

Body:	Cabinet
Date:	13th December 2016
Subject:	Sovereign Centre – proposals for improvement and future management
Report of:	Philip Evans, Director of Tourism and Enterprise
Ward(s)	All
Purpose	<p>To recommend the construction of a new leisure centre adjacent to the Sovereign Centre.</p> <p>To recommend the procurement of an operator to manage the centre when the existing contract end.</p>
Decision type:	Key Decision
Recommendation:	<p>Cabinet is recommended to:</p> <ol style="list-style-type: none"> 1. Approve the construction of a new leisure centre adjacent to the Sovereign Centre. 2. Recommend to Council that £24.48m be included in the capital programme to fund the construction of the new centre and replacement of the adjacent skatepark 3. Approve the procurement of a new operator for the new Centre. 4. Approve the commencement of the public procurement processes referred to in this report to deliver the new centre and a new operator. 5. To delegate authority to the Director of Tourism and Enterprise in consultation with the Cabinet Members for Tourism and Enterprise and Financial Services, the Chief Finance Officer and the Lawyer to the Council to work on the detailed development, management and approval of the public procurement processes to be followed and of all the procurement documentation required to deliver the project. Such delegation to include approval to allowing exceptions to the Council's Contract Procedure Rules should that be necessary. 6. Instruct officers to investigate options for the joint management of Motcombe Pool and the dry side centres together with the centres owned and/or operated by Lewes District Council.

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1.0 Introduction

- 1.1 This report considers the business case for the construction of a new leisure centre to replace the Sovereign Centre. It also recommends a mechanism for the future management of the new centre.
- 1.2 The original Sovereign Centre was opened in the 1970s with a large extension added in the 1980s. The Centre contains swimming lanes, training pool, play-pool, gym, sports hall, café and associated offices and storage. The Centre is now aged and requires substantial reinvestment. By the nature of its two stage construction and the changes in leisure management, it is now an appropriate time to examine whether replacement would provide greater long term value for money.
- 1.3 The Centre is let to the Eastbourne Leisure Trust (ELT) which has appointed Serco to operate the Centre. The lease and contracts expire in April 2019. The annual net cost to the council of the Centre is some £340,000.
- 1.4 In late 2015 the council commissioned FMG Consultants/GT Architects, to carry out a high-level review and business case development to test the options for the future of the centre. The review showed that both a refurbishment of the Centre or, the construction of a new centre on the adjacent car park were viable.

However, refurbishment is necessarily a compromise, will not completely address the operational issues caused by the layout of the building, is a higher risk than new build and will cause considerable disruption to the service during construction.

Both ELT and Serco expressed a preference for re-development.

- 1.5 After detailed consideration members decided that the new build option should be taken forward for detailed investigation.
- 1.6 In order to test that a contract with a new operator could fund the revenue costs of constructing a new centre, it will be essential to run an operator procurement in parallel with taking forward the design and procurement of any new building.

2.0 Construction of a new Centre

- 2.1 A project team of officers drawn from tourism, planning, property, legal and finance have worked with external consultants, architects and quantity surveyors to develop a cost effective scheme which meets the requirements of the revenue business case.
- 2.2 The external advisors were chosen for their in depth and current knowledge and experience of the leisure marketplace. They have been procured

through the Scape Framework with a contract which has break clauses at key milestones until a construction contractor is appointed.

2.3 The brief to the design team was as follows:

- To create a high profile Centre adjacent to the existing site which both serves the needs of our growing population and provides a new destination, to build on our already ambitious plans for the Town's economic regeneration
- The Centre to be of a robust design, with a minimum 40 year life, which recognises the marine environment it is located within and the heavy footfall it will attract
- The design of the Centre shall optimise the use of internal space to drive the highest possible commercial returns per m2.
- To integrate into the design where possible links with the seafront promenade to reinforce the council's strategy for improving the visitor offer east of the Pier

2.4 The initial design of the new Centre was informed by the following functional requirements which were identified in the initial business case.

2.5 **Table 1 - Schedule of Facilities**

Fitness	130 stations
Studio Space	3 studios
Main Pool Tank	25m x 6 lane
Leisure Water	600m2 plus wave
Learner Water	13m x 7m
Diving Pool	No
Sports Hall	None – transfer activities to other centres
Spa/Health suite	Base on existing provision plus 4 treatment rooms
Trampolining	Circa 1200m2
Flow Rider	Scale to be tested
Clip and Climb	Assume 3 levels high
Soft Play	Yes – scale to be evaluated
Changing	Wet and Dry changing appropriate

	to scale of facilities
Catering	Kitchen and 60 no covers
Operational space	Appropriate offices, storage and plant rooms

2.6 This schedule has been tested through interviews with 5 national and regional leisure operators and meetings with ELT. As a result of this the following changes have been made:

- The spa provision has been removed as the local market is very competitive and the Centre is not seen as the right location
- The soft play is of a scale where it can be a chargeable facility
- The number of multi-use party/studio rooms has been increased as there is an ongoing and viable demand for this use
- The size of the trampoline hall has been reduced
- The size of the learner pool has been increased to 20mx8m
- The addition of a Changing Places Facility

In addition the project team has identified a number of optional items which require further market testing:

- Flow Rider – this would be a landmark feature but income is difficult to predict and some consultees would prefer to see investment in more exciting slides and fun pool features
- Gala Pool – whether an acoustic separation will be adequate to separate the fun water from the gala pool or if a solid wall is required

2.7 The location and design of the proposed centre has been subject to a number of iterations and must meet the following design objectives:

- Minimal footprint while providing all the required facilities presented in an attractive manner to users
- Cost effective to operate and manage
- Cost effective construction method which will survive an aggressive marine environment
- Allowing the existing Centre to continue to operate during the construction period
- Minimal impact on neighbouring properties
- Optimisation of parking spaces
- Preservation of the existing flood protection measures on the site
- Create a link with the promenade
- Release all the existing Centre footprint for future use

The proposed location and draft design is shown at Annex 1. This will be subject to further development by testing with users, the current operator and through the planning process.

2.8 The proposed location of the centre is driven by the need to:

- Avoid the boundary of the QE11 Park to the east

- Avoid the boundary of the existing centre to the west
- Protect as far as possible the existing car park
- Be set back as far as possible from Prince William Parade
- Avoid intruding into the bank adjoining the promenade

Comments are still awaited from the Flood Defence agency which may require further adjustment to the location of the centre.

2.9 The timetable for the construction of the new centre has the following key milestones:

- Completion of Stage 3 design for planning application – April 2017
- Planning approval – October 2017
- Procurement of construction contractor – May 2017 – December 2017
- Construction – December 2017 – September 2019
- Demolition of existing centre - Oct 2019 – March 2020

These dates are dependent on; an immediate start on the next phase of work immediately following the Cabinet decision, prompt input and decision making by all statutory bodies and a successful contractor procurement process

2.10 The centre should be powered by a gas fuelled CHP system with a backup boiler. This has proved to be an economic and carbon effective solution at the current centre and our M&E advisors have recommended it for the new centre. If during the procurement process alternative solutions are shown to be viable these will be considered. Opportunities for other energy saving technology within the new building will be optimised.

Overall the new centre by the nature of its insulation levels, utility controls and layout will be more environmentally effective than the current centre.

2.11 The replacement of the existing skate park adjacent to the Sovereign Centre is an outstanding issue. It is estimated that this will cost £200,000. The above budget has been included within the capital estimate recommended for the leisure centre scheme. Construction will take place in 2017/18.

3.0 Risk Management

3.1 A title search of the proposed site has indicated that some minor steps need to be taken to ensure the council has a clean title for the whole site.

3.2 A Risk Register for the construction of the new centre has been developed The key risks are as follows:

- Cost v budget
- Ensuring the site is thoroughly investigated prior to letting a construction contraction
- The uncertain construction market which may or may not be to the council's advantage
- Land ownership issues
- Flood Defence agency requirements

4.0 Options for the operation of the Council's leisure centres

- 4.1 At present the Sovereign Centre and Motcombe Pool are operated by Eastbourne Leisure Trust/Serco and the 4 dry-side leisure centres are managed by the council. The contract and lease with ELT ends April 2019.
- 4.2 Of the 4 dry side centres, 3 are based on school/college sites and subject to dual use arrangements with East Sussex CC/and the relevant school/college. The fourth centre is the Shinewater Sports Centre, which although next to a school there is no formal user agreement in place. Both ESCC and 2 of the schools/colleges have confirmed that they wish these arrangements to continue. The JUA (Joint User Agreement) at the third site, Cavendish School end in April 2019 and three options will be proposed to the School Board in February 2017. The preferred option will be that the JUA is renewed more or less under the same terms. However as the school owns the facility they can opt to either run it themselves or chose an independent partner to operate with.
- 4.3 In order to test whether the payment an operator will make **to the council** for the operation of the new centre will be sufficient to cover the debt costs, it is essential that a procurement exercise is concluded at the same time as the construction contractor procurement (December 2017) commences. The new operator will not take control of the new centre until 2019.
- 4.4 The project team has considered a range of options for the future management of these centres. They have also worked with an officer of Lewes DC to consider whether there are any opportunities for a shared approach. All the leisure centres in Lewes are currently managed by a not for profit trust (Wave Leisure). The contract for this ends April 2021.
- 4.5 In considering potential options, the project team have taken the view that the successful two part structure involving both ELT and an operator (currently Serco), is no longer necessary. All the major leisure operators are able to provide contractual structures which enable the business rate and VAT benefits achieved through the current arrangements to be retained via a simple "one to one" contract/lease between the council and an operator.
- 4.6 The project team recommend that a tendering exercise for the Sovereign Centre is started immediately after the council's decision on whether to replace the Sovereign Centre. Further investigation of the options to manage Motcombe Pool, the council's dry side centres and the centres owned/operated by Lewes DC can then take place in the period January to March 2017.
- 4.7 Experience of other local authorities and feedback from operators indicate that the minimum period for any contract is 10 years with an option for a 5 year extension. It is recommended that a range of contract periods are tested in the procurement process as mandatory variant bids.

5.0 Consultations

- 5.1 At present external consultation has been limited to the Board of ELT, 5 major national/regional leisure operators and the following user groups Eastbourne Swimming Club, Sama Organisation, Eastbourne Voluntary

Lifeguards, Eastbourne College, Jurgen Matthes and the Young at Heart Club. All will be sent a newsletter setting out the aspirations and timetable for the new development. The key message of this communication will be that the existing pool remains open until 2019. Account has also been taken of independent research by the Chief Internal Auditor of Lewes DC on options for the management of leisure centres.

- 5.2 The progress of this project (both Phase 1 and the current Phase) and the consideration of options have been the subject of reports to the Council's Strategic Property Board.
- 5.3 ELT have made a positive and strongly argued response to the council's consultation. The points made by ELT are set out in full below with a response to each point made in bold.

Preamble

Eastbourne Leisure Trust (ELT) has been invited to respond to Eastbourne Borough Council (EBC) regarding proposed rebuild of the Sovereign Centre.

The trust was created in 2004 when EBC decided to outsource the Sovereign Centre. Administration of a facility through a leisure trust gives considerable savings to the town in VAT and NNDR. Over and above these, ELT trustees have distributed some £80k from surpluses back into sports/leisure throughout the town. As the contract between EBC and ELT draws to an end (March 2019), the trust has worked with the council to realise an opportunity for a new facility to replace the existing building.

Trustees are very optimistic about such an opportunity. The existing building has proved difficult to manage and the trust's sub-contractor, Serco have had to work hard to build a positive business for ELT. From 2004-2011, the accounts recorded a deficit; a deficit borne by Serco. By 2012, a surplus was recorded which was repeated the following year. However the trading picture since then has been affected by competition from a budget gym and the remaining 2.5 years of the contract are forecast to be at best, break even.

It is against this background that EBC have commissioned plans for a rebuild, the principle of which has been enthusiastically endorsed by ELT. Trustees approve of the preferred location; of the two storey design; of the expanded gym offer and of the greater use of sea views. The clip 'n climb will provide a new dimension to the building and has the potential for good business as do the areas designated for trampolining, dance and children's parties.

