

## Former Bonnyrigg Leisure Centre: Assessment of Bids Received

### Report of the Assessment Panel

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## **1.0 Introduction**

1.1 In September 2013 Midlothian Council advertised to let the premises of the former Bonnyrigg Leisure Centre, which lie within the King George V Park near the centre of Bonnyrigg. Newspaper advertisements appeared in the 'Advertiser' on 5<sup>th</sup> and 12<sup>th</sup> September, and in 'The Scotsman' on 10<sup>th</sup> and 17<sup>th</sup> September 2013. A copy of the particular forms Appendix A to this report. The closing date specified for the receipt of offers was 29 November 2013: this was later extended by the Council to noon on 6<sup>th</sup> January 2014. In the description of the particulars the accommodation is identified as "on ground and first floors with a total gross internal area of approximately 1860m<sup>2</sup> (20,015ft<sup>2</sup>)", although the map forming part of the particulars also includes an adjacent area of car parking.

1.2 In response to the Council's advertisement two bids were received by the due deadline. These were from:-

- 1.2.1 Bonnyrigg Centre Trust Ltd; and
- 1.2.2 Midlothian Fitness Academy

Neither submission complied with condition No. 4 of the particulars which specified that only a solicitor's offer will be considered for acceptance. However, the Council waived this condition and agreed to accept both bids for assessment.

1.3 In order to ensure that the bids were subject to a comprehensive, consistent, fair and robust assessment the Council's Chief Executive appointed a panel to undertake that assessment. Accordingly the specific remit of the Assessment Panel was

*To consider and address the merits of the bids received from parties seeking to secure the premises of the former Bonnyrigg Leisure Centre, and to report its findings, conclusions and recommendations to the Council's Chief Executive.*

## **2.0 Members of the Assessment Panel**

2.1 The following were appointed as members of the Panel:

Ian Johnson, Head of Communities and Economy at Midlothian Council (Chair)  
Sally Egan, Associate Director of NHS Lothian (as a member of Midlothian Community Planning Board)  
Gary Fairley, Head of Finance and Integrated Service Support at Midlothian Council  
Garry Sheret, Head of Property and Facilities Management at Midlothian Council

2.2 The Panel had access to information and advice provided by Gareth Davies, the Council's Property Strategy Manager. Administrative support including minuting of meetings of the Panel was undertaken by Angela Stewart.

## **3.0 Procedural Matters**

3.1 The Panel met on the following dates:  
27<sup>th</sup> January 2014  
18<sup>th</sup> February 2014  
20<sup>th</sup> February 2014  
28<sup>th</sup> February 2014

All members of the Panel were present at these meetings, together with the adviser and the minute taker. At the meeting on 20<sup>th</sup> February 2014 each of the bidders was present at separate times during the meeting.

- 3.2 The Panel were able to refer to the following primary documentation:
  - 3.2.1 Submission by the Bonnyrigg Centre Trust Ltd;
  - 3.2.2 Submission by Midlothian Fitness Academy;
  - 3.2.3 A statement of comments on the financial and business aspects of each bid, provided by the Council's Economic Development Service.
  - 3.2.4 CAD Plans of the former Leisure Centre building.
  - 3.2.5 Summary budget and expenditure information for past 10 years.
  - 3.2.6 Itemised maintenance and expenditure 01/04/2010 to 31/03/2013.

#### **4.0 Process of Assessment**

- 4.1 At its first meeting the Panel established an agreed number of specific criteria to provide the context for a comprehensive, informed and consistent approach to the assessment of each bid. A copy of the statement of these criteria forms Appendix B to this report.
- 4.2 Thereafter each bid was the subject of initial assessment using these criteria. In the course of that assessment there were matters on which it was appropriate to seek clarity, understanding and further information from each of the bidders on their respective submissions. Accordingly, each bidder was invited to meet the Panel at separate times on 20<sup>th</sup> February 2014. These helpful meetings enabled the Panel to be more fully informed and appraised, and also offered each bidder the opportunity to explain their respective cases in person and to ask questions of the Panel.
- 4.3 At its final meeting on 28<sup>th</sup> February 2014 the Panel considered all of the information before it and agreed on its conclusions and recommendations. It was agreed that the Chair of the Panel prepare this final report for consideration and approval of all members of the Panel prior to its submission to the Council's Chief Executive.

#### **5.0 Findings of the Panel: Bonnyrigg Centre Trust Ltd**

- 5.1 The Trust submitted a comprehensive document entitled 'Business Plan for Bonnyrigg Community Hub and Play Centre' which primarily sets out a description of the proposed uses of the premises, the objectives of the Trust, governance arrangements, financing and business model, phasing of development, community engagement and marketing, and the operational arrangements for the centre. The proposal itself is accompanied by an extensive amount of supporting information by way of appendices to the report. In the 'Executive Summary' to their submission the Trust state that their community led consultations have confirmed the need for a social hub with child friendly soft play, cafe, youth club and more community spaces. In recognition of this the Trust proposes reuse of the former Leisure Centre in two phases: the first being a soft play/party venue with cafe, community offices, a youth club and a skate park. Phase two comprises transformation of the former pool into a large innovative indoor creative play centre. A bike repair centre is also included in the proposals.

- 5.2 The Panel had particular concerns about the funding and financing of this proposal. It noted that the bid is very heavily reliant on grant funding with no demonstrable evidence of any substantial funding being confirmed at this stage. Whilst noting the bidder's comment that applications for external grants could only be submitted once the bid has been accepted at least in principle, the Panel is still concerned that the success of the proposal would be dependent upon achieving the maximum, or near maximum, amount from a significant number of grant organisations.
- 5.3 Turning to operational revenue financing the Panel is concerned that income projections are over optimistic, particularly in comparison with actual income rates of similar existing facilities: and this concern therefore extends to a lack of confidence that the proposal is sustainable over any reasonable length of time.
- 5.4 The Panel's concern over the sustainability of operational funding is heightened by the seemingly low levels of staffing. When this concern was put to the bidders they conceded that their staffing levels as proposed were ambitious and need to be reviewed. Even if that matter could be assisted through recruitment of volunteers the Panel considers that the need for additional qualified paid staff further erodes the robustness of the financial basis for this proposal.
- 5.5 In discussion, the Trust made clear their view that they wished to work in partnership with the Council and, whilst the details of any such arrangement were not specified, the Trust advised the Panel that they would welcome Council involvement at an early stage in the refurbishment of the premises at some financial cost to the Council.
- 5.6 The proposals represent community use of the building, and the submission provides a competent assessment of readily demonstrable consultation work undertaken by the Trust to gauge the types of uses which would most readily meet expressed demand. However, the Panel were not fully convinced of the medium and longer term sustainability of this level of community engagement and support for the facