

TITLE OF REPORT: LETCHWORTH LEISURE MANAGEMENT CONTRACT AND DEVELOPMENT OF NORTH HERTS LEISURE CENTRE (NHLC)

REPORT OF THE HEAD OF LEISURE & ENVIRONMENTAL SERVICES
PORTFOLIO HOLDER: COUNCILLOR JANE GRAY

1 SUMMARY

- 1.1 The development of the North Herts Leisure Centre (NHLC) is in this year's capital programme and formal agreement to a variation to the existing contract is required with Stevenage Leisure Limited (SLL) in October 215 (anticipated date) for this project to proceed to the build stage. This Part 1 report outlines the quality of provision proposed whilst the Part 2 report outlines the 'exempt' financial information.
- 1.2 The proposed teaching pool will provide the community with a much needed facility to meet current and future demands and will also provide additional services for local schools and the wider community to help people to learn to swim.
- 1.3 The cafeteria will provide a significant enhancement to the leisure centre and provide a hub for individuals to meet and socialise and has a social value to the community. The proposed menu will provide healthier options and forms part of the Council's overall approach to promoting health and wellbeing.
- 1.4 The provision of additional flexible space in the former café area is proposed to accommodate an increasing demand for a wide range of activities. These are currently limited to the existing Pembroke Suite and Dance Studio.
- 1.5 The refurbished sports hall, corridors and changing rooms will help ensure customer satisfaction is maintained as they are now reaching the end of their economic life.
- 1.6 The financial proposals for the variation to the contract as referred to in 1.1 above is shown in Part 2.

2 RECOMMENDATIONS

Following consultation with the Project Board, the Project Executive recommends that Cabinet:

- 2.1 Agree the quality aspects of the variation to the contract set out in paragraph 8 and Annex 1, and;
- 2.2 Agree the variation of the remaining part of the contract set out in paragraph 8 and Annex 1 of the accompanying Part 2 report and, subject to this:.
- 2.3 Agree to proceed with the project subject to tender bids for the build element for all of the agreed capital budgets for the NHLC coming in within the overall budget allocated, and;

2.4 Agree to re-profile the capital budget and to bring forward £67,000 to enable the Council to complete the 2 stage procurement and gain a full breakdown of the construction costs.

2.5 Proceed to the stage 2 report to consider the financial aspects of the variation to contract.

3 REASONS FOR RECOMMENDATIONS

3.1 To develop the NHLC to ensure this facility is fit for purpose for the future and to improve the financial and operational performance of the NHLC in line with Cabinet's decision at its meeting on 16th December 2014.

4 ALTERNATIVE OPTIONS CONSIDERED

4.1 Alternative options were considered as part of the report to Cabinet on 16th December 2014.

5 CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

5.1 Project Board have been controlling this project and this project has previously been considered and discussed by Councillors at a number of site visits and briefings to which all Councillors were invited.

5.2 Initial discussions have also taken place with the Heritage Foundation, in their role as landlord.

6 FORWARD PLAN

6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 22nd April 2015.

7 BACKGROUND

7.1 NHLC was built by the Letchworth Garden City Heritage Foundation (LGCHF) in 1982 and is now over 32 years old. The Leisure Centre was leased for 99 years on a full repairing lease, by the LGCHF, until 19th February 2081 on a peppercorn rent to NHDC. The Leisure Facility Strategy recommended that an options appraisal for the replacement, rebuild or refurbishment of the NHLC be completed. This report recommends the lifetime of the building is further extended by such investment.
http://srvinternet01.north-herts.gov.uk/intracontent/sports_facilities_strategy_as_at_08_02_11-2.pdf

7.2 Due to the success of the development at Hitchin Swimming Centre, by achieving the Council's and SLL requirements, both parties have worked together in partnership to propose the capital improvements to the North Herts Leisure Centre.

7.3 Consultants on behalf of the Council (B3 Architects) have investigated the possible options for the North Herts Leisure Centre. The three options are: to do nothing, undertake a capital investment as proposed, or build a new facility (circa £20m). B3 Architects and Officers believe the second option (undertake capital investment to improve the facility) is the best option as this will ensure the facility is fit for purpose for the next 20 years.

7.4 At the meeting of 16 December 2014 Cabinet, the Committee were presented a report that outlined the proposal for undertaking capital investments to improve the North Hertfordshire Leisure Centre. The following outlines the resolutions from the meeting: -

RESOLVED:

- (1) That the proposals relating to North Hertfordshire Leisure Centre, as set out in Resolutions (2) to (6) below, be agreed;
- (2) That the proposed improvements to the existing services and facilities, as stated in Paragraph 10.1 of the report, be agreed in principle, subject to the agreement of Letchworth Garden City Heritage Foundation and the Council's 2015/16 Capital budgets;
- (3) That the extension to the Leisure Management contract for a further five years (2019 to 2024) be approved in principle, as per the terms outlined in the report, which will be more specifically determined following detailed consideration of Stevenage Leisure Limited's submission of a revised tender by the Strategic Director of Customer Services, in consultation with the Portfolio Holder for Leisure;
- (4) That, on completion of the works (more particularly on the opening of the teaching pool for lessons, provided that the café and dance studio works are progressing reasonably), Stevenage Leisure Limited shall pay NHDC an additional £18,000 per month for the entire length of the contract;
- (5) That the changes to the swimming lesson charges and the leisure pool programme, as discussed in Paragraph 7.8 of the report, be supported, to ensure there is an opportunity to further improve the financial performance of the Letchworth Leisure Management contract; and
- (6) That the next stage of procuring of the design team be progressed, on the basis that this will have no additional cost but will save valuable time in the event that the Capital Programme and contract extension is approved.

REASON FOR DECISION: To obtain approval and support in principle to the improvements and capital investment into the North Herts Leisure Centre to ensure long term financial sustainability and to make improvements to meet current and future needs of our customers and communities.

7.5 The Council's Capital Programme for 2015/16 including this project and onwards was presented to the Cabinet Committee on 27 January 2015, this was agreed and set out below is the resolution: -

RESOLVED: That the changes to the projected Capital Programme for 2014/15 and onwards as a result of the changes to the schemes detailed in Paragraph 8.1 of the report, involving a decrease in expenditure in 2014/15 of £349,000 to a total of £9.254million, be approved.

REASON FOR DECISION: To ensure that the Capital Programme meets the Council's objectives and officers can plan the implementation of the approved schemes.

7.6 Since the approval, officers have procured the Design Team for this project. This was undertaken using a Mini-competition via the Eastern Shires Purchasing Organisation (ESPO) Framework 2664. Focus Consultants have been awarded the contract, the

contract as published in the Decision Sheet on the 27th March 2015 which was distributed via Member Information Service.

- 7.7 A planning application is due to be submitted in June 2015 by the Focus Consultants (Design Team for NHDC). It is anticipated the outcome of this will be known by August 2015.
- 7.8 SLL's bid is based on the full development of the NHLC as each aspect of the project is dependant on the others. These new facilities will significantly enhance and improve the facilities to ensure the building life is extended to meet future and current needs of customers.
- 7.9 This project is linked to the Council's Priority of Working with Our Communities and was reported as a key project for 2015/16, subject to agreement to this further report, in the March 2015 report to the Overview & Scrutiny Committee. The project additionally supports the Priority of Living within Our Means and the objectives outlined in the Medium Term Financial Strategy.

8 PROPOSED VARIATION TO CONTRACT FOR THE LETCHWORTH LEISURE MANAGEMENT CONTRACT

- 8.1 SLL have provided a proposed variation to the Letchworth contract services, this is provided in appendix 1. This variation is comprised of two sections, quality and price. An overview of the quality section is provided below

8.2 Business case for the teaching pool

- 8.2.1 The existing leisure pool provides restrictions across all ability groups, however, there is an increased demand for swimming lessons.
- 8.2.2 The proposed new teaching pool will provide better facilities for teaching and help release the leisure pool for more casual use.
- 8.2.3 The increased water space will enable a greater diversity of use and improve the quality of service to our customers
- 8.2.4 SLL has undertaken a competitive analysis of the market for swimming lessons. This was independently carried out by a recognised market research company within the leisure industry. The main 'competitor' is SLL themselves as they also operate other leisure facilities within the District, Central Bedfordshire and Stevenage Council. There is a small demand met by private operators, however, the latent demand for swimming lessons within the NHLC catchment has been identified to be approximately 1,200 pupils.
- 8.2.5 SLL provide swimming lessons from toddlers to adults. Their current lessons are at capacity and they have a waiting list with over 400 people.
- 8.2.6 The new teaching pool will initially provide an opportunity for more than 450 individuals for after school and 436 pre-school in addition to the current 1400 to either learn to swim or improve their ability.
- 8.2.7 The initial programme of the teaching pool will take up approx. 50% of the available time. The contractor will ensure the teaching pool is open to public during all opening times. This will allow opportunity for greater use by schools and other groups. When the facility is not programmed for use it will be available for casual use.

8.2.8 The increase in water space will enable SLL to provide more comprehensive activities. This should significantly increase pool use and their business plan demonstrates a significant increase in income and usage

8.3 Need for café downstairs

8.3.1 Most new leisure centres design their facility with a café at the front of the building. This has proved to increase footfall into the café which helps to provide some additional income, however, there will be additional operating costs.

8.3.2 The aim of the new café will be to act as a social meeting point, not purely for users of NHLC but also to attract new customers to the facility that may not currently attend but might become future users of the centre.

8.3.3 The current café provides a limited menu for healthy options. The new café and proposed menu will provide better options to promote a healthier life style.

8.3.4 Moving the café downstairs will and ensuring a more modern facility should improve the NHLC, provide a better experience for users and will free up usable income generating space for a range of recreational and social uses.

8.3.5 The majority of the kitchen equipment is old and requires updating. This project will ensure that the infrastructure is fit for purpose and able to cope with current and future catering needs.

8.4 Need for greater provision of flexible space.

8.4.1 As outlined in 8.3.4 the relocation of the café provides an opportunity to use this area for meeting the needs of our customers for an increasing range of activities.

8.4.2 The leisure centre currently only has two areas for flexible use; the Pembroke Suite and the Dance Studio, both of which are at full capacity and do not meet current needs.

8.4.3 This increased space will allow further improvements such as enhanced crèche facilities, provision for play schemes, expand the rehabilitation offer, as well as providing a wider range of junior and adult activities.

8.5 Need for sports hall development, changing rooms and corridor improvements

8.5.1 Over the years the Council and SLL have invested in the facility to make significant improvement which has enhanced the quality of the building. The sports hall, changing rooms and corridor improvements will ensure that these areas are brought up to similar standards as those of the remaining site, which will enhance the customer experience.

8.5.2 Specifically, while the changing rooms have had minor uplifts over the years, to ensure the facility is fit for purpose for the next twenty years, it is advised that they are fully refurbished. The last major refurbishment was undertaken approximately 25 years ago.

8.5.3 The sports hall floor is the original, and the surface is worn beyond economic repair. Therefore, there is the risk that if this is not replaced the floor could become unusable in the near future which could potentially cause a risk to the public and thus a potential cost to the Council.

- 8.5.4 By improving the lighting in the sports hall (improving the lux levels), this will provide a better environment for the users of the facility. It is proposed to use light-emitting diode (LED) lights which are more energy efficient, therefore by, improving the carbon footprint of the centre.
- 8.5.5 The corridors are the main routes to all activities, therefore, it is advised that these are enhanced so that they are comparable in quality of appearance to the rest of the facility.

8.6 Parking

- 8.6.1 The planning application has identified an additional 15 car parking spaces are required to meet the increased floor space that will be provided with the proposed new development.
- 8.6.2 The adjacent Letchworth Rugby Club car park is in relatively poor condition. Therefore, on match days and training nights, Rugby Club Members and visitors make use of parking spaces at the NHLC. This reduces parking space for NHLC users and causes significant problems with verge parking and parking on nearby roads. In an attempt to resolve the conflicting demands for parking Officers have entered into negotiations with the Rugby Club and Letchworth Heritage Foundation to integrate the two car parks that will provide adequate and suitable parking for both. The Rugby Club intend to submit a separate planning application for this scheme.
- 8.6.3 In the event that the approval is obtained by all parties including the landlord for improving the rugby club car park then it is proposed to vary our planning application and remove the 15 car parking spaces and provide the funding to facilitate the development of the rugby car park.
- 8.6.4 In the event that an agreement cannot be met the Council may need to implement parking restrictions similar to Hitchin Swimming Centre to restrict unauthorised use of the NHLC car park.
- 8.6.5 The results of a recent survey at the NHLC over a two week period during May 15 (undertaking hourly counts) from 7am-10pm identified the car park (capacity 164 spaces) for the majority of the time averaged less than 100 spaces occupied by vehicles, however, there were a few times when this slightly exceeded the number of spaces. This was during the evenings and at weekends. However on one occasion there was over 200 vehicles, this was when a rugby match took place. When the capacity is exceeded this results in verge parking.

9 LEGAL IMPLICATIONS

- 9.1 A Deed of Variation to the existing Leisure Management Contract will be required to extend the current contract from 2019 – 2024 if this proposed development is agreed.
- 9.2 Within Cabinet's terms of reference it states that it is its function to approve those major service developments or reductions which also constitute Key Decisions, and to oversee the provision of all the Council's services other than those functions reserved to the Council, and to promote and develop external partnerships to meet strategic objectives.

10 FINANCIAL IMPLICATIONS

- 10.1 SLL financial bid shows an overall annual increased payment of £220,776 to the Council. This additional payment being applied on the completion of the works (more particularly on the opening of the teaching pool for lessons, provided that the café and dance studio works are progressing reasonably)
- 10.2 The total capital cost for the project is £3,036,000. Provided in the table below is the breakdown of the estimated construction costs and does not include other project costs such as consultancy and survey costs.

Learner Pool Extension and associated plant	£ 1,370,000
Café Extension	£ 477,000
Dance Studio (former Cafe Area)	£ 204,000
Offices (former Kitchen Area)	£ 96,000
Sports – new sprung timber floor covering and lighting	£ 135,000
Corridors – refurbishment of finishes and lighting	£ 51,000
Wet Changing Facility refurbishment	£ 504,000
Car Parking – additional 15 spaces	£ 50,000
Existing primary services (gas and electricity upgrade)	£ 131,000
Total Estimated Cost	£ 3,018,000

- 10.3 The current project timetable considers that the development at the NHLC will be completed by June 2016. Officers will be discussing with the appointed main construction contractor how the programme of works can be accelerated for the teaching pool so this can be open to the public in advance of other elements of the project.
- 10.4 As of 16 June 2015, the current financial obligations to NHDC in the event this project is not agreed to proceed is £105,500.
- 10.5 The Decision Sheet that was published on the 27th March 2015 explained the design team had allocated £193,190 to take the project up to the completion of the procurement of the construction contractor. Therefore, If the Council decides not to progress with the project following the tender of the construction phase, the Council is still committed to paying the design team for this element of work, even if the work is not then utilised.
- 10.6 Since appointing Focus Consultants, officers have worked with them to clarify the project cost. It has become apparent that there are some costs that need to be paid earlier than previously advised to enable the Council to complete the 2 stage procurement and gain a full breakdown of the construction costs. These costs are within the overall cost of the project; however, this work needs to be undertaken to allow the full costs to be calculated. The costs are an estimate which totals £67,000 (£30,000 estimated lead construction contractor cost, £21,000 surveys and £16,000 planning, building control and additional consultancy costs). Therefore, the Council's total financial liability up to and including receiving tender bids for the main contractor is £270k.

11 RISK IMPLICATIONS

- 11.1 The proposals will provide a refurbished facility that offers a range of additional activities that promote healthy living. As with any project there is a risk that the costs will exceed budget, that the project takes longer than expected and/or the quality of the finished facilities are not as expected.
- 11.2 Additionally, the demand for the facilities may not meet the expectations in the Business Case which would lead to a negative impact on the financial position of SLL who bear the financial risk for NHDC in this respect. However, this in time could lead to an increased revenue cost when the contract is re-let.

12 EQUALITIES IMPLICATIONS

- 12.1 The Equality Act 2010 came into force on the 1 October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5 April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 The proposals contained in both Part 1 and Part 2 reports should be viewed positively as they will provide greater opportunity and significant additional capacity for people, and especially children, needing to learn to swim.

13 SOCIAL VALUE IMPLICATIONS

- 13.1 As the recommendations made in this report relate to the award of a public service contract, 'social value' must therefore be captured and reported in accordance with the Public Services (Social Value) Act 2012. In this instance, there is additional economic, social or environmental value evident in the following areas:-
- 13.2 Stevenage Leisure Limited (SLL) is a registered charity, a community-based and focused Non-Profit Distributing Organisation (NPDO). The company is a Social Enterprise, highlighting the social and environmental focus of its operations as an ethical company trading to benefit both people and planet, and recognised as 'Social Enterprise of the Year' in the 2012 Hertfordshire Chamber of Commerce and Industry's 'Inspiring Hertfordshire' Awards.

14 HUMAN RESOURCE IMPLICATIONS

- 14.1 No direct Human Resource implications have been identified with this project.

15 APPENDICES

- 15.1 Appendix 1 – SLL contract variation (quality).

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17 BACKGROUND PAPERS

December 2014 Cabinet report.
SLL car park survey.
SLL Demand Analysis.
SLL Swimming Teaching Programme.