The concerns listed below have been drawn from feedback from all six trustees and are based primarily on trustees' central concern; that a new Sovereign Centre must at the very least be comparable to the existing building and at best, far better. Given the experience over the last 12 years working with Serco and EBC, in addition with their professional skills and knowledge, trustees hope that their views will receive serious consideration and be seen in the positive light in which they are offered

General

- (1) It appears inefficient to trustees to place the Fun Pool between the "fitness pools " Staff

cover could be reduced, control would be easier and potential customer problems would be avoided by placing the Gala & Learner pools closer together.

Response - The learner pool is one of the main areas parents like to view (teaching lessons) as well as the fun pool. The plan has been designed so that the café area has an immediate connection to the learner pool and the edge of the fun pool water. Whilst there is merit in having the learner and main pool next to each other, it was felt that in this instance there were greater benefits in having the pool close to the café viewing. Soft market testing with operators also supported this development of the layout.

Each space has been separated reflecting the soft market testing discussions and so it would need to have individual staff control in each area, regardless of the position. The fun pool is also ideally located close to the changing village with immediate access to poolside and to the toilets. The fun pool also has an immediate connection with the FlowRider.

(2) On the dry side, trustees like the idea of a fitness gym with sea views but this may present problems with temperature and glare control. The air conditioning is inadequate in the present gym and the effect of direct exposure to the sun would exacerbate this problem to a very considerable extent. If the gym is to be positioned as per the plans, a huge improvement in air handling will be required.

Response - The design of the centre is intended to deal with the solar gain issue (and glare) and the project team are currently looking at the material palette on the elevations to mitigate this issue, but maintain views in and out. No louvres will be used as this will create a cleaning and maintenance problem (creates a ledge for birds). All thermal gains will be taken into account when designing the mechanical ventilation and cooling systems.

Gala pool

(3) The rebuilt gala pool provides Eastbourne with an opportunity to provide an 8 lane tank, not the 6 lanes proposed. Sport England and the Amateur Swimming Association both recommend this and will not give financial support to any other option. Dimensions should be

Length: 25.002 metres (to allow for touch pads).

Response - This has been allowed for.

(4) Width: 8 lanes, ideally 2.5m wide per lane

Response – the design brief is to supply 6 lanes based on the business case as the income from an 8 lane pool does not justify the capital investment and increased running costs.

(5) Scrutiny of the plans would suggest that the surrounding apron to the Gala pool is insufficient and that the spectator gallery needs to be enlarged

Response - The surrounds could be increased but, it will increase area and therefore cost. Surrounds vary, but are generally 3m – 3.5m, with the tightest surround to the north being 2.5m. Until the design of the fun pool rides is finalised, this is just a concept layout and is potentially subject to change.

(6) Trustees have followed the successful progress of British swimming through the 2012 and 2016 Olympics and Paralympics in London and Rio. If Eastbourne is ever to become a centre of excellence as far as swimming is concerned, it has to cater for the competitive nature of gala swimming. Competition is a powerful tool in engaging young people and having expended effort over 12 years into swimming lessons, we feel that young swimmers must have the opportunity for real competition.¹

Response – the design brief does not class this as a gala pool but a community pool.

(7) Trustees have also looked critically at the dimensions shown on the proposed plan. Our calculations show that²

- the existing gala pool offers 484.95 m² of water surface.
- the proposed gala pool offers 321 m² of water surface, a 30% reduction in capacity

Response - The proposed pool is not a gala pool it is a 6 lane 25m community pool. The surface area is 321m². The current pool is 33m in length.

(8) the existing gala pool contains 6 lanes each of 2.5 metre width and the proposed design would offer 6 lanes of 2.14 metre width

Response - The proposed tank is 12.5m wide (finish to finish) which is compliant with both the ASA and Sport England for a 25m 6 lane community tank. This has 2m lanes with a side margin of 0.25m. We do however have large surrounds which gives us the flexibility to increase the width to 13m, which would facilitate competitions. This will increase the surface area of the pool to 333m². The lane widths will remain at 2m but the side margins will increase to 0.5m each side. This is ASA and Sport England compliant. This will be reviewed in the final design.

(9) The size of the spectator gallery is inadequate

Response - the main pool has not been designed as a gala pool and therefore does not need a large number of seats. The brief requires 100 seats. The design is being finalised but upto 150 seats should be possible.

(10) Further reduction is required to take account of lane ropes and safety edges which, we calculate, would result in lane width of 1.798m. The shoulder span of a six foot swimmer is at least 1.9m giving insufficient width for breaststroke or butterfly events.

Response - The pool has been designed in accordance with ASA and Sport England for community use. The lane ropes will likely be 100mm in diameter so the effective lane width will be 1.9m. As stated above to achieve a full competition standard pool would require

¹ Of 70 sites run by Serco, Eastbourne has consistently supported the highest number of swimming classes and instruction.

² trustee calculations need to be checked for accuracy

further investment.

Trustees also recognise the broader landscape for swimming. The newest pool in the town will open in Spring 2018 at Eastbourne College. The pool under construction is a 6 lane 25m length pool; it will compete with a 6 lane Sovereign Centre for community use but be unable to hold its own against an 8 lane option

Training/learner pool

(11) Trustees are delighted to note inclusion of this pool, which they consider to be essential. We recommend that this facility has a graduated depth across the width rather than the length to enable greater access for novice swimmers. This pool should also be marked with lane lines.

Response - Depth and final configuration to be reviewed in the next stage of design to support the business plan for swimming lessons in this pool.

Fun Pool

(12) The fun or leisure pool is of course a critical inclusion in the new design. Trustees , whilst approving in principle , nevertheless have several concerns

- we consider that the wave machine is not an absolute necessity but if it is to be omitted, it will have to be replaced by an alternative feature/s to give the leisure pool a unique selling point. A Lazy River system around the perimeter of the fun pool is just one option of many that could be a commercial alternative to the wave machine.
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Response - All elements of the leisure water area including the Flowrider, are to be reviewed in greater detail during the next stage. We will discuss the leisure water provision with specialists in due course.

(13) A particular concern is expressed regarding the staffing requirements for the wet side of the building. Safety is paramount and a greater degree of separation of the pools will ensure an easier and safer staffing rota to be produced by the operator.

Response - All pools will have physical separation

(14) There is little to show in the proposals to demonstrate Eastbourne's support for disabled visitors to the site. Whilst each of the 3 water areas should be fully accessible, the leisure pool in particular needs to have sound, inclusive options for disabled patrons.

Response - The whole facility is being designed with equality in mind. The final facility will utilise the lessons learnt on other pools and will include measures that go beyond Part M of the building regulations. these proposals will be included in the next stages of the project.
Flow Rider

(15) Trustees have thought hard about the installation of the Flow Rider. They recognise the merits of a feature that exists nowhere else in the South East of England. However on reflection, they have rejected the inclusion of the Flow Rider

- the savings in financial and spatial terms will be used to effect the more important considerations discussed above
- the business case for the Flow Rider is insufficiently robust. We consider that the Flow Rider would be underused (maximum 2 or 3 users at any one time) and the required additional water and electricity will put pressure on the financial management of the centre.

Response - A decision on whether to include a Flow rider or other forms of fun water will be made during the next design stage.

Conclusion

Trustees have concluded that the proposed model falls short on the wet side of the development. It emphasises the dry side facilities to the detriment of the wet side and appears to be based on leisure rather than physical activity or even sport. At least three of the current trustees will retire in March 2019 and they want to ensure a worthwhile legacy for the town which as a coastal resort, places swimming at the heart of its sporting ambition. We recognise that there is some inevitable loss to be carried in the new build; the diving pool has been underused since it was first constructed .

Commercially, it would have been difficult to justify inclusion. But we repeat our determination to get the best for residents and visitors alike. To do so we need to support EBC in its ambition for a new build and we expect EBC to support ELT through recognising its commitment to the future.

- 5.4 In addition to the comments from ELT the project team has considered whether to replace the current diving pit. Experience elsewhere indicates that to do so would cost some £400,000. Given the small number of users this is not considered to be a value for money investment.
- 5.5 If the council decides to proceed with the construction of a new centre an extensive information and discussion campaign will be implemented.

6.0 Corporate plan and council policies

- 6.1 The Corporate Plan 2012-2017 identifies a number of key themes:
- Prosperous Economy
 - Thriving Community
 - Quality Environment
 - Sustainable Performance

The proposed Sovereign Centre addresses all four Themes.

- 6.2 In addition one of the key recommendations of the 2012 Visitor Research was that if Eastbourne was to compete with other destinations it needs to improve wet weather activities. The investment in a new Sovereign Centre is a step towards this.

7.0 Business case

- 7.1 The objective set for the initial Business Case was for the service to break even under any new contracting arrangements. The initial Business Case projected that the long term annual revenue cost of the new Centre would be £12,000 per annum. This was based on a payment by an operator being sufficient to cover debt cost of a £1.2 million pa.
- 7.2 Following a detailed analysis of the capital costs to reflect the changes in facilities set out above and more current knowledge of construction costs the estimated capital cost is £24.48 million inclusive of professional fees, surveys, equipment and other costs and the provision of a replacement skatepark. This assumes interest at a rate of 4%, the current PWLB rates are between 2.5 and 3% depending on the term.
- 7.3 The revenue Business Case has also been reviewed, in particular the income opportunities from trampoline, flow rider and other ancillary sources following consultation and site visits. As a result, the long term annual revenue surplus generated by the scheme is projected to be circa £50,000, after taking into account changes in the debt and lifecycle costs resulting from higher capital costs from the initial Business Case. At present the Centre costs the council some £340,000 pa.

Table 1 below compares the initial revenue projections and the current business case is set out below. The table demonstrates that from operational Year 5 the new centre will generate positive cash of £50,000 pa after debt costs.

Table 1

All £	Current Model (Year 5)	Feasibility (Year 5)	Variation
Annual cost (cash) at feasibility			-12,129
Net operational income	1,272,054	1,132,776	139,278
Interest on Debt	-916,964	-865,927	-51,037
Repayment of Principal	-304,603	-278,977	-25,625
Annual Cost (Cash)	50,487	-12,129	50,487
Current Cost	-340,000	-340,000	

- 7.4 When the elements of the initial Business Case were tested with operators none of them expressed concerns about the scale and mix of income streams. Clearly this response must be treated with some caution as they are anticipating a procurement exercise but they were very open and straightforward in all their answers.
- 7.5 Whilst no proposals have been made nor allowance made for the potential redevelopment of the current Sovereign Centre site, there is clearly a value attached to a site of some 1.8ha which will become free in early 2020.

8.0 Equality analysis

- 8.1 A full equality analysis will be carried out should the council decide to proceed with a new centre. However, what is clear is that a new centre :
- will be easier to navigate
 - will have a Changing Places Facility
 - will have pools and fun water with easier access
 - will have changing facilities suitable for all types of users
 - will enable the operator to offer a wide programme

9.0 Performance and outcomes

- 9.1 The capital cost of a new centre will be tightly managed through both the procurement process and subsequent construction cost control.
- 9.2 The revenue outcomes of the operator procurement will be embedded in a contract/lease which sets out the terms of occupancy and the revenue payments to be made to by the operator to the council. The contract will include a thorough monitoring regime and cash deductions made for failure of the operator to meet the requirements of the Council.

10.0 Legal Implications

- 10.1 An initial Report on Title has been obtained for the proposed new site, which has revealed some title issues that need to be resolved. There are restrictions registered on parts of the title for the Sovereign Centre and consents/releases will be needed to deal with these covenants. There are some other minor steps that need to be taken to ensure that the Council has a clean title for the whole site.
- 10.2 Titles for the “dry sites” mentioned in section 4 above have been reviewed and all are owned by East Sussex County Council. Therefore Eastbourne Borough Council has no legal right to pursue any changes to the use of those sites unless it has delegated authority to do so from ESCC or unless ESCC works with EBC to effect such changes.

11.0 Conclusion

- 11.1 The development of a new leisure centre adjacent to the Sovereign site will :
- address the weaknesses in design of the current centre
 - spend capital on a new building with a 40 year life rather than addressing maintenance issue on a building dating from the 1970/80s
 - provide additional facilities which will extend the leisure offer to both residents and visitors
 - provide a building which is attractive to commercial operators and so able to fund the revenue costs of the capital investment.
- 11.2 The procurement of a new operator for the Centre by late 2017 will ensure that the business case has been tested in the market and that the operator can contribute to the final design of the new centre.

Background papers

The background papers used in compiling this report were as follows:

N/A