

Body:	Cabinet
Date:	11th July 2018
Subject:	Proposals for the construction of a new swimming and leisure complex and the Interim Management of the Existing Sovereign Centre
Report of:	Director of Tourism & Enterprise
Cabinet member:	Cllr Margaret Bannister
Ward(s):	Sovereign
Purpose of the report:	To report on the proposed design, budget and construction mechanism for the construction of a new swimming and leisure complex and the interim management of the existing centre following the expiry of the current arrangements with ELT and Serco
Decision type:	Key
Recommendation:	<p>Cabinet is recommended to:</p> <p>(1) Approve one of the proposed Options for the construction of a new swimming and leisure complex</p> <p>(2) Delegate to the Director of Tourism & Enterprise, in consultation with the Cabinet Member for Tourism & Enterprise, authority to make amendments to the design and business case which result from further analysis of the preferred Option, the planned public consultation and planning application processes</p> <p>(3) Approve the requisite variation to the capital programme for the preferred Option</p> <p>(4) Approve the appointment of CLEAR Sustainable Futures (CSF) to deliver this scheme</p> <p>(5) Instruct officers to discontinue the current procurement process (OJEU Ref: 2017/S 098-194542) for the operator of the new Sovereign Centre</p> <p>(6) approve the appointment of Wave Leisure Trust Ltd to operate the existing centre from 1st April 2019 until the new Leisure Centre is open and to delegate authority to the Director of Tourism & Enterprise, in consultation with the Cabinet Member for Tourism & Enterprise, to negotiate and conclude the documentation (including any lease that is</p>

required) to allow for the delivery of these services in the most efficient structure ensuring compliance with all legal requirements . This delegation is to include authorisation i) not to dispose by auction or invitation of tenders following public advertisement (sought under Contract Procedure Rule 18.1) and ii) to waive any requirement for a competitive process to award a sub-threshold services contract (Contract Procedure Rule 2.4.1.a)

(7) Instruct Officers to seek further advice on the optimal financial structure of the new operator contract and report to a future Cabinet on proposals to select an operator for the new swimming and leisure complex

(8) Delegate to the Director of Tourism & Enterprise in consultation with the Cabinet Members for Tourism and Enterprise and Financial Services, the Chief Finance Officer and the Lawyer to the Council authority to work on the detailed development, management and approval of the scheme and of all the 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.

Reasons for recommendations:	To finalise the development plan for a new swimming and leisure complex in Eastbourne
Contact:	Graham Cook, Programme Manager, Devonshire Park Redevelopment – graham.cook@lewes-eastbourne.gov.uk 07880 787147

Executive Summary

This report seeks approval for a revised design and funding for the construction of a new swimming and leisure complex. The Centre will be constructed through the council's joint venture arrangement with CSF.

The second part of this report to this Cabinet addresses the issue of managing the existing Centre in the short term after the existing arrangements with ELT/Serco expire.

The proposed design differs from that considered by the Cabinet in December 2016 in that:

- the main pool has been enlarged;
- the Flow Rider and Trampoline Hall are omitted;
- a 4 court sports hall is included with options for its use;
- an option to include a Diving Pit in an enlarged training pool is also considered.

Given the options noted above four capital/revenue models have been developed:

- Option A -This option includes a wide range of dry side activities and is based on a family focused Activity Centre rather than a traditional Sports Hall. It does not include diving. It is the best performing option in revenue terms
- Option B – this Option retains a traditional Sports Hall and the mix of activities that currently supports but does not include diving
- Option C – this is based on Option A with the addition of Diving which increases the capital cost by £0.8m and has poorer revenue return
- Option D – this is based on Option B with the addition of Diving and in revenue terms is the poorest performing of all the options

The project team has explored the opportunity to obtain Sport England funding to support a Diving Pit and this is not available at this time.

1.0 Introduction

- 1.1 The Cabinet of 13th December 2016, approved a scheme to construct a new swimming and leisure complex leisure to replace the current Sovereign Centre. The old Centre was constructed in the 1970's and has been very successful but has now reached the end of its life.

