

Report to: Cabinet

Date of Meeting: 11th September 2017

Report Title: Leisure Centre Management Contract

Report By: Monica Adams-Acton
Assistant Director Regeneration and Culture

Recommendation(s)

- 1. That Cabinet authorises the procurement of a contract to manage the Council's indoor leisure facilities at Summerfields Leisure Centre and Falaise Fitness Centre.**
- 2. That Cabinet delegates authority to the Director of Operational Services or his nominee and the Chief Finance Officer, in consultation with the Lead member for Leisure, to finalise the tender specifications, undertake the tendering process and conclude all negotiations and legal agreements with the most economically advantageous tenderer.**

Reasons for Recommendations

The current leisure management contract with Freedom Leisure concludes on 31st March 2018. The two centres that are managed under this contract accommodate a range of leisure and sports activities, and are very busy. The early master planning process for the White Rock area has identified the potential for greatly enhanced leisure activities which could better meet the needs of the town into the future. Thus, a long term management contract related to the existing centres could have an adverse impact on the council's ability to capitalise on this potential.

Background

1. A wide range of leisure and sports activities is accommodated within Summerfields Leisure Centre and Falaise Fitness Centre. Summerfields provides activities such as swimming, sauna, squash, fitness classes, indoor cycling, crèche service, children's parties, as well as sport hall activities such as badminton, basketball, trampolining and table tennis. Falaise offers a fitness gym with modern cardio and resistance training equipment.
2. The two facilities have been managed by Freedom Leisure under successive leisure management contracts since 2005. In September 2010 the Council entered into a contract with Freedom Leisure which was extended under a deed of variation in 2013 and runs until 31 March 2018.
3. The current contract is on the basis of a nil management fee, and a contribution of £160,000 by Freedom Leisure towards the cost of capital works at Summerfields. The previous contract was also on the basis of a nil management fee and a £334,000 investment by Freedom Leisure in equipment replacement and maintenance. In 2009/10 the value of the contract management fee paid out by the Council was £310,000. Three years ago, Freedom Leisure invested £130,000 in new equipment at Falaise, which would not be left in place if they were not the future contract holders.
4. In 2016/17 Summerfields and Falaise had a turnover of £1.2m and £675k respectively, with a combined profit of £14,700. This compares to a £2k loss in 2015/16. The main areas of expenditure were staffing (£867k), utilities (£180k) and central overheads (£186k).
5. A soft market test exercise was commenced in May 2017 to assess the potential level of leisure operator interest in managing the Council's indoor leisure facilities beyond the end of the current contract.
6. There was insufficient time or resources to permit detailed consideration of the potential costs and benefits of developing proposals for in-house management of the Council's indoor leisure centres, but this will be factored in in future procurement exercises.

Strategic context

7. Detailed analysis that informed the Hastings Leisure Facilities Strategy 2009-2020 (refreshed in 2015), revealed a significant shortfall in water space in Hastings. The shortfall is calculated at 414m², or 1,181 visits per week in the peak period, not being met by the current supply of water space. Summerfields is operating at capacity at peak times. The strategy recommends that the additional facilities and/or enhancements required to meet the deficit would include the equivalent of 7-8 additional lanes, a dedicated learner pool, leisure water and enhanced disability access. This shortfall obviously cannot be met within the current facility.
8. Falaise, which provides 80 stations, operates at maximum capacity during peak times. A study carried out in 2009 indicated a latent demand for an additional 70 stations across the Hastings catchment area. However, a number of smaller fitness

centres have been established since that time and will be helping to meet growing demand.

White Rock Area plan

9. In 2016 the council embarked on an extended process to determine how to capitalise on the White Rock area's regeneration potential. A masterplan has been developed which identifies a number of options for the White Rock area, including possible new and significantly enhanced leisure centre provision for residents and visitors.
10. The master-planning work on the White Rock Area is not yet sufficiently advanced to enable definitive conclusions about the scale, location and deliverability of future indoor leisure facilities, and it will take several more months of detailed work, including feasibility analysis and soft market testing, before costed development proposals could be worked up. Any proposals will also need to be aligned to the outcome of transport modelling, sustainability appraisals and other work that is either currently underway or will be completed this year and which will inform the development of the Town Centre and White Rock Area Action Plan. It is anticipated that the draft Area Action Plan will be ready for public consultation in early 2018.
11. In view of the ageing condition of the current facilities and the significant unmet demand for water-based and other indoor leisure uses, it is considered likely that the development of new indoor leisure facilities might be one of the key early developments (subject to available funding and investor interest), in what will be a long term beneficial transformation of the White Rock area.
12. Appendix A to this report provides a summary of the history and condition of Summerfields and Falaise.

Usage of the centres

13. There were 286k attendances at Summerfields in 2016, compared to 239k attendances in 2011; therefore, a 20% increase in attendance since 2011. Eight hundred and seventy children are currently enrolled in Freedom's swim school at Summerfields, compared to 574 in 2010.
14. However, the facility continues to fall well short of meeting the growing demand for water-based sport.
15. Attendances at Falaise increased by just 2% from 2011 to 2016. Prior to 2013 there was one exercise studio and one spin studio in use, both of which were dated and in need of modernisation.
16. The studio expansion in 2013 delivered two large studios, a multipurpose small studio and a bespoke spin studio with virtual technology. These new spaces have led to a growth in the range of exercise classes. Popular classes are Zumba, Les Mills Body Training Systems, Yoga, Pilates, Drums Alive, Powerhoop and Spin.

Soft market testing

17. The procurement hub manager has advised that the leisure market has been changing over the past few years, and that contracts across the country reflect a variety of approaches to fees and cost/profit sharing arrangements. There has been little interest by most leisure operators in contracts in Sussex and neighbouring areas. Wealden's procurement exercise in 2012 yielded only one bidder, as did Rother's tendering exercise in 2015.
18. A soft market test exercise for Hastings has now been completed and resulted in feedback from five leisure operators. This exercise enabled us to initially assess the market interest in managing the council's leisure facilities, and helps to inform how best value might be determined in relation to the council's procurement of a new management contract.
19. A high level summary of the outcome of this exercise is set out in the following sections.
20. Four operators indicated they would be interested in a contract of five years. One contractor would only consider tendering for a minimum of 15 years.
21. The length of the contract offered will affect the level of investment operators would be prepared to make in the facilities. In a contract with a length of up to five years it is likely that investment would be primarily in equipment and branding.
22. Four of the operators initially highlighted the financial and operational merits of potentially relocating Falaise operations within Summerfields Leisure Centre. However, during subsequent meetings with each of the potential bidders, it became clear that the expense and time involved in merging the two operations would outweigh any benefits.
23. All operators stated that they have extensive experience of providing targeted social inclusion programmes, both within their centres and through community outreach. The operators also provided examples of non-sports related community benefits which they offer such as public health schemes, apprenticeships and training.
24. A similar soft market test was used by Rother District Council to gauge market interest in 2015 and yielded a response from five operators. However, only one of them subsequently submitted a bid. It is the view of the procurement hub and our officers that this might well be the case in terms of our procurement exercise.

Procurement of new contract

25. Given the outcome of the soft market test exercise it is proposed that the new contract be procured through a competitive tendering process utilising the services of the East Sussex procurement hub and in accordance with EU procurement rules. The process will draw on relevant Sport England's best practice guidance on procurement.
26. It is proposed that the contract is on the basis of a nil-management fee and a profit sharing arrangement.

27. A term of five years, with the option of two extensions of two years each, is recommended as striking the best balance between providing an operator with a reasonable term of contract and not preventing the council from being able to pursue options identified within the White Rock masterplanning process for a potential new leisure centre and other developments in the area. It is considered that the two extensions will provide sufficient flexibility to extend the contract if required. It is also worth noting that a longer term use of either Summerfields or Falaise would require some major capital investment in these facilities in order to maintain them to a reasonable standard.
28. In terms of repairing obligations, it is proposed that these be broadly similar to the obligations under the current contract, but with some change to encourage operators to prioritise maintenance regimes.
29. The procurement will seek proposals from bidders for additional social value aspects, such as programmes targeting socially excluded groups or community outreach.

Timeframe

30. The procurement timeframe is as follows:

Tender specifications finalised	25/08/17
Cabinet decision to tender	11/09
Issue tender	19/09
Bidder open day	TBC
Clarification deadline	25/10
Clarification response	27/10
Tender return (52 days)	10/11
Evaluations	w/c 13/11 – 04/12
Bidder interviews	w/c 20/11
Recommendation to award	5/12
Bidder notification of award	18/12
Mobilisation period	Jan – Mar 2018
Contract start	01/04/18

Policy Implications

31. Summerfields Leisure Centre and Falaise Fitness Centre provide affordable opportunities for residents across the borough to engage in healthy and social leisure activity.
32. The facilities are extensively used and valued by Hastings residents and it will be important that the services to be contracted appropriately meet the needs of the users of Summerfields and Falaise.
33. The current contract is due to end on 31st March 2018, and sufficient dedicated staff time is needed in order to ensure a smooth and effective procurement process and a new management contract is in place by then. In addition to leisure services officer time, the process requires appropriate legal and financial resources. The timeframe set out in this report is tight, but does ensure that the process can be completed in time for the new contract to begin on 1st April 2018.

Wards Affected

All

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	X
Crime and Fear of Crime (Section 17)	
Risk Management	X
Environmental Issues	
Economic/Financial Implications	X
Human Rights Act	
Organisational Consequences	
Local People's Views	
Anti-Poverty	

Additional Information

Appendix A – History and condition of Summerfields and Falaise

Officer to Contact

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History and condition of Summerfields Leisure Centre and Falaise Fitness Centre

1. **The Summerfields Leisure Centre** was designed by the Borough Architects Department as a purpose built sports centre and swimming pool in the 1970s. It is built of concrete and steel with brick exterior cladding flat main roofs with mansard type perimeter roof slopes.
2. Internally it has been subject to numerous internal modifications and alterations over the years to cater for changing levels of customer usage and preferences, including the removal of the licenced bar, remodelling of the reception area and the addition of café, gym, dance studios and crèche facilities.
3. Since its original construction it has had a variety of component replacements and upgrading including a new main sports hall floor, addition of a passenger lift, refurbishment of the wet and dry changing areas, refurbishment of the kitchen and public toilet facilities and a new swimming pool ceiling.
4. The extensive mechanical and electrical services to the building are beginning to age and require an increasing amount of attention. Works have included new emergency lighting in 2009, new main sports hall lighting on two occasions, the re-wiring of the car park lighting, new swimming pool pumps and very recently the refurbishment of the pool filters and replacement of the main cold water storage tank. Some of the original ventilation and air handling plant is defunct and where possible this has been removed to reduce maintenance requirements and the incidence of roof leaks.
5. Externally, works have been limited to routine cyclical redecoration and roof repairs to ensure that the building remains in operation. In c.2012 the flat roof covering over the wet changing room area was replaced together with the main pool roof lights in an effort to reduce the incidence of persistent roof leaks.
6. In addition to the continuing requirement for routine and cyclical redecoration, maintenance, inspection and testing, future works within the next five years are likely to include further flat roof recovering and guttering replacement work, replacement of floor finishes, the installation of pool water UV treatment and the replacement of failing building services equipment including air handling and ventilation plant.
7. The underlying structure of this purpose built facility is in a generally good condition and with sufficient ongoing general maintenance, major building component and service plant replacement and upgrading works, should be capable of continuing in service into the foreseeable future.
8. **The Falaise Fitness Centre** is believed to have originally been built in the 1920s as an entertainment venue including a dance floor, kitchens and cafe in a single storey pavilion style with pitched timber main roofs, rendered masonry walls a timber ground floor and an under-croft beneath along its major south facing elevation which currently contain storage, bowling club, building services plant room spaces and toilets.
9. Falaise has been the subject of piecemeal extension and conversion works over the years and is currently arranged as a public gym and fitness studio facility with changing rooms and office accommodation. The original timber windows, doors and wall cladding

have been progressively replaced over recent years with upvc to reduce maintenance costs and the gradual deterioration of the original timber ground floor is the subject of ongoing repair.

10. Roof leaks and water ingress through entrances can also be a persistent problem requiring repeated attention. The mechanical and electrical plant and service installations are aged, and some of the air handling plant no longer functions.
11. The main entrance doorway and lobby area has been recently upgraded with new automatic opening aluminium entrance doors and an internal draught lobby with entrance mat flooring.
12. Works over the next five years in addition to the continuing need for routine maintenance, inspection and testing work will be the cyclical redecoration of the extensive painted cement rendered exterior wall surfaces along with the replacement of any remaining timber joinery with upvc. The air handling plant will also need renewal and there will be an eventual requirement to carry out reroofing works as the extensive flat and pitched roof coverings age and deteriorate. The gradual replacement of the timber ground floor will also have to continue due to the ongoing problem with rising and penetrating dampness.
13. The main structure of this converted facility is generally in a fair condition. It is however approaching 100 years old and as it was not originally conceived as a fitness centre it is not entirely fit for its present purpose in all respects. It will require ongoing general maintenance, major building component and service plant replacement and further alteration and upgrading works to ensure that it can be kept in useful service into the foreseeable future.

MJC/23 March 2017
