

DECISION-MAKER:	CABINET		
SUBJECT:	THE FUTURE OF ST. MARY'S LEISURE CENTRE		
DATE OF DECISION:	15th OCTOBER 2019		
REPORT OF:	CABINET MEMBER FOR HOMES AND CULTURE		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY	
<p>Appendix 1 of this report is not for publication by virtue of categories 3 (financial and business affairs), and 7A (obligation of Confidentiality) of paragraph 10.4 of the Council's Access to Information Procedure Rules, as contained in the Council's Constitution.</p> <p>It is not in the public interest to disclose this information as the appendix contains confidential and commercially sensitive information regarding the Council's commercial approach to a confidential bidding and selection process. It would prejudice the Council's ability to operate in a commercial environment and obtain best value in contract negotiations and would prejudice the Council's commercial relationships with third parties if they believed the Council would not honour obligations of confidentiality.</p>	
BRIEF SUMMARY	
<p>This report seeks Cabinet approval to proceed with a competitive bidding process to select and appoint an organisation to operate and maintain the building known as St Mary's Leisure Centre ('the Centre') for a period of twenty years. The winning bidder will be required to create a 'Community Hub' facility in the Centre. This is envisaged to be a flexible and vibrant space that brings a number of providers together to offer a range of activities, programs and services to the whole local community in order to make a positive contribution to the achievement of the Council's Strategic Objectives including:-</p> <ul style="list-style-type: none"> • Southampton has strong and sustainable economic growth; • Children and young people get a good start in life; • People in Southampton live safe, healthy independent lives and • Southampton is an attractive and modern city where people are proud to live and work. 	
RECOMMENDATIONS:	
(i)	To approve the disposal (by way of lease) of St Mary's Leisure Centre
(ii)	To delegate authority to the Service Director: Customer, Digital and Policy, following consultation with the Cabinet Member for Homes and Culture, the Executive Director for Finance and the Service Director: Legal and Governance to take all necessary steps to grant a lease and associated contract with the selected bidder following the completion of a competitive bidding process.

REASONS FOR REPORT RECOMMENDATIONS

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| 1. | It is anticipated that approval of the recommendations of this report will result in a facility which will actively to contribute to all of the Council's Strategic objectives, achieve 'best consideration' and result in a vibrant and diverse facility which forms an integral part of the local community facilities and results in use and engagement from both the local community and residents of the wider city. |
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ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

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| 2. | A Community Asset Transfer (CAT) – this option was considered, but has been rejected as it would not enable the Council to exercise sufficient control of the use of the Centre once it was transferred. This may result in the Centre not being used for a range of cross-community activities and this would not, therefore, support the outcome of the consultation described in the 'Consultation carried out' section of this report. |
| 3. | Continue to operate the Centre as a Leisure facility - undertake a bidding process to select a new operator to continue running the Centre as an (exclusively) leisure and sports facility. This option was rejected as a new leisure operator is likely to struggle to compete with Solent University ("SU's") new sports facility which is in close proximity and has over 40 pieces of cardio equipment, a sports hall, a fitness suite and a range of state of the art facilities and equipment. Around 20% of the users of the Centre were members of the public and 273 former users of the Centre have now transferred and use the gym facilities at SU's new building. Furthermore SU is a strategic partner to the Council and seeking to compete on a like-for-like basis is unlikely to be in the interests of either organisation or those who wish to use leisure facilities. |
| 4. | Lease the building on the open market without use restrictions (subject to planning permission) – the Council's assessment is that this is most likely to result in the facility being used for a purpose (such as a nightclub) which would not support the Council's objectives for the use of the facility, the beneficial outcomes of such use and the results of the consultation and has, therefore, been rejected. |
| 5. | Sell the site on for development into housing or an alternative use. There would be two options:- <ul style="list-style-type: none">• Option one would be for the Centre to be demolished so that new housing or an alternative use-building could be developed, however due to its Grade 2 Listing, a developer is very unlikely to obtain permission to proceed with such a demolition.• Option two would be for a developer to convert the current building into living accommodation or an alternative use. This would present some issues due to the stairs and balcony being Grade 2 Listed so any accommodation would need to be developed around these restrictions. There is currently a flat on the 2nd floor but this is uninhabitable as the only available escape route is through the building. The Council's assessment is that it will be difficult to get planning permission due to its listing and therefore may not be financially viable to developers for housing. It is highly unlikely that either of the options above would support the outcome of the consultation nor the Council's objectives and, therefore, these options have been rejected. |

DETAIL (Including consultation carried out)	
6.	SU have managed the Centre under a Service Concession (“the Agreement”) since 1st August 2010.
7.	This Agreement ended on 31st July 2019 to allow SU to operate from a newly-constructed facility.
8.	By agreement with the Council SU are, however, continuing to operate the Centre whilst the process described in this report is undertaken, subject to Cabinet approval of the recommendations of this report.
9.	The Centre is an ageing facility which is Grade 2 Listed and its condition is such that repairs will need to be undertaken in the short to medium term.
10.	The Centre is situated in an area of significant deprivation and has a very diverse population. Whilst this creates challenges in terms of developing an offer with sufficiently broad appeal, it also creates an opportunity to develop a facility which actively supports the whole of the local community.
11.	It is recommended that a competitive bidding process is undertaken to select the new operator of the facility. Subject to acceptable service proposals, service standards and commercial terms (as detailed in confidential Appendix 1) this will result in the Council granting a new lease and entering into a new contract with the selected operator.
12.	<p>The new facility will support and offer a range of services to the community. The objectives include:-</p> <ul style="list-style-type: none"> • Creating an inclusive and vibrant facility which will be attractive to, and used by, the local community and the community of the wider city; • Offering a range of activities and opportunities which are accessed by a broad cross section of the community; • Offering a sufficiently flexible space, lease and contract terms to allow small operators to occupy and/or sub-let spaces to help ensure that a diverse range of activities are offered; these may include ‘pop-up’ organisations which may elect to operate from the facility for relatively short or longer periods of time; • Offering a bidding process which allows bidders to be creative and innovative in their offers. It is anticipated that bids and proposals may include outreach activities, therapy facilities and activities to promote and support positive mental health, physical health and wellbeing, art and culture offerings, sports and fitness activities and activities aimed at young people and • Ensuring that there is a requirement for the incoming operator to consider offering a publicly-accessible gymnasium and a squash court. The rationale for the former is to continue to provide an opportunity for local community to continue to have access to very local exercise facilities and the latter because there is a deficiency of squash facilities in the city. It should be noted that if, at any point, the operator’s position is that there is no longer a community need for these facilities, then the operator will be entitled to approach the Council to describe their proposals, rationale and seek permission to discontinue providing one or both of these facilities.
13.	The competitive process, in summary, consists of an assessment of bidders’ proposals under the broad headings of the benefits to the whole community,

	quality of proposal, plans for the future of the centre and the financial stability of the bidding organisation.
14.	The Council has been informally approached during 2019 by a number of organisations who have expressed an interest in operating the Centre on either a commercial, community or specific sole interest basis . Records of these approaches have been retained and these organisations will be made aware that the opportunity is formally available at the point at which the bidding process commences
15.	It is likely that the Centre would struggle to directly compete with SU's sports and fitness facility, which is in the vicinity. The change of the offer at the Centre to a community hub facility will complement – rather than seeking to compete with - the SU offer in order to provide a wider and more diverse range of activities and opportunities for the local community.
16.	It is anticipated that, subject to the process resulting in a successful appointment, the new operator will take possession of the Centre between March and April 2020.
17.	It is likely that the new operator will need to close the facility for a period to convert the facility to support its new use. The incoming operator will be required to communicate with, and involve, the local community during this works phase.
Consultation Carried Out	
18.	An extensive consultation process has been undertaken to seek views regarding the future of the Centre. This consultation ran between 23 rd July and 8 th September 2019.
198.	This consultation included the following methods:- <ul style="list-style-type: none"> • A questionnaire was created to seek feedback and this was made available on the Council's website consultation page; • Notices were displayed in the Centre; • SU have shared the information with their customers; • The notice was also sent to local community groups and • The Council's Community Engagement Officer engaged with the local community receiving feedback while encouraging the submission of views from local community groups, organisations and individuals. • The Daily Echo promoted the consultation.
20.	A total of 343 questionnaires were completed. The key question asked was to determine to what extent respondents agreed or disagreed with the proposal to create a community hub within the building. The result was that 83% of respondents agreed, 8% answered neither and 9% disagreed.
21.	A question was asked to determine why respondents were interested in this consultation. The results were:- <ul style="list-style-type: none"> • 277 said 'as a resident of Southampton'. • 58 said 'as a current users of St Mary's Leisure Centre'. • 46 said 'as a community group or association'. • 32 said 'as a resident elsewhere in Hampshire'. • 22 said 'other'. • 18 said 'as a business or organisation'. • 14 said 'as an employee of Southampton City Council'. • 11 said 'as a political member'.

22.	The top five locations to take part were:- <ol style="list-style-type: none"> 1. 19% - Bevois Ward. 2. 12% Outside Southampton. 3. 10% Freemantle Ward. 4. 9% Bargate Ward. 8% Shirley Ward.
23.	Many comments were received on how to use the space in the future. The top 5 results were:- <ol style="list-style-type: none"> 1. 139 stated for Sports and wellbeing use. 2. 114 for Community driven use. 3. 62 asked for focus on the young generation (youth, children & families). 4. 43 asked for the facilities or purpose to not change. 5. 41 asked for the use to be for arts and culture.
24.	The results of the consultation represent a strong endorsement of the approach recommended in this report. The headline proposal is supported by 83% of respondents and the proposed approach enables – subject to bids – four of the top five proposed uses of the space in future to be achieved.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
25.	The Council's financial and commercial assumptions are contained within confidential Appendix 1.
<u>Property/Other</u>	
26.	The Council's assumptions regarding property implications are contained within confidential Appendix 1.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
27.	The Council's powers to dispose of land are contained in Section 123 Local Government Act 1972 and Section 1 Localism Act 2011.
28.	This matter primarily concerns the disposal of land and is therefore unlikely to be considered subject to the law of public procurement. Even if the letting of the contract proposed to be granted to the operator alongside the lease were a standalone procurement, because it involves the setting up of a services concession arrangement it would not be caught by the Public Contracts Regulations 2015 and its value is below the threshold for it to be caught by the Concession Contracts Regulations 2016.
<u>Other Legal Implications:</u>	
29.	The bids and resulting land transfer will be required to be fully compliant with the Equalities Act 2010 including the positive duty to exercise the Council's functions having regard to the need to promote equality of opportunity and eliminate discrimination and harassment for those having protected characteristics under the Equalities Act 2010. Further details are set out in the Equality and Safety Impact assessment accompanying this report.
RISK MANAGEMENT IMPLICATIONS	

30.	A risk register for the project has been developed. The key risk is that the Council's minimum requirements will not be met through the bidding process and that an operator cannot therefore be appointed. The approach to be adopted in these circumstances is contained in confidential Appendix 1.
POLICY FRAMEWORK IMPLICATIONS	
31.	The proposals are consistent with the Policy Framework.

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	Bevois
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Confidential Appendix 1 - Commercial and Financial Considerations and Assumptions

Documents In Members' Rooms

1.	Equality Impact Assessment
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
Other Background Documents	
Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None