A budget of £24.28m was agreed (an additional £200k was added the budget for repairs to the adjacent skate park). The objective of the project was to secure a new centre to meet the needs of residents and visitors while reducing the current annual cost.

The Council also considered the refurbishment of the existing Centre which at the time was estimated to cost some £12.5m. This was rejected as it would not provide long term value for money, would be less commercially attractive to operators, would not allow the council to pass as much building risk to an operator as a new build and would cause substantial disruption to users throughout construction. Refurbishment might also engender more unknown risks and time delays caused by such items as removal of asbestos.

The council remains determined to continue to provide access to the old Sovereign Centre throughout construction of the new complex

- 1.2 The current centre is managed by Eastbourne Leisure Trust and Serco. Those contracts come to an end on 31st March 2019. It is proposed that as an interim arrangement and until the new Leisure Centre is opened, the operations of the existing Sovereign Centre are managed by Wave Leisure Trust from 1st April 2019.
- 1.3 Since the decision to plan a new centre the council has been engaged in detailed discussions with the Eastbourne Swimming Club about the scale and configuration of the pools. This has included consideration of whether or not to include diving facilities – this was excluded from the 2016 scheme.

- 1.4 Following finalisation of the revised design the Business Case supporting the scheme has been re-evaluated.

2.0 Revised scope of the new centre

- 2.1 Following detailed discussions with Eastbourne Swimming Club and a review of the Business Case options the schedule of facilities proposed in the two main options are set out below (Table 1). In addition it is possible to add a diving pit to each option.

It is the opinion of the council's business plan advisor (FMG) that Option A (with the potential of diving) would provide a family and leisure sport destination which would draw residents, holiday makers and day visitors. It is seen to most closely meet the objectives originally identified by the Council;

....to provide a facility for wet day visitors, to encourage use of the eastern part of the seafront, promote the town as a visitor attraction for young families and to address the needs of our foreign students, university students and young residents...

2.2 Table 1 – Schedule of Facilities

Facilities	Option A	Option B
Fitness: 130 stations	130	130
Studio Space: 3 studios including dedicated cycle studio	3	3
Main Pool Tank: 8 lane x 25m (lane width of 2m)	8 lane x 25m	8 lane x 25m
Leisure Water including wave machine*	319m2	319m2
Learner Water: 20m x 8m with a moveable floor which drops to 2m deep	160m2	160m2
Children Splash Area	31m2	31m2
Spectator Seating	204	204
Diving Pool:	See Option C	See Option D
Flexible Hall Area 695m2 plus storage 54m2	Family Activity Zone	Traditional 4 badminton courts
Clip and Climb: No of challenges	21 (150m2)	12 (131m2)
Soft Play: 3 levels high	150m2	50m2
Party Rooms: 2	2	2
Wet and Dry changing appropriate to scale of facilities	Yes	Yes
Kitchen and 170 seats	Yes	Yes
Offices, plant, staff area etc	Yes	Yes
Car Parking (Spaces)	280	280

- 2.3 Drawings illustrating the new design are shown at Annex 1. They reflect the inclusion of a sports hall sized room. Further discussions have indicated the

benefits of opening this area into the café, Clip and Climb and Soft Play areas to create a Family Activity Zone (Option A). This can be provided within the overall site footprint

- 2.4 The pool layout has been altered since the original design of 6 lanes to provide an 8 lane by 2m by 25m lane main pool. To support competition use the number of spectator seats has been increased from 145 to 204.
- 2.5 The location of the pools has been reversed to move the Fun Pool closest to the entrance and the café.
- 2.6 The original scheme did not include a Diving Pit. The project team has considered the provision of a pit with four boards within a widened Training Pool that has a split moveable floor able to provide the required depth for diving. This option is supported by the Swimming Club because it secures diving and also provides more swimming training space through the use of the width of the extended pool. A drawing illustrating the inclusion of a Diving Pit is shown at Annex 2.

This addition to the scheme would cost a further £0.8 in capital to provide the greater pool width/depth, the impact on the overall footprint, the diving boards and additional water treatment. The revenue impact of this is considered further in the Business Case evaluation at Section 7 below.

- 2.7 The Wave Rider included in the original scheme has been omitted as a more detailed analysis of the business case demonstrated that the return was unlikely to be neither sufficient nor consistent enough.
- 2.8 As noted at Table 1 above the dedicated Trampoline Hall has been omitted and instead a flexible Hall of 695m² plus storage is included. This Hall in Options A/C will have a boutique 8 lane ten pin bowling and a smaller trampoline zone, which together with part of the cafe area and enlarged clip and climb and soft play spaces will create a Family Activity zone of some 1,000m². The combination will create a destination theme. The four selected elements will provide a broad offer that is tried and tested and mitigates the operating risk and rent flow to the Council. The differing age ranges that Option A would serve are set out in Table 2 below:

Table 2 – Adventure Centre Age Ranges

Ages	0 – 3	4 - 11	12 - 15	16 - 18	18+
Adventure Play (150m ²)	✓	✓			
Clip and Climb (150m ²)		✓	✓	✓	✓
Trampoline Zone (150m ²)	✓	✓	✓	✓	✓
8 Lane - Ten Pin Bowling (400m ²)		✓	✓	✓	✓

- 2.9 If Option A was adopted the majority of activities which currently take place in the Sports Hall can be relocated to the council's four other dry side centres,

three of which are adjacent to public transport.

- 2.10 The cafe servery and reception will be combined allowing the most efficient use of staffing. The cafe seating will enable views of the Fun Pool, Climbing Walls and Soft Play and will also be accessible to non-users who are walking the seafront.
- 2.11 The Centre will include accessible and family change cubicles, a lift and a Changing Places room to provide facilities for severely disabled patrons. Access to the main pool and training pool will be by means of hoists. There will be 10 Blue Badge parking spaces at the same level as the main entrance.
- 2.12 Assuming a scheme is approved by Cabinet the key dates for implementation are as follows (Table 3).

Table 3

Activity	Date
Cabinet Decision	11 th July 2018
Public Consultation	August/early September
Planning Application – submission /determination	1 st December 2018/ 12 th March 2019
Procurement and Stage 4 design conclude	19 th April 2019
Sign Off fully priced scheme	May 2019
Contract Close	7 th June 2019
Construction and Fit Out – start/finish	10 th June 2019/18 th December 2020

3.0 Skate Park

- 3.1 It is proposed that the skate park footprint will be altered and re-equipped in a phased manner to allow part of it to be operational during the construction of the new Centre.
- 3.2 The site of the existing skate park (shown by the irregular grey line on the drawing at Annex1) overlaps with the view lines from the planned café.
- 3.3 It is proposed to move approximately 50% of the skate park eastwards as shown by the grey shaded lozenge at Annex 1. As well as addressing the view line, this will also free space for the contractor to site a compound, thus reducing pressure for them to make use of the existing car park.

4.0 Consultation

- 4.1 The design has been driven by the needs of the Business Case, optimising accessibility for the widest range of users and recognition of the prominent seafront site occupied by the centre.
- 4.2 Eastbourne Disability Improvement Group was consulted at the early development of the design. The issues they were particularly interested in continue to be addressed in the revised design. This will include provision of a Changing Places room. They will continue to be a key consultee as the design is developed and an Equalities Impact Assessment (EIA) will form part of this process.
- 4.3 The redesigned wet facilities are a result of the detailed consultation with Eastbourne Swimming Club.
- 4.4 If approval is given to the scheme a wide ranging public consultation will take place during the late summer. This will include briefing for Serco staff; staffed/unstaffed public displays at various locations, with a permanent display at the existing site, a targeted meeting with existing user groups and a press/social media campaign to highlight the consultation. The outline of the scheme will be emailed to a database of both residents and visitors. Any comments or questions can be emailed to a bespoke email address.

5.0 Corporate plan and council policies

- 5.1 This project is a key element contributing to the Corporate Plan, Prosperous Economy theme. The new centre will create a regional swimming and leisure destination, increasing dwell time and visitor spend, increases in capacity in both swimming and the number of stations within the gym will ensure additional yield. Furthermore with the addition of dry side activities it is anticipated that the number of patrons and catchment will increase. Ultimately increases to staff numbers will be required.

6.0 Scheme Costs

- 6.1 In 2016 a capital budget of £24.28m was approved.
- 6.2 The revised designs set out in this report are estimated to cost £26.6m for construction, professional fees, framework costs, surveys and other enabling costs. This estimate includes provision for contingency and inflation. In addition debt charges while the centre is under construction are estimated at £1.7m giving a total scheme cost of £28.3m.

6.3 The key reasons for the increases in budget are as follows (Table 4):

Table 4

Reason for Increase
Increase in floor area by some 100m ² due primarily to enlarged main pool as agreed with Swimming Club
Additional inflation allowance due to later dates for construction
Allowance for a CCTV based drown detection system – now guidance but likely to be regulation soon
Increase in spectator seating to 204 to support competition use
Allowance for second electricity sub-station to serve Monarch House as the current sub-station is within the existing Centre
Review of finishes used for facade and roof
Updated market testing of prices for mechanical and electrical plant
Review of ductwork allowances for electricity distribution
Change in procurement route
Inclusion of the cost of debt finance while the centre is under construction

6.4 Options with diving add £0.8m to the scheme cost.

7.0 Business Case

7.1 The 2016 Business Case identified that the proposed scheme (which included a Trampoline Centre) would generate an annual return to the Council of £50k after payment of funding costs. This compared to current annual costs of £340k, a net positive movement of £390k.

7.2 The revised Business Cases options are set out in Table 5 below. In each case the cost of debt while the Centre is under construction has been added to the construction cost. The figures all reflect trading at Year 3 when it is assumed costs and income will have stabilised.
The net cost shown is after repayment of debt costs and compares to the current annual cost of £340k.

7.3 Table 5- Business Case - net cost to the Council at Year 3

Option	£k Net Cost pa
Option A – Activity Centre without diving	134
Option B – traditional Sports Hall without diving	293
Option C - Activity Centre with diving	164
Option D – traditional Sports Hall with diving	322

8.0 External Funding

- 8.1 The project team have discussed the potential of grant funding for this facility with Sport England and it is clear that this will not be available at this time. Sport England and the council's business plan advisor (FMG Consulting), have identified the need for considerable work to align the council's and partner's health and sports strategies and carryout user/non-user research by means of the Sport England approved research tool, before a grant application could be considered. Even then it must be recognised that the grant fund is heavily over-subscribed.

If the Council wished to proceed with a Sport England bid it is estimated this work would take a total of some 12-18 months.

- 8.2 The Leader has asked for a further meeting with Sport England which is being arranged.

9.0 Operation of the Sovereign Centre

- 9.1 The procurement process to select an operator for the new Sovereign Centre commenced with the publication of a notice in OJEU on the 19 May 2017 with the deadline for the submissions of requests to be invited to participate being 16 June 2017. The notice indicated that the facility was expected to be open in November 2019. In the light of the changes to the overall proposal and delivery date for the new centre, the consequent delay to the operator procurement process and the loss of bidders from the shortlist while the procurement has been suspended, it is felt that there is a further need to consider the market and options for an operator and it is considered appropriate to discontinue the procurement process without the award of a contract now.
- 9.2 The revised timescale for building a new leisure centre has created the need for the Council to consider an interim arrangement for managing the current centre between the current contract finishing on 31st March 2019 and the opening of the new centre which is likely to be some 20 months after that date. An interim operator will therefore be needed.
- 9.3 It is proposed to set up an operating contract for the interim period using Wave Leisure. Wave has a good working relationship with Lewes District Council and has delivered consistently good performance across the leisure centres it operates across the District. The managing and reporting mechanisms deployed at Lewes could be adapted between EBC and Wave during this interim period.. Meanwhile, it is proposed in a separate paper to Cabinet that Wave Leisure will take over the four [dry] leisure centres operated by EBC, along with Motcombe Pool and Regency Community Centre. By securing an interim operator, EBC can ensure that the Sovereign Centre remains open and caters for the existing user groups throughout the build time of the new centre.
- 9.4 Existing staff at the Sovereign Centre are currently employed by ELT or Serco and can be transferred to the new operator under TUPE conditions.

- 9.5 Current plant and equipment is nearing the end of its life but it is anticipated that it will be able to operate over this interim period. There will however be a need to supply gym equipment as it is anticipated that the current operator will remove all the equipment it owns. Wave Leisure operates eight leisure centres and would be willing to supply gym equipment for the interim period. This would most likely comprise reconditioned kit or leased kit from one of its other sites and would be of a standard that matches or improves upon the condition of the existing equipment at the Sovereign Centre.
- 9.6 This transfer arrangement will be an exception to Contract Procedure Rules as it will be the award of a below threshold services contract without competition.

10.0 Risk Management

- 10.1 The project team has identified the following key risks and mitigations (Table 6)

Table 6

Risk	Mitigation
<u>Do nothing:</u> <ul style="list-style-type: none"> The existing centre is nearing the end of its operational life which may result in eventual closure should significant plant failures occur. Any further delay to progressing with a replacement facility will result in costs increasing due to inflation forecasts. 	Proceed with proposed development of replacement of Sovereign Centre.
<u>Maintenance of existing facility to opening of new Centre:</u> <ul style="list-style-type: none"> Costs of maintenance of the existing facility, including major plant replacement, may impact on available finance for the development of the existing facility. 	Proceed with proposed development of replacement of Sovereign Centre as soon as practical.
<u>Views of the Council's insurer (Zurich):</u>	A meeting was held with Zurich on 21 st June 2018 to discuss the latest iteration of the scheme. It was a constructive meeting and a good working relationship has been formed.

<p><u>Skate Park closure:</u></p> <ul style="list-style-type: none"> • Due to the proximity of the Skate Park to the new building, the Skate Park might need to be closed during the construction period. • Costs for temporarily or permanently relocating the Skate Park have not been included within the project costs. 	<p>Work with contractors to retain Skate Park use throughout the construction period and relocate some 50% of the Skate Park footprint eastwards in order to provide site compound space to the contractor</p>
<p><u>Temporary parking:</u> It is highly likely that a number of existing parking spaces will be lost during the construction period.</p>	<p>Work with the operator, the construction contractor and users to establish a suitable approach to parking during the construction period. We anticipate making use of spare capacity at a nearby EBC car parks.</p>
<p><u>Loss of momentum or continuity of Project Team:</u> Retention of the existing project management and design team is critical to ensuring the Council's expectations are met and the design progresses to meet suggested timescales. Project knowledge may be lost should the design team, or members of the design team, be allocated to other projects during any delay to progressing the replacement of the Sovereign Centre.</p>	<p>Proceed with the proposed development as soon as practical and ensure appointments are made with the existing design and project management team under the CSF framework.</p>
<p><u>Failure to achieve Operator contribution:</u> There is a risk that the forecast contribution from the Operator may not be achieved.</p>	<p>Work to ensure the Business Case closely reflects market sentiment</p>
<p><u>Procurement:</u> It is critical that a contractor with 'wet leisure' experience is appointed for this project.</p>	<p>CSF have recognised this need in their selection of potential contractors</p>

<u>Co-ordination and completeness of design information:</u> The latest design is to be fully co-ordinated with all design disciplines and pool filtration and flume requirements. The design information is currently RIBA Stage 2 which may result in minor amendments to the overall scheme design as the programme progresses.	The project plan and budget will allow capacity for the design and costings to be revised
<u>Drowning detection system:</u> A number of operators are responding to changing market guidance by installing drowning detection systems. It is understood that the installation of a system will be a recommendation in the next iteration of guidance.	A drowning detection system has been included in the latest design
<u>Location of site, weather risk:</u> The site is in an exposed location so periods of downtime due to wind or other weather conditions may be more than a typical site.	This risk will be highlighted to potential contractors and their plans for coping with adverse weather will form part of the evaluation of tenders

11.0 Summary of Financial Implications

- 11.1 All Options (albeit marginal in the case of OptionD) demonstrate an improvement against the current annual cost of £340k per annum after taking account of capitalised interest and repayment over 40 years.

None of the schemes takes into account the potential capital receipt from the existing site as the future of the existing site will be determined separately. A Task Group of the Scrutiny Committee is currently examining options for the site.

The Council's medium term financial strategy does not currently assume any net saving from the scheme, equally however it does not allow for any growth in the cost of the service.

The principal financial risks are:

- a) An overrun on the capital scheme requiring further financing costs – by using CSF to build the new centre this can be substantially mitigated.
- b) The trading position of the new centre will not meet the expected budget – by building some flexibility into the design and maintaining the existing centre operation in tandem, this risk is reduced but not eliminated.

12.0 Legal Implications relating to the construction of the replacement Sovereign Centre

12.1 The Council will construct this scheme using the joint venture arrangement (CLEAR Futures) it has established through an EU compliant competitive procurement. The contract will be with Robertson Capital Projects Limited ("RCP") and AECOM Limited ("AECOM") who are referred to in this report as "CLEAR Sustainable Futures (CSF)". The current design team and the external project manager will be novated to CSF.

12.2 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 some steps that need to be taken to ensure that the Council has a clean title for the whole site and to enable construction to proceed.

13.0 Legal Implications relating to the Interim Management of the Existing Centre

13.1 This legal advice assumes that all current contracts, leases etc have been brought to an end by the time that the Interim Management takes place. Due diligence is being carried out to confirm that this is the case.

13.2 Property issues

It will be necessary to grant a lease to Wave Leisure to allow them to occupy the existing Centre until the new Leisure Centre is open.

The Council's Contract Procedure Rules say that no lease of land where the estimated rent exceeds £25,000 per annum shall be made except after auction or the invitation of tenders or expressions of interest following appropriate public advertisement, unless authorised by Cabinet. The delegations above include authorisation not to dispose by auction or invitation of tenders following public advertisement (sought under Contract Procedure Rule 18.1).

The arrangement is to be structured as a public services contract so that the lease under which Wave occupies the building will be incidental to that contract.

The Council cannot dispose of land held in the general fund for a consideration less than the best that can be reasonably obtained in the market, except with the consent of the Secretary of State. Disposal includes leasehold sales where the lease term exceeds seven years. The lease to Wave will be for a term of less than seven years.

In disposing of any land or interest in land the Council must ensure that it does so in accordance with State aid rules. The Director will have to ensure that the leases are compliant with State aid rules. Typically this would be through the disposal at market value through (i) an open and unconditional bidding process or (ii) an expert valuation. State aid rules can also be met through the application of the Market Economy Operator Principle.

13.3 Operational Issues

The Council intends to award Wave Leisure a services contract to operate the existing leisure centre until its replacement. The total estimated value of that contract is less than the applicable threshold under the Public Contract Regulations 2015 of £615,278. This means that there is no requirement on the Council to run a competitive process advertised in OJEU. In addition the contract is not regarded to be of certain cross-border interest and so the General Treaty obligations will not require any form of competitive process. The recommendations above include a waiver under the Contract Procedure Rules to waive any requirement for a competitive process to award a sub-threshold services contract (Contract Procedure Rule 2.4.1.a). The payments to be made under the services contract can be benchmarked against the existing contract with ELT/Serco and current operating costs to ensure value for money and no over compensation for the services received.

14.0 **Equality analysis**

14.1 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 Blue Badge parking immediately adjacent to the entrance
- 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

Equality and fairness reports will be prepared in accordance with EBC policies and procedures.

15.0 **Conclusion**

15.1 The revised scheme set out in this report reflects further consideration of the leisure market and input from Eastbourne Swimming Club. It provides a range of options and sets out the operational and financial implications of each. The Option A scheme will provide a facility mix and financial return which most closely matches the Council's original objectives for the project.

Appendices

Annex 1 – Proposed Design

Annex 2 – Diving Pit Option

Background papers

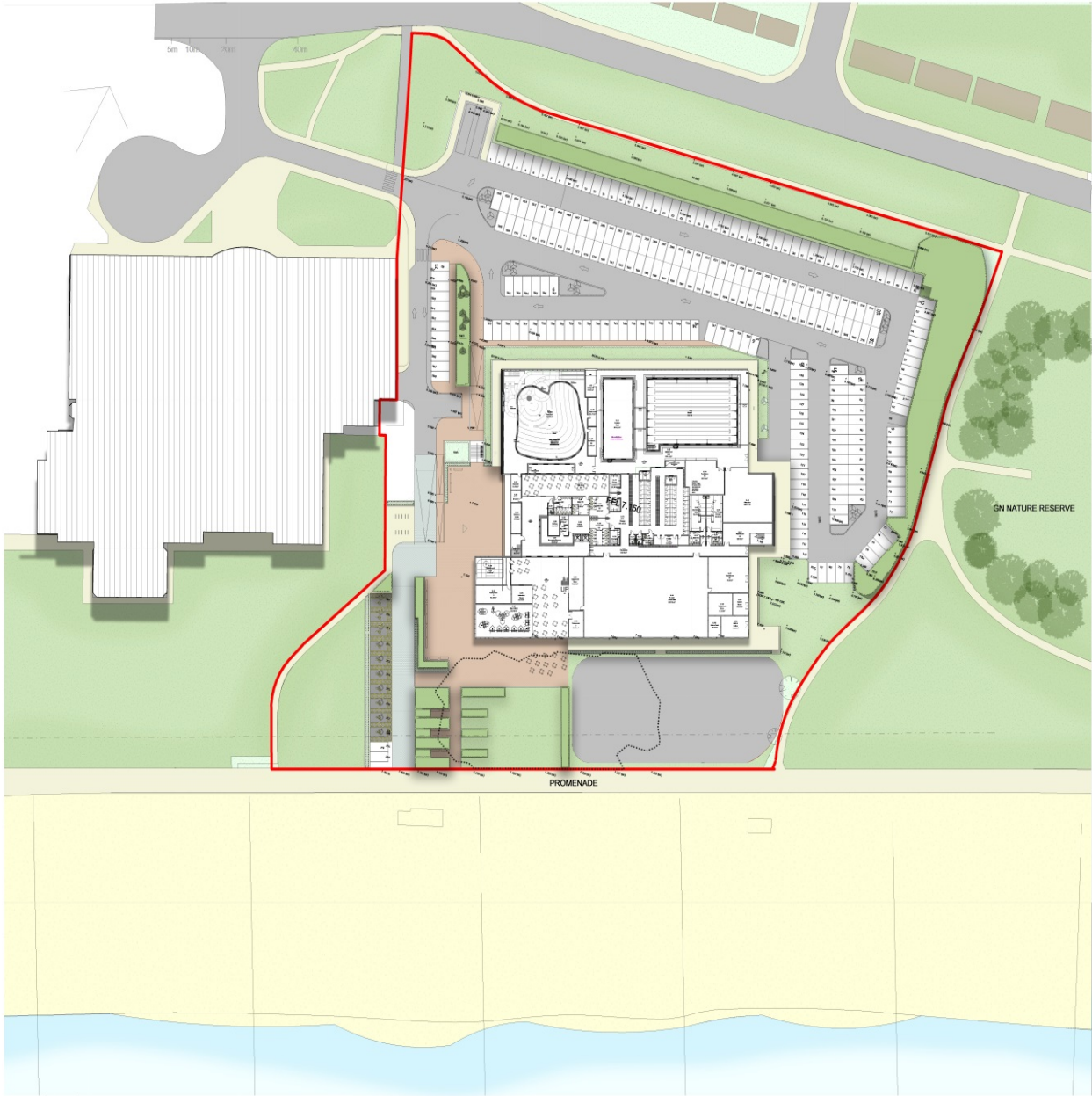
The background papers used in compiling this report were as follows:

Stage 3A revised design and budget - Hadron Consulting, GT3 Architects and Aecom
Quantity Surveyors (part of CLEAR Futures)

To inspect or obtain copies of background papers please refer to the contact officer listed above.

Annex 1 – Proposed Design

Site Plan – existing site of Skate Park shown by irregular grey line between Centre and promenade and proposed site shown by adjacent grey shaded lozenge

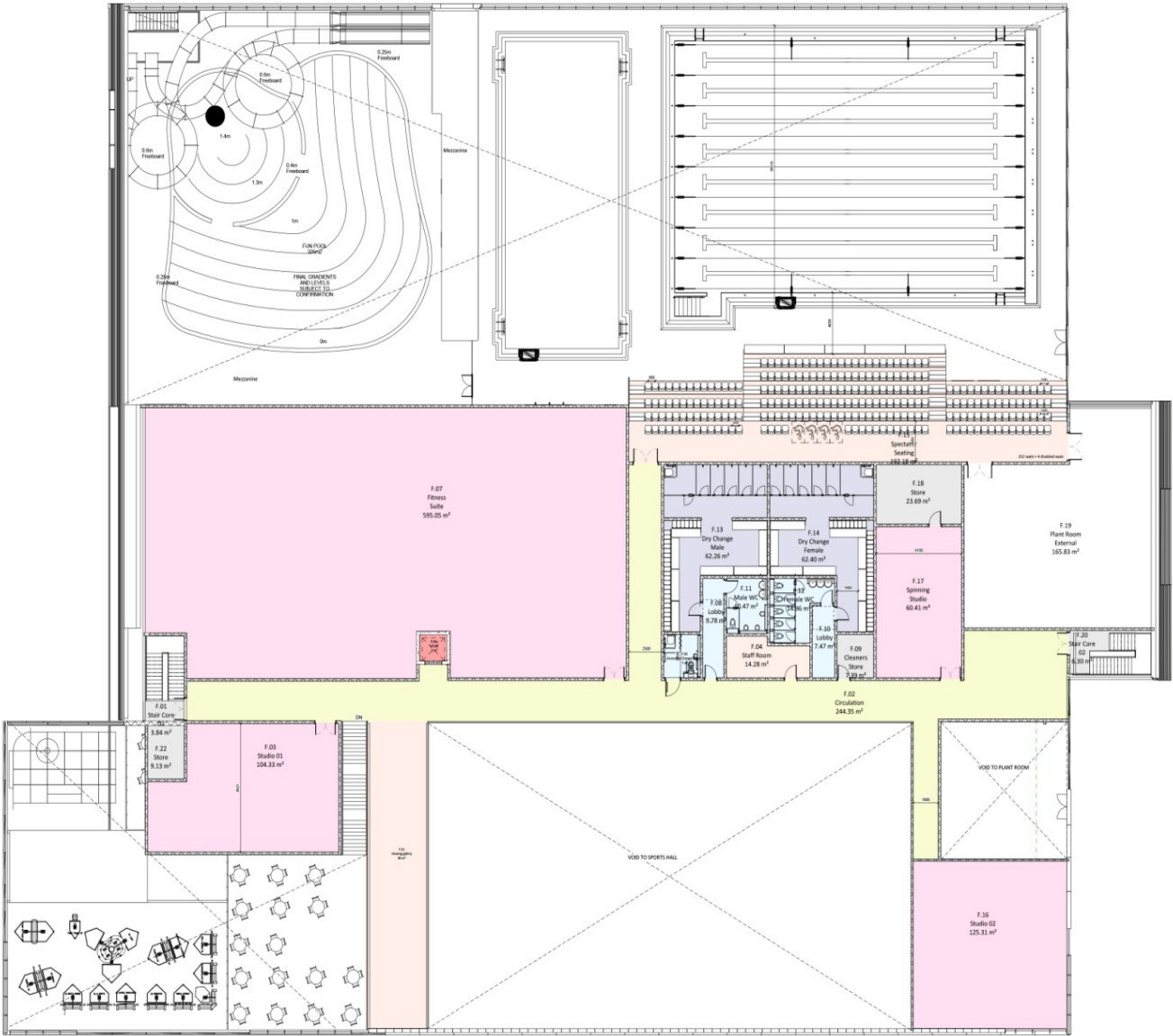


Proposed Site Plan

Ground Floor



First Floor



Annex 2 - Diving Pit Option

