

Arena Leisure Centre

Summary

This report seeks to gain the Executive's approval to agree the outline process for the Arena replacement project and approve funding for that process.

Portfolio: Business

Date Portfolio Holder signed off report: 24 November 2016

Wards Affected: All

Recommendation

The Executive is asked to RESOLVE to:

- (i) develop a business case with a view to appointing an external provider to deliver, in partnership, a new self-funding leisure facility through a design, build, operate and maintain (DBOM) contract;
- (ii) agree to the appointment of a suitable external consultant to facilitate and support the business case and procurement strategy;
- (iii) allocate £95,000 from reserves to cover the cost of this external expertise as well other associated legal, quantity surveying and consultation costs.
- (iv) establish a member "task and finish" working group, with Terms of Reference as set out at Annex A, to report back to the Executive with a recommendation by June 2017.

1. Key Issues

- 1.1 Condition Surveys undertaken by Hampshire County Council in 2012 identified a need for £1.1m of structural, mechanical and engineering services work to be undertaken over the next ten years to maintain the Arena's existing service offer. Mechanical plant is likely to need replacing in five years at an estimated cost of approximately £500,000.
- 1.2 The layout of the Arena leisure centre is considered outdated, comprising of a network of narrow corridors that lead users to key facilities. It is now accepted within the industry that the most profitable facility design presents users with a menu of service options on entry to and within a sports centre. Key income generating areas such as cafes are now being placed at the front of buildings, on view, promoting awareness and accessibility.
- 1.3 An assessment of alternative sites has been undertaken, however, the Arena's existing site at Grand Avenue supports the best business facility solution. The biggest income generator in any leisure centre is gym membership. The nature of gym membership is such that week time peak users are in the main, commuters and local office workers

who use the gym before work, at lunch time and after work. At weekends, the usage profile shifts to predominantly family and local resident usage. An easily accessible town centre location, adjacent to a main commuter road therefore complements both scenarios. This site would also become a significant development within the overarching objectives for Camberley Town Centre and the London Road Block.

- 1.4 The area of land on which the Arena is sited presents any new build solution with the ability to maximise its A30 presence through the adoption of a 'prominent corner' visible from the A30. In its existing location, the Arena is difficult to see from the main road. Roadside marketing of a prominent feature will lend itself well to the proposed A30 frontage improvements, creating a wow factor and tying the Arena in with this larger project.
- 1.5 The current Arena contract was extended in March 2016 for a further three years and is therefore due to expire in March 2019. The Council needs to establish and agree the future direction to ensure continuity of the leisure service.
- 1.6 In order to ensure that any procurement process undertaken complies with the procurement regulations and that the Council has sufficient time to consider all options available, undertake purposeful consultation, properly consider value for money and decide on the very best way forward, the process will start now with the aim of delivering a new contract with the building completed by April 2019.
- 1.7 The project will be managed in-house with the assistance of a Working Group and aided by external expertise where necessary. The Council has an excellent record in procurement in recent years, notably for the waste contract and grounds maintenance contract. Although a contract for the Arena is highly likely to run for longer than either of these, probably 25-30 years, the process of obtaining best value for the Council is a similar process to these other contracts.

2. Resource Implication

- 2.1 The cost of a new leisure facility could be in the region of £10m - £15m, depending upon the type of facility procured and how any associated risks are shared with an operator. In addition, should there be a decision to undertake capital works at the Arena, there could be a significant financial investment required.
- 2.2 Preferential prudential borrowing rates allow the Council to secure funding to replace the existing facility with a suitable alternative that will future-proof the leisure service provision in the borough moving forward.
- 2.3 To ensure that the Council gets the best facility it is intended to appoint an industry specialist to ensure that the services within the facility are

the most current and will continue to protect the commercial resilience of the centre. The consultant will also provide advice on likely build costs. A budget of £95,000 is therefore sought to cover these costs.

- 2.4 Once the business case has been established and the procurement strategy agreed, the Council will need to commence an OJEU procurement process, which may be by way of competitive dialogue, which starts with advertising for expressions of interest from the leisure industry for interested parties to suggest their preferred solution, what it would look like, how much it may cost and how they would propose to operate it.
- 2.5 It is proposed that the project will be led by a team of senior officers. Although the project will be managed in-house, it will need to be aided by external expertise where necessary to engage in the procurement process with operators.

3. Options

- 3.1 To agree to the recommendations above.
- 3.2 To reject the recommendations above

4. Supporting Information

- 4.1 In 2012 Members agreed on an indicative facility mix to guide the progression of the Arena 2016 project and provide Officers with a basis on which to test the market, gauge the likelihood of external funding and generate a business case.
- 4.2 Such National strategies include '***A Sporting Habit for Life: Sport England Strategy 2012-2017***', '***Start Active, Stay Active: A report of physical activity for health from the four home countries***' ***Chief Medical Officers***', ***Chief Medical Officers for England, Wales, Scotland and Northern Ireland 2011***'.
- 4.3 County strategies and policies include the '***Surrey Joint Health and Wellbeing Strategy to 2020***', the '***Surrey Sport and Physical Activity strategy 2011-2015***' and '***Active Surreys Priorities 2014-15***'.
- 4.4 Specific Surrey Heath Borough Council Strategies and Plans which support the provision of quality sports and leisure facilities include our '***2020 Strategy***'.
- 4.5 Numerous studies have been undertaken which prove the economic importance of local sports and leisure provision. Leisure centres provide value - added facilities to make the Borough appealing to both businesses and families by contributing to employment. Other intangible benefits such as productivity returns to individuals and

organisations, quality of life returns, health savings and reductions in anti-social behaviour, crime and vandalism are also achieved.

- 4.6 A commitment to the future provision of a wet and dry leisure centre therefore has the ability to contribute directly to Surrey Heath Borough Council's Town Centre regeneration programme.

5. Corporate Objectives And Key Priorities

- 5.1 This project supports the Council's number one priority, the redevelopment of Camberley Town Centre.

6. Policy Framework

- 6.1 The Council has in place its Core Strategy and Area Action Plan to promote Camberley Town Centre and a Public Realm Strategy is in the course of preparation.

7. Legal Issues

- 7.1 Compliance with the Public Contracts Regulations 2015 will be required as the thresholds will be met.

8. Governance

- 8.1 Governance around this project will be through the Member Working Group and reporting to executive and Council, as has been done for the joint waste project.

9. Risk Management

- 9.1 Risks are significantly reduced by the appointment of an industry specialist and legal advisors to support the competitive dialogue process.
- 9.2 By entering into a partnership approach, the risk is shared as both parties want a successful outcome.

Annexes	Annex A – Terms of Reference of the Task and Finish Group
Background Papers	
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Consultations, Implications and Issues Addressed

Resources	Required	Consulted
Revenue	✓	
Capital	✓	
Human Resources		
Asset Management	✓	

Resources	Required	Consulted
IT		
Other Issues	Required	Consulted
Corporate Objectives & Key Priorities	✓	
Policy Framework		
Legal	✓	
Governance		
Sustainability		
Risk Management		
Equalities Impact Assessment		
Community Safety		
Human Rights		
Consultation		
P R & Marketing	✓	

Review Date: