



1. **PURPOSE OF REPORT**

To report on the outcome of an options review for the delivery of a new Leisure Centre for the Borough including advice on the type of facilities will be required including, location, costings, delivery and procurement.

2. **RECOMMENDATIONS**

- 2.1 That Council approves undertaking a new build facility to replace the existing Hinckley Leisure Centre.
- 2.2 That Council approves the new Leisure Centre be developed on Argents Mead subject to maintaining and enhancing the green space and adds value to the park.
- 2.3 That Council endorses and approves the facility options, procurement process and timescales as set out in sections 5 and 6 of this report.

3. **BACKGROUND TO THE REPORT**

- 3.1 In 2007/8, a capital budget was aligned to build a new Leisure Centre for the Borough. Following extensive investigation into site options, a preferred Leisure Centre site was identified within the Sporting Hub Masterplan, which is located adjacent to the Hinckley Cricket Club, A47 Leicester Road. This site was not owned by the Borough Council, however the Hinckley Town Cricket Club were receptive to gifting a parcel of land allowing this development to take place. This was agreed by Council in May 2008 – minute no. 610.
- 3.2 Following an independent review of the capital programme and the emergence of limited capital budgets an alternative affordable interim delivery solution was required.
- 3.3 Therefore, in 2009, the project was deferred in preference for a facelift refurbishment. Results of the condition survey confirmed that there was a need for significant investment to ensure the facility remains open. Some interim investment was undertaken in 2010 to enable the existing contract with SLM to be extended to 2015. However, due to the extensive maintenance requirement on both structure and plant there is no opportunity available to extend the life of the building short term without the risk of running costs increasing or the facility being subjected to temporary or permanent forced closures without warning.
- 3.4 It should be noted that the refurbishment was very well received by customers of the Leisure Centre. Overall footfall has risen year on year – for 2011/12 the figure was 639,353, the highest recorded.
- 3.5 RPT Consulting was appointed in 2012 to undertake an options review for the future delivery of Hinckley Leisure Centre (HLC).

3.6 Whilst considering options for Hinckley & Bosworth an opportunity presented itself to work alongside Oadby & Wigston Borough Council (OWBC) with regards to Leisure Centre procurement and delivery. There are significant benefits from undertaking a joint procurement exercise with OWBC, including cost savings and market attractiveness.

3.7 An internal Project Team, supported by the Project Board, has been established to manage and assist the Consultant in developing this report and its findings.

#### 4. KEY CONSIDERATIONS

4.1 The Consultant supported by the Project Team have investigated a number of key considerations when developing this options review, these include:

- What type of facilities are required (facility mix)
- Site location
- Costings
- Delivery
- Procurement

4.2 The Consultant has produced a full report on the options available to the Council. An Executive Summary which explores each of the above is attached as Appendix A. The high level findings are as follows:

4.3 Facility Mix – The Project Team have developed two facility mix options for the future redevelopment of HLC, based on the sporting need and a commercial approach

4.4 Site location – Three options have been considered; refurbishment, new build at the Sporting Hub and new build on Argents Mead.

4.5 Costings – Each site option has a differing level of potential capital available to it based on capital receipts. Details are contained within the financial implications section of this report.

4.6 Delivery – There are 4 potential options for the future delivery of the services. It is recommended that HBBC progress with entering into a partnership with either an existing Not for Profit Distribution Organisation (NPDO) or the private sector as this is comparable with the existing arrangements and other options will result in additional costs.

4.7 Procurement - There are two principle procurement options for the development of a new facility - Separate design and build contract to an operating contract or a combined Design, Build, Operate and Maintain contract (DBOM) – where the Council enters into one contract to build and operate the facility for a period of time. The DBOM contract provides significant advantages, particularly through risk transfer and delivering the lowest whole life cost.

#### 5. KEY FINDINGS AND PROPOSALS

5.1 The Project Team and Consultant have analysed all of the considerations and are proposing that Council supports the following findings:

A) The Council should undertake a new build to replace the existing HLC and should progress with:

- i. The development on the Argents Mead site, within the development footprint agreed by Executive on 12<sup>th</sup> October 2011.
- ii. The development should maintain and enhance the green space ensuring the facility is sensitively designed to fit and add value to the park.
- iii. Develop the basic facility mix (Option A) as detailed in Appendix A section 0.9
- iv. Seek to establish variants from the market to deliver some or all of the additional facility mix (Option B)

It should be noted that there are a number of significant advantages to the above

- The asset life of a new facility will be 40 years, compared to just 20 years for a refurbishment.
- The BREEAM rating of a new facility will aim for Excellent, as long as the costs associated are not prohibitive and prevent the Council from achieving the required facility mix.
- The secondary spend within Hinckley Town Centre from users who visit the Leisure Centre is considerable. Retaining the Leisure Centre within the town centre would support the economic growth and sustainability of the town centre. Refer to Appendices B and C.
- Would compliment the new Bus Station developments
- Car parking arrangements would be enhanced – currently the Leisure Centre has 90 spaces, the combined number of spaces of the 3 surrounding car parks to Argents Mead (Mount Road 108, Station Road 79 and Church Walk 90) would provide 277, at prime usage periods i.e. weekdays 5pm – 8pm.

B) A future contract should be let with either an existing NPDO or the private sector which should have the following parameters:

- v. A contract length of circa 20 years (this would maximise our return on investment and is the industry norm for new facilities)
- vi. Life cycle costs should be the responsibility of the partner
- vii. Competitive dialogue process should be used

C) The Council should work with OWBC to undertake a joint procurement exercise based on two lots – one for each Council.

## 6. TIMESCALES

6.1 A project plan has been developed (Appendix D) for the ongoing procurement of a new partner to ensure that the partner is in place by April 2014, which suggests that an OJEU advert is placed in December 2012. This enables HBBC to have the new facility operational by March 2015, when the existing contract ends.

## 7. FINANCIAL IMPLICATIONS (KB)

7.1 The financial implications for all options are detailed in Appendix A. The financial implications for the proposed recommendations are detailed below.

7.2 All implications are indicative and based on historical development costs. Actual costs will be established be known on completion of the procurement process.

## Capital

7.3 The capital costs and financing implications for the development of the Argents Mead site are outlined in the table below. The minimum build cost for Option A is £7.1million, rising to a maximum of £11.2million if all elements of Option B are incorporated. Per the recommendation, the Council will seek to establish desired elements of this option from the market and therefore these costs may be reduced as a result of this process.

7.4 The capital cost of the Argents Mead site will be funded in the main by capital receipts. It is forecast that £5.55-5.95 of receipts will be available based on the following estimates:

	<b>£million</b>
Depot site	0.5
Bus Station	2.75
Current Leisure Centre	1.8 – 2.2
Other sales	<u>0.5</u>
	5.55-5.95

7.5 The Council has set aside £1.059million in an earmarked reserve to fund costs associated with the scheme.

7.6 Any shortfall in the financing of the Argents Mead site will be funded by Prudential Borrowing. Based on the range of costs and funding outlined above, the Council will be required to borrow between £0.091million and £4.59million to fund this gap. Based on current PWLB rates, the Council would be required to pay between 3.89% (EIP) and 4.37% (Maturity) interest on this borrowed amount over 40 years. These rates will however become lower from November 2012 following the introduction of the PWLB's new "Certainty Rate".

Scheme Option	Capital costs	Receipts available	Reserves	Borrowing	Interest costs (based on 4.37%)
Argents Mead Site A (Basic)	£7.1M	£5.55 -£5.95M	£1.059M	£0.091M - £0.49M	£0 - £0.02M
Argents Mead Site B (Additionality)	£11.2M	£5.55 -£5.95M	£1.059M	£4.19M - £4.59M	£0.18M - £0.20M

## Revenue

7.6 The net impact on the revenue account for the Agents Mead development will again differ depending on capital receipt received for the site and also the facility option that is undertaken.

Scheme Option	Receipts – lower level		Receipts – higher level	
	Total Revenue Surplus/ (Cost) £'000's	Revenue Saving/ (Cost) v Existing £'000's	Total Revenue Surplus/ (Cost) £'000's	Revenue Saving/ (Cost) v Existing £'000's
A - Basic	(74)	(59)	32	47
B - Additionality	(304)	(289)	(199)	(184)

7.7 This appraisal shows a virtually cost neutral impact if the basic option is agreed for the Argents Mead site. The appraisal assumes a level of additional income which is higher for the additionality mix.

## 8. LEGAL IMPLICATIONS (AB)

8.1 The Local Government Miscellaneous Provisions Act 1976 gives the Council power to provide such recreational facilities as it sees fit including the provision of sports centres.

8.2 Given the value of the contract to be let a full OJEU procurement process will be required to identify a development partner.

## 9. CORPORATE PLAN IMPLICATIONS

The procurement of a new Leisure Centre links directly to and complements the Borough Council's Corporate Plan, in particular:

- Safer & Healthier Borough
- Strong and distinctive communities
- Thriving economy
- Cleaner & greener neighborhoods

## 10. CONSULTATION

Consultation has taken place with Sport England, developers, private sector operators and the incumbent Leisure Centre management team. Wider public consultation will be conducted throughout 2013, especially focusing on the design of the new facility and how it will compliment Argents Mead.

## 11. RISK IMPLICATIONS

Detailed in the Cultural Services corporate risk register and associated Risk Log for this project.

## 12. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

The aim is to provide a facility that provides acceptable accessibility to all residents within the Borough, including the rural areas. Enhancements to the Bus Station will compliment the proposed new location of the Leisure Centre. When programming activities within the Centre targeted delivery to priority communities and social groups will be fully considered, as per current delivery arrangements.

## 13. CORPORATE IMPLICATIONS

Support from a wide number of Service areas will be required throughout the procurement and delivery processes. These include:

- Estates & Asset Management
- Finance
- Legal
- Green Spaces
- Planning
- Environment
- Cultural Services

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Background Papers: Previous reports available upon request

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# Appendix A

## HINCKLEY AND BOSWORTH BOROUGH COUNCIL LEISURE OPTIONS REVIEW

### EXECUTIVE SUMMARY

#### A BY



October 2012

#### Introduction

- 0.1 Hinckley and Bosworth Borough Council (HBBC) currently provides leisure facilities through a leisure management contract with SLM for Hinckley Leisure Centre (HLC), which expires in March 2015.
- 0.2 HBBC have been considering the need to replace HLC since 2008 as a result of condition survey work which suggests that there is a need for significant investment to ensure the facility remains open. Some investment was undertaken in 2010 to enable the existing contract with SLM to be extended to 2015, however the existing condition does not allow any further short term option to be considered without the risk of costs increasing or the facility having to close.
- 0.3 RPT Consulting was appointed in February 2012 to undertake an options review for the future delivery of HLC.

#### Delivery of Outcomes

- 0.4 HBBC has developed its Leisure Centre to focus on delivering service outcomes, through a contract with SLM, which ends in March 2015.
- 0.5 As a result HBBC are seeking to explore the options for the future delivery of the service.
- 0.6 The options review has identified a number of outcomes for the future delivery of the service, as set out below
  - **Healthy Living** – ensure that the population experience good health and live an active life
  - **Physical Activity** – increase the levels of physical activity amongst the population
  - **Older People** – ensure that older people participate in physical activity and have good access to leisure facilities
  - **Children and Young People** – ensure that children and young people are healthy, safe, participate and enjoy a range of activities

- **Strong Communities** – ensure that people participate in our communities and we develop a flourishing voluntary sector
- **Priority Areas** – ensure that the people in priority areas within the borough have access to high quality leisure facilities
- **Equality of Access** – ensure that there is equality of access to facilities and there are no barriers to participation
- **Sustainable Facilities** – deliver high quality, sustainable facilities with high levels of satisfaction from customers and residents
- **Cost Effective Delivery** – ensure that the costs of delivery of our services are commercially developed to support our service and social outcomes

0.7 In consideration of the future options for delivery of the service **we recommend** that the outcomes shown above are a key part of the evaluation of the most appropriate delivery and procurement option, together with ensuring the partner and new facility deliver on these outcomes.

0.8 The existing revenue cost to HBBC to operate HLC is £15,000 per annum which includes the client maintenance cost.

### Future Facility Mix

0.9 We have developed two facility mix options for the future redevelopment of HLC, based on the sporting need and a commercial approach, which identify the essential facility mix to meet existing need (Option A) and a preferred facility mix which enhances the mix (Option B). we summarise the key features of the mixes in table 0.1 below

**Table 0.1 – Facility Mix Options**

Facility	Option A - Basic	Option B – Additionality
Main Pool	6 lane, 25 metre pool + 100 seats	8 lane, 25 metre pool + 100 seats
Ancillary Pool	Learner pool with some leisure/fun element	Learner pool with some leisure/fun element
Sports Hall	6 badminton court	8 badminton court
Health and Fitness	100 stations	120 stations
Dance Studios/ Multi Purpose Rooms	2	3
Squash Courts	None	2 (with moveable wall)
Catering Area	Café and vending	Café and vending
Climbing Wall		Yes
Health Suite Facilities	Toning facility	Day Spa facility
Soft Play Area		Included
Ancillary Facilities	Reception, Changing Rooms/Village, Small Meeting Rooms, offices	Reception, Changing Rooms/Village, Small Meeting Rooms, offices
Car Parking	Sufficient to meet demand	Sufficient to meet demand

0.10 The financial implications (both capital and revenue) are summarised in the table below compared with the existing cost.

**Table 0.2 – Facility Mix Options – Financial Implications**

Facility Mix Option	Net Surplus/ (Cost) (£000's)	Capital Costs (£'millions)
Existing/ Refurbishment	(15)	8.2
Option A	84	7.1
Option B	141	11.2

0.11 The existing/refurbishment capital cost is based on the condition survey which identified the level of capital cost to refurbishment the facility and keep it operational. If no investment is made then the facility is likely to have to close.

### Development Options

0.12 There are a number of development options based on the facility mixes and potential sites, which are summarised in table 0.3 below.

**Table 0.3 – Development Options**

Site Options	Facility Mix Options		
	Refurbishment	New Build (Basic)	New Build (Additionality)
Existing Site	Option 1C	Option 1A	Option 1B
Sporting Hub Site	n/a	Option 2A	Option 2B
Argents Mead	n/a	Option 3A	Option 3B

0.13 All of the development options (except the refurbishment option) deliver an improved revenue position.

0.14 Each site option has a differing level of potential capital available to it based on capital receipts. At this stage there are some variances in the capital available for the Argents Mead site, ranging from £1.5 – 3.0 million, depending on the amount of land developed. The capital available for the development of a Leisure Centre on each site is summarised below

- Existing Site                      £4.85 - £6.35 million
- Sporting Hub Site                £6.35 - £7.85 million
- Argents Mead                      £4.85 - £6.35 million

0.15 Based on these future revenue costs and capital availability we have identified for each option the future revenue cost based on HBBC financing the capital shortfall from prudential borrowing. This cost has been compared against the existing costs to identify whether there is an additional cost or saving on existing. We summarise the financial implications in Table 0.4 for two scenarios (one based on £1.5 million receipts from Argents Mead and one based on £3.0 million).



**Table 0.4 – Future Revenue Costs**

Development Option	Scenario 1 - £1.5 m for Argents Mead		Scenario 2 - £3.0 m for Argents Mead	
	Total Revenue Surplus/ (Cost) (£'000's)	Revenue Saving/ (Cost) v Existing (£'000's)	Total Revenue Surplus/ (Cost) (£'000's)	Revenue Saving/ (Cost) v Existing (£'000's)
1C - refurbishment	(293)	(278)	(169)	(154)
1A – existing/essential	(74)	(59)	32	47
1B – existing/preferred	(304)	(289)	(199)	(184)
2A – sporting hub/essential	32	47	84	99
2B – sporting hub/ preferred	(199)	(184)	(94)	(79)
3A – Argents Mead/essential	(74)	(59)	32	47
3B – Argents Mead / preferred	(304)	(289)	(199)	(184)

0.16 The financial summaries presented above suggest that.

- The maximum additional revenue cost for developing the basic facility mix is circa £59,000 per annum (existing site and Argents Mead) if only £1.5 million is generated from Argents Mead. If £3.0 million is generated then all three sites deliver a saving on the existing revenue budget.
- The Sporting Hub site is the most cost effective site, due to the capital receipts generated at both Argents Mead and the Existing site. However this should be balanced by the economic effect of moving the Leisure Centre to an out of town location
- The preferred facility mix would cost in the region of £79,000 to £340,000 per annum above the existing costs, depending on the site.
- Refurbishment on the existing site will cost the Council circa £200,000 more per annum than the redevelopment of the basic facility mix (on any site) and is only circa £10,000 - £30,000 per annum less for the additional facility mix.
- The refurbishment option also has a shorter life expectancy for the building having an asset life of 25 years compared to an asset life of 40 years for a new development on Argents Mead or the Sporting Hub Site.

### Site Location Assessment

0.17 There are three possible sites which have the potential to deliver a new facility, including

- The existing site – either refurbishment or new build on the site
- Sporting Hub site – next to Hinckley Cricket Club
- Argents Mead – to develop within the development area identified in the proposed redevelopment following the closure of the council offices.

0.18 There are a number of key questions that have been used to determine the most appropriate site for the development of a new facility.

- Is new build an option?
- Is a Town Centre location critical to the vibrancy and success of the town centre?
- Is continuity of use critical?

0.19 The answers to these suggest that Argents Mead is the most suitable site as it maintains the town centre site and delivers continuity of use.

0.20 In addition there is the ability to design the facility so it integrates with the park well and can add value to the overall presentation of the green space in Argents Mead.

### **Delivery and Procurement Options**

0.21 There are 4 potential options for the future delivery of the services including;

- In house – operation of the facility directly by the Council
- A new NPDO (Not for Profit Distributory Organisation) – set up specifically for HBBC facilities
- An existing NPDO – through a partnership with a NPDO who is operating other facilities such as Greenwich Leisure or Fusion
- Private Sector – in a similar way to the current arrangements with SLM

0.22 It is recommended that HBBC progress with entering into a partnership with either an existing NPDO or the private sector as this is comparable with the existing arrangements and other options will result in additional costs.

0.23 There are also two principle procurement options for the development of a new facility

- Separate design and build contract to an operating contract – where the Council enters into separate contracts for the construction and then for the operation of the facility
- A combined Design, Build and Operate contract (DBOM) – where the Council enters into one contract to build and operate the facility for a period of time

0.24 The DBOM contract provides significant advantages, particularly through risk transfer and delivering the lowest whole life cost.

0.25 There are also significant benefits from undertaking a joint procurement exercise with OWBC, including cost savings and market attractiveness. As long as the procurement is structured in the right way then the benefits can be realised.

## Recommendations and Way Forward

0.26 There are a number of key recommendations which have been identified throughout the report and these are summarised below

Key Recommendations	
iii.	The Council should undertake a new build to replace the existing HLC and should progress with
i.	The basic facility mix (Option A) as the base scheme to develop
ii.	Seek to establish variants from the market to deliver some or all of the additional facility mix (Option B)
iii.	The development on the Argents Mead site, maintaining the green space and ensuring the facility is designed to fit and add value to the park.
x.	A future DBOM contract should be let with either an existing NPDO or the private sector which should have the following parameters
i.	A contract length of circa 20 years
ii.	Life cycle costs should be the responsibility of the partner
iii.	Competitive dialogue process should be used
c.	The Council should work with OWBC to undertake a joint procurement exercise based on two lots, one for each Council.

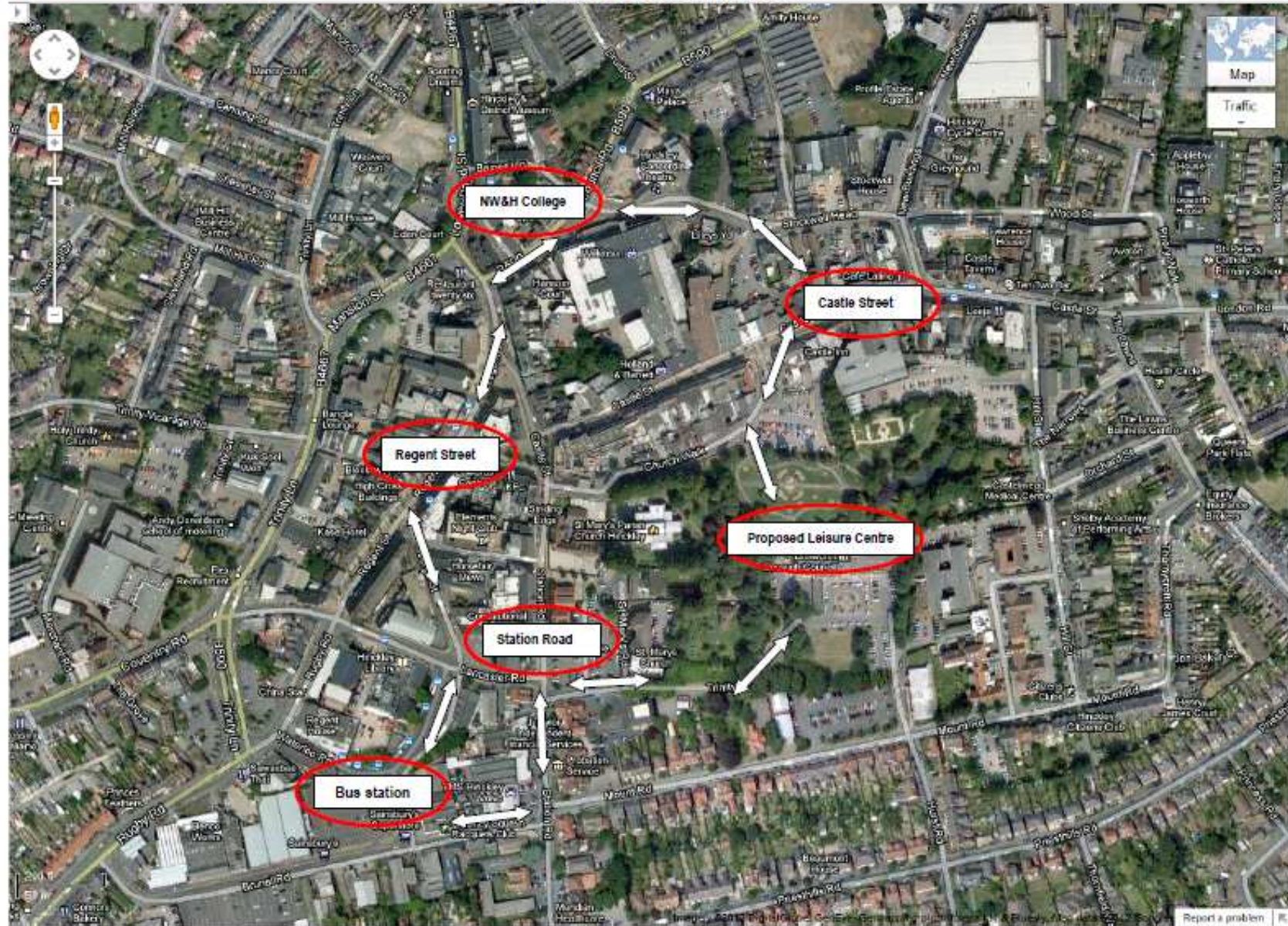
0.27 If the Council agrees with our recommendations above we propose that the next stage of the project should be to undertake a joint procurement process, which **we recommend** should follow the competitive dialogue process, to secure a new partner who will deliver the outcomes identified earlier. The key principles which should form the basis of the procurement should include

- The partner should be able to deliver the financial savings and capital investment identified earlier, as well as the outcomes
- The contract should be for a minimum of 15 years but ideally 20 years to enable the capital investment, although this could be structured as a 15 year contract with an option to extend for a further 5 years.
- They should present a base bid for the Leisure Centre to include the proposals to deliver the basic facility mix and they should also be required to submit options
- Documentation will be developed which translates the outcomes in to a specification and key requirements they must deliver, including an obligation to invest and maintain the facilities in a good condition, to ensure the assets are handed back to the Council in a good condition
- An appropriate payment mechanism is developed which enables the Council to make deductions from the management fee for non performance
- Evaluation criteria which ensure there is a robust evaluation of both the financial and service outcome delivery
- The affordability position of the Council should be the existing cost of the service.

0.28 We have developed a project plan (Appendix B) for the ongoing procurement of a new partner to ensure that the partner is in place by April 2014, which suggests that an OJEU advert is placed in December 2012. This enables HBBC to have the new facility operational by April 2015, when the existing contract ends.

0.29 The project plan is structured to allow flexibility throughout the process with the potential partners to ensure that HBBC achieve a solution which not only delivers the financial savings but also will deliver the outcomes. Ends.

Enhanced Pedestrian Flow



# Argents Mead – Integration with Park

**Glazing and Lighting**

**Minimise Height**

**Open up Café/Other**

**Sensitive Design**

**Maintains/Enhances Car Park**

**RPT CONSULTING**

**EXCELLENT COUNCIL**

Hinckley & Bosworth  
Borough Council  
*A Borough to be proud of*

**Appendix D - Draft Project Timetable (Joint Procurement)**

Activities	2012	2013												2014					2015			
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Feb	Mar	
<b>Procurement</b>																						
PQQ/IM Preparation																						
Issue OJEU Notice																						
OJEU Period																						
Bidders Open Day																						
PQQ Submission																						
PQQ Evaluation																						
Prepare ISDS docs																						
Issue ISDS																						
ISDS Submission																						
ISDS Evaluation																						
Shortlist Bidders (3)																						
Issue Final Tender																						
FT Submission																						
Select Preferred Bidder																						
Award Contract																						
Contract Start																						
HLC construction																						
New HLC operational																						

Key: PQQ = Pre Qualification Questionnaire, IM = Information Memorandum, ISDS = Invitation to Submit Detailed Solutions, FT= Final Tender