to both parties and if the long term future of provision is clear.
- 1.7 However, given the need for the Council to keep its options open regarding the very long term picture and not to commit to an arrangement which is difficult to vary, a ten year management contract period is considered to be more sensible and to strike a balance between the need for continuity and flexibility. It is, therefore, proposed that a ten year management contract encompassing both facilities be offered from 2011.
- 1.8 There are three main options for such a contract. These are:
 - a) *In House*: in-house management by staff directly employed by the City Council. The Council has not managed RPLC in-house since 1989 but manages Meadowside in-house at present. The Council would have direct liability for the day to day financial performance of RPLC, compared with the fixed costs of the present contract. It would assume the financial responsibility for all staff pensions and other on-costs through a TUPE transfer of existing staff. The incorporation of a significant number of staff and a complex real time operation into the Council's existing management structure would be likely to create additional management overheads. An in-house arrangement would not attract capital investment for the Centre. In view of the potential transitional liabilities and the additional management pressures, with risks of additional unexpected costs being at least equal to the potential rewards this option is not recommended to be pursued further.
 - b) *Transfer to a Not for Profit Distributing Body (NPDB) or Leisure Trust*: this arrangement has been popular with local authorities where they have several facilities, the main benefit being savings arising from reduced NNDR (business rates) charges. However, DC Leisure has recently set up its own not-for-profit body (Leisure and Community Partnership) and this operates

RPLC by agreement with the Council. This has already achieved 100% of the available savings through discretionary rate relief. Setting up a trust would create a significant administrative workload at the outset; may not reduce the Council's costs significantly or over the long term; will not attract capital investment, and will still effectively leave the Council liable for the operating risks associated with the Centre even though the Management Board of such a Trust would have to be largely drawn from outside the Council.

c) *Third party commercial management*: This is the existing form of contract and helps keep financial uncertainty for the Council to a minimum by offering a contract based on a fixed annual management fee. The contract is let through a tendering or other exercise to a specialist operator able to provide the expertise necessary to operate the facility to the Council's specification. There are a small number of companies which provide such services which usually compete for contracts. Each has the advantage of operating a number of facilities, providing economies of scale, services such as specialist health and safety costed across a number of facilities and access to staff within a company career structure. The arrangement at RPLC has been very constructive in terms of partnership working ranging from additional cash and in-kind contributions to their national understanding of the leisure sector.

1.9 Further evaluation of all these options could be undertaken, but it suggested that only Option C represents a sensible choice for the Council in current circumstances. If Cabinet accepts this proposition the question then arises of how to procure the next contract. A full scale retendering exercise testing the market is the obvious option and can be pursued, and is the preferred choice of the Corporate Management Team to ensure value for money. It may also be the only option which fully meets the requirements of national and European tendering legislation although this point is currently being researched. However, as an alternative, the existing contractor, DC Leisure, has asked for consideration to be given to a proposal for the extension of the existing arrangements for a ten year period. DC Leisure has suggested that there are a number of advantages to the Council in an extended contract with them given the particular circumstances. These are outlined in a letter from the company attached as Exempt Appendix 1. Officers have considered the content of the letter and believe that, notwithstanding the obvious advantages of tendering, there are points which it would be sensible to investigate. It is, therefore, proposed to seek independent evaluation of the options for renewing the contract including the offer made by DC Leisure on the terms proposed compared with fully fledged retendering.

1.10 An independent assessment would provide advice on the following:

- The overall state of the market for the tendering of local authority leisure management contracts, including an assessment of the likely level of competition, nature of the companies currently bidding and the relative market penetration of each.

- The opportunities for cost saving that the City Council might expect through re-tendering alone based on tender processes recently completed for comparable local authority facilities, and taking account of any particular characteristics of the Winchester situation such as the planned six month closedown.
- Examples of other local authority contracts that have recently been extended or re-let through negotiation with the incumbent contractor rather than open tendering, including an assessment of the reasoning and likely benefits.
- Analysis of whether an extension offered to DC Leisure is more or less likely to be advantageous both in financial and customer service terms to the Council than alternatives.

- 1.11 Officers would propose to bring a further report to Cabinet in July, with a recommendation to either retender the contract or negotiate directly with DC Leisure based on the conclusions of this assessment. It should be noted that even if the advice is to proceed with a retendering option the consultant's report will provide useful and necessary market information that will be of assistance in that process.
- 1.12 Quotations for such a leisure consultancy project have been received by officers against a brief prepared in consultation with the Procurement Officer. This work would cost £6,000.
- 1.13 External legal advice is also recommended to justify any contract extension, at an estimated cost of £3,000.
- 1.14 The total of £9,000 will be met from existing budgets in the current financial year or, if agreed subsequently, by a carry over from within the Economic and Cultural Services budget for 2008/09.

2 Repair and Maintenance Works at River Park

- 2.1 Existing roof coverings of various types at RPLC are coming to the end of their lifespan and it has already become necessary to commence repairs and partial replacement. A limited number of further highest priority works will need to continue whilst the Centre remains open. Further works will be required to the roof and external fabric generally, and the replacement of defined internal hot and cold water service pipes throughout. Altogether these works are estimated to cost up to £185,000 plus the fees for the feasibility studies detailed in paras 3.6 & 3.7 of this report.
- 2.2 An amount of £293,000 has been included within the 2009/10 Capital Programme to enable these to be undertaken.
- 2.3 The Council received a capital grant of £33,324 in 2008/09 from DCMS as a reward for participation in Government's two free swimming initiatives. This enabled high priority repair works to be carried out to the swimming pool roof.

It may be possible to apply for further grant funding under the “Free Swimming Modernisation Programme” and this is being investigated.

- 2.4 Officers believe that any closure of the Centre should take place immediately on conclusion of the existing management contract, so that it is operational again in good time to meet anticipated high demand in the run-up to the London Olympics and Paralympics in the summer of 2012. Design and specification works would therefore need to begin in 2009/10, for which specialist mechanical and electrical, building and health and safety consultancy support will be required. Authority is sought from Cabinet to undertake high priority works on an ongoing needs basis. It is also proposed to commission a Feasibility Study (explained in paragraphs 3.6 and 3.7 below) from these funds.

3 Longer Term Refurbishment

- 3.1 At some point in time it will be necessary to consider the long term issues associated with leisure provision in Winchester. However the scale of investment required for new facilities is not manageable at this time, nor is the condition of RPLC such that this is essential. It is considered that a replacement facility need not be considered necessary for at least ten years and possibly much longer. However, in order to ensure that RPLC is in a fit-for-purpose condition for the ten years up to 2021 there will be a need for a significant closedown at some point in the next two to three years. The works identified to date that confirm this need are mainly towards the replacement of defined mechanical and electrical engineering plant and equipment.
- 3.2 The most practical approach would be to make provision for the closedown at the start of the new management contract, regardless of whether this is retendered or extended. Although there would still be a cost to the Council, this provides the greatest opportunity for a contractor to minimise overheads and possibly to spread some of the costs across the whole contract period.
- 3.3 At this stage it is estimated that a closure period of up to six months would allow sufficient time for these essential works to be carried out. However, this will need to be confirmed after a detailed Feasibility Study has been carried out, which, once completed, would inform the specification of works and a full project plan.
- 3.4 Further considerations that may affect the scope and extent of the works are:
- a) the impact of findings from the current energy efficiency study of the Centre, which are being discussed with the Carbon Trust; and
 - b) the need for a physical/structural improvement to the building as determined by current regulations, as opposed to essential repair and maintenance.

- 3.5 Early estimates indicate that the total cost of the works needed between now and the end of the proposed closedown will in the region of £1.5 million - £2 million.
- 3.6 To provide the necessary level of detail it is proposed to invite Henderson Green Ltd (Consulting Engineers) of 4 Carlton Crescent, Southampton to carry out the Feasibility Study to define the implications of electrical and mechanical works necessary in 2011, at an estimated cost of up to £10,000. These consultants have recently conducted work at RPLC to update the 2007 condition survey, and were closely involved in the refurbishment works at River Park during 2006. They will also consider the implications of the Carbon Trust Review in their own study.
- 3.7 Further similar work will be required for building surveying and associated planning works and it is proposed to invite Studio 4 Architects of 8 Upper High Street, Winchester to carry out these works. The estimated cost of these works should not exceed £10,000. These consultants were commissioned by the Council for works on the centre in 1998 and 2006 and therefore have detailed knowledge which it would be cost effective to make use of on this occasion also.
- 3.8 There is no allowance at present in the capital programme for enhancing the current facilities or for remodelling any part of the building to create new or increased usage. Officers have identified a range of improvements which could potentially be funded by a capital contribution from the either a new or the existing contractor. It is estimated that the value of this capital investment would be between £750,000 and £1 million.
- 3.9 It would be desirable to include some visible improvements as part of the proposed closedown works: not only would it make best use of the closure, but customers will have an expectation of obvious improvement once the facility reopens and could be disappointed if they see no outward sign of the work which has taken place.
- 3.10 A contractor would wish to see a commercial return on any such capital contributions, so possible options include:
- extension of the gym and changing rooms, and associated relocation/improvement of health suite to accommodate these works);
 - addition of a climbing wall, and
 - enlarging and improving the reception area, creating capacity for new fitness studio area above (subject to planning considerations).
- 3.11 Other less commercial improvements would be:
- refurbishment of wet side changing rooms, and

- creation of additional storage space.
- 3.12 These improvement options have not been designed or costed, but simply represent identified need at this stage based on feedback from customers and from the current contractor, as well as sound knowledge of the operation.
- 3.13 RPLC is almost certainly the most energy-intensive building in Winchester Town, although a concerted programme of physical and operational improvements have been undertaken in recent times which have led to a reduction of energy consumption. These improvements have been limited by the overall design and footprint of the building, electrical and mechanical equipment life cycles and other constraints. The consulting engineers will be briefed to identify options for energy use reduction measures, and the capital cost of these will have to be evaluated against revenue savings over the expected operational life of the facility.

4 Meadowside Leisure Centre

- 4.1 A separate report will be presented to Cabinet at a later date on works which will be made possible at Meadowside by the wider developments at the Whiteley Shopping Village. These would enhance the facility and further improve its services for the community.
- 4.2 As mentioned above, consideration also needs to be given to the future management arrangements. The Centre suffers the disadvantages of small scale procurement and relatively high overhead costs because the City Council operates only one such facility. It is suggested that a sensible way forward would be to incorporate Meadowside into a single contract with RPLC from April 2011, and subject to the same considerations outlined above.
- 4.3 Advantages of a joint contract would be:
- the opportunity to improve financial performance of the Centre, driven by economies of scale in purchasing, training and reducing overheads;
 - the ability to respond more rapidly to industry developments and changing customer expectations;
 - the wider marketing reach of a commercial operator.
- 4.4 There are potentially disadvantages to the approach which are considered to be:
- the likely impact on the current staffing establishment, assuming the leisure operator opted for joint management of both sites;
 - a perception that remote management by staff based in Winchester (or elsewhere) would not respond to local need at Whiteley;

- an impact on the morale of City Council staff who might not wish to be transferred to the leisure contractor's organisation.
- 4.5 On balance it is considered that the advantages outweigh the disadvantages and Cabinet is asked to approve in principle the inclusion of Meadowside and RPLC in a single management contract. This is, however, subject to formal consultation with staff and with Whiteley Parish Council.
- 4.6 A contract of this kind would include a break clause to accommodate any possible change in the role of Meadowside as a result of continued discussions with the parish council and the wider community as the North of Whitley Major Development Area evolves. A break clause may well result in a higher contract price, and officers will therefore include an assessment of this impact as part of the consultancy study referred to in section 2 above before reaching a final decision.
- 5 River Park Leisure Centre in the Longer Term
- 5.1 The 2008 Sports Facilities Study by RQA consultants, commissioned as part of the evidence base for the emerging Local Development Framework, states,
- 'A condition survey for River Park Leisure Centre has recently been completed and indicates the need for high expenditure on the building structure and plant over the next few years to maintain the building to an acceptable standard. Consideration will be required in due course of its future viability and potential refurbishment or replacement.'*
- 5.2 RPLC has served Winchester well and continues to represent good value for money. With investment it still has at least ten years of operational life and possibly many years after that. However, costs for repair and maintenance are increasing simply to keep the building fit for purpose, and without any consideration of structural improvements. By 2021 the centre will require further major refurbishment, and by that time the overall design life of the structure as a whole will need to have been considered.
- 5.3 Officers have therefore begun to consider the long term options for large scale indoor leisure provision to serve the northern part of the District and will report back in due course as consideration of those options begins to focus on particular opportunities or strategies. It should be noted that the estimated costs of a new build facility are in the region of £22m to £25m. Although it might be possible to reduce or remove a contractor management fee in a new Centre, the Council would still have to meet the capital costs of providing the facility. Since such capital expenditure is well beyond the Council's means at this point in time, investment in the current building is the only reasonable course of action and justifies the 10 year contract period and investment proposals.

OTHER CONSIDERATIONS

6 SUSTAINABLE COMMUNITY STRATEGY (RELEVANCE TO):

- 6.1 River Park and Meadowsides make an important contribution to delivering on the Health and Wellbeing outcome of the Sustainable Community Strategy. Although other facilities, mainly at schools and colleges, also provide community access to sports and leisure facilities, these are themselves at capacity and could not bridge the gap in provision.
- 6.2 The operation of swimming pools in particular is a significant generator of carbon emissions and therefore all reasonable steps should be taken to improve energy efficiency and increase sustainability to support the High Quality Environment Outcome of the Strategy. Some steps have already been taken but further measures will be taken as part of refurbishment and repair.

7 RESOURCE IMPLICATIONS:

- 7.1 The Capital Programme includes £293,000 in 2009/10 and £800,000 in 2011/12 for essential works to the River Park Leisure Centre. There is a further unfunded and unapproved sum totalling £2,836,000 spread over a three year period (2009-2012) that is identified as possibly required but subject to further consideration in the context of the whole capital programme.
- 7.2 The Financial Procedure Rules, paragraph 6.4 stipulate:
- “The inclusion of a scheme in a capital programme shall not constitute authority to incur expenditure until a full project report has been submitted by the appropriate Head of Division in consultation with the Head of Finance and the scheme approved by the Cabinet. In case of all proposed schemes costing in excess of £100,000 a full financial appraisal shall be included in the project report or otherwise where the Head of Finance considers it appropriate.”
- 7.3 The expenditure to be approved is as follows:

<u>CAPITAL EXPENDITURE</u>	2009/10
Feasibility / Design Studies	£20,000
Internal hot & cold water service pipes	£30,000
Roof & External Fabric works	£155,000
TOTAL	£205,000
<u>CAPITAL FINANCING</u>	
Capital Receipts	£205,000
<u>PRUDENTIAL CODE</u>	
Loss of Interest on Capital	£1,363
TOTAL	£1,363

- 7.4 There are no immediate budget implications of the work in assessing management options other than the expenditure of up to £9,000 noted in the report from existing budgets.

BACKGROUND DOCUMENTS:

RQA Sports Facilities Study

APPENDICES:

Exempt Appendix 1: Proposal from DC Leisure Management for Extension of the Current Contract