

REPORT TO:	WARD COUNCILLORS
DATE:	MONDAY 29 TH OCTOBER 2018
SUBJECT:	BEECHWOOD RECREATION CENTRE – UPDATE
REPORT OF:	MATTHEW HUMBLE, PROGRAMME MANAGER RHIAN HUGHES, PROJECT OFFICER

1.0 EXECUTIVE SUMMARY

- 1.1 This briefing paper is provided to update Ward Councillors on the proposed future approach to the future delivery of services from Beechwood Recreation Centre.

2.0 BACKGROUND

- 2.1 Beechwood Recreation Centre receives an annual subsidy from the Council of £123,000 (including recharges) in order that it may deliver services. There are five staffing positions at the Centre (3.88 FTE), with one of the positions currently vacant. The Recreation Centre comprises of a Fitness Suite with a large selection of free weights, indoor multi-purpose sports hall (3 badminton court size), outdoor floodlit Multi Use Games Area (MUGA), 1 Class Studio, Toning Table Suite, Changing Facilities, a small upper hall, offices and stores covering approximately 1400 square meters. It also has a DDA compliant changing facility and car parking to rear of the Centre.
- 2.2 In December 2015, Cabinet approved a budget option for financial year 2016/2017 for Leisure Services to seek an alternative provider for Beechwood Recreation Centre with associated savings of £73,000 per annum.
- 2.3 A Soft Market Test was undertaken in March 2016 supported by the then Cabinet Member Councillor Meaden. This comprised of all key stakeholders receiving either an email or written communication informing them of the intention to explore an alternative provider for the Beechwood Recreation Centre.
- 2.4 An Expressions of Interest exercise was undertaken in May 2016 which comprised of an advert on the Wirral Council website and written communication with all key stakeholders, an application and business plan document, floor plans, condition survey and a financial breakdown for the Beechwood Recreation Centre. The process invited interested parties to submit an interest by 24th June 2016.
- 2.5 As a result of the projected building work costs (£876k) attached to the condition survey (to establish cyclical planned maintenance/future replacement costs over a 10 year period) of the Beechwood Recreation Centre, no interested parties were able to submit a financially viable application.
- 2.6 A capital bid was submitted in December 2016 for the value of £500k, to undertake the essential works identified within the conditions survey in order to make the building sustainable. These capital works were put on hold as a part of the Leisure, Libraries and Cultural Services Review with approval for works received in the spring of 2018. These works were undertaken and completed in July 2018.
- 2.7 Due to the nature of the works undertaken the advice received from colleagues in the Legal Department has been that the original offer included in the tender exercise

undertaken in May 2016 had fundamentally changed and that a new exercise would be required.

- 2.8 In the intervening period, between the budget option in 2015 and present, the Cabinet Portfolios and Lead Members have changed. Councillor Phillip Brightmore, Cabinet Member for Leisure and Recreation, requested that a number of options for the future delivery of the recreation centre be proposed for consideration.

3.0 ISSUES

- 3.1 Elected Members have been clear that they wish Beechwood Recreation Centre to remain open in order to meet the needs of local residents.
- 3.2 As a result of the budget savings option for the recreation centre agreed in December 2015 the expected saving of £73,000 was removed from leisure budgets in 2016/17. However as a part of budget rightsizing the budget has been reinstated as a temporary measure, for 2 years, whilst the solution for the centre is agreed and delivered.
- 3.3 The Council has invested £500,000 of capital in the recreation centre in order to bring it up to a good standard of repair.

4.0 OPTIONS

- 4.1 There are three options for the future delivery of services from Beechwood Recreation Centre:
1. Transfer to a provider on a leasehold basis, with user restrictions. This would require a competitive process.
 2. Contract to an alternative provider, with service delivery monitored through contract monitoring. This would require a competitive process.
 3. Include as a part of wider proposals for Leisure Services.

Closure is not an option as Elected Members have been clear that they wish the centre to remain open.

- 4.2 In all cases, where there is a transfer from the Council to a third party operator, TUPE will apply. With regard to the current staff at Beechwood, Leisure Services are able in this instance to accommodate staff remaining in the Council within Leisure Services and staff have all indicated a wish to remain within the Council's employment and be redeployed. They are however still entitled to change their minds at any stage of the process right up to any actual transfer.
- 4.3 The table below outlines the advantages and disadvantages of each option:

Description	Advantages / Benefits	Disadvantages / Risks
1. Transfer of Beechwood Recreation Centre		
<p>A lease would need to be provided to the new provider, this has to be at the best rent reasonably obtainable and advertisement would be needed.</p>	<p>The capital works identified to support this option have been completed.</p> <p>The new provider would take full responsibility for the management and operation of the recreation centre and would also be responsible for the maintenance of the building. This arrangement, if a bidder comes forward on this basis, would allow the Council to make the expected £73,000 saving and also allow it to avoid the cost of future capital maintenance of the building.</p> <p>There is a potential advantage with this option in that a different provider would bring with them new thinking, innovation and expertise to develop the centres offer.</p>	<p>This would involve a competitive exercise in order to identify a tenant.</p> <p>While this work is ready to commence, the project team is aware that one of the highest scoring organisations, from a previous exercise held in May 2016, is no longer interested in acquiring Beechwood Recreation Centre as an asset. However this exercise was not fully advertised on an open basis.</p> <p>Carries risk of the leasee developing and providing specific leisure service along a narrow theme rather than the range of leisure service that may have been available through Council provision.</p> <p>In order for the leasee to reach commercial financial sustainability the Council would not be able to control the future pricing strategy at this site, unless the Council were to offer financial subsidy to the lease against pricing.</p>

Description	Advantages / Benefits	Disadvantages / Risks
2. Contract to an Alternative Provider		
<p>Management and operation approach that would deliver a community leisure service from Beechwood Recreation Centre.</p> <p>This approach would take the form of a concession contract. The length of contract is governed by the concession regulations that only allow you to offer a term limited to the time it would take to recoup investment. As the Council has made an investment and given other concession terms this period is perhaps going to be at the shorter end of the scale :3-5 years</p>	<p>The Council would transfer the management and operation of the recreation centre to another provider; any financial losses or surpluses made by the alternative provider would be their responsibility and allow for the expected £73,000 saving to be achieved by the Council.</p> <p>There is a potential advantage with this option in that a different provider would bring with them new thinking, innovation and expertise to develop the centres offer.</p>	<p>In retaining the centre as an asset the Council may be responsible for the ongoing maintenance of the building as the operator is unlikely to want to take on capital risk.</p> <p>The route to awarding a concession contract is through a competitive tender process – we would work with our Procurement team within this route.</p> <p>Carries risk of the contractor developing and providing specific leisure service along a narrow theme rather than the range of leisure service that may have been available through Council provision.</p> <p>In order for the contractor to reach commercial financial sustainability the Council would not be able to control the future pricing strategy at this site, unless the Council were to offer financial subsidy to the contractor against pricing.</p>

Description	Advantages / Benefits	Disadvantages / Risks
3. Include as a part of wider proposals for Leisure Services		
<p>Wirral Council is currently undertaking a review of its Leisure Services, exploring two options one a retained but enhanced service the other the transfer of services to an Alternative Delivery Model (ADM). In both options there is the need for services to radically change and become more commercial in order to reduce Council subsidy and the risk of service reductions. The inclusion of the recreation centre in the LLCS Review would mean that there would be no requirement for a separate project.</p>	<p>If Beechwood Recreation Centre was included in the wider Leisure Services proposals it would benefit from the cross service proposal already being considered (e.g.: Co-location opportunities and changes to pricing structures).</p>	<p>In retaining the centre as an asset the Council would be responsible for the ongoing maintenance of the building. While some work has been undertaken further capital work would be required.</p> <p>It is likely that while these income generation initiatives were being developed the service may require the £73,000 rightsizing to remain in place until completion of this larger, more complex project.</p> <p>There would also be the need for the service to consider specific enhancement to the recreation centre to place it on a firmer financial footing in order that it be sustainable in the future. To date opportunities for enhancing the use of the centre by the Council have been limited.</p>

5.0 RECOMMENDED OPTION

- 5.1 The preferred option is to contract Beechwood Recreation Centre to an alternative provider within a management and operation approach. The contractor would deliver a community leisure service from Beechwood Recreation Centre through a 5 year concession contract.
- 5.2 A concession contract gives a company the right to operate a specific business, subject to certain conditions. The concession agreement provides the concessionaire with the right to exploit the work, or services, that are the subject of the contract. A concession contract must include an end date which in this case would be 5 years the maximum available under a contract of this nature. The contract length should be reasonable to enable the concessionaire to recoup investments.
- 5.3 The procurement procedure is less prescriptive (than restricted or competitive dialogue procedures.) There are however a number of principles that have to be followed.

The procedure must:

- must be transparent, and not be discriminatory
- must avoid distorting competition
- must include measures to combat fraud, favouritism and corruption;
- must prevent, identify and remedy any conflict of interest
- must include the publication in the OJEU of a concession notice
- must adhere to the minimum time limits of 30 days for single staged tenders

5.4 It is estimated to that the process from Member Decision to contract start would take 22 weeks to complete. Included in this timeline is the preparation and delivery of a single stage procurement process, further Member authority to award and the adherence to TUPE requirements.

TASK		SCHEDULED WEEKS INTO TIMELINE:
Member Decision		1
Complete Pre Procurement Forms	2 weeks	2-3
Project Board – to move to delivery		3
Advertise on Chest	4 weeks	4 - 8
Application Evaluation	2 weeks	9-10
Member Decision on final terms	2 weeks	11-12
Award & Standstill	2 weeks	12-14
Contract Finalised	4 weeks	14-18
TUPE	6.5 weeks (will commence part way through contract finalisation)	14-21
Contract Start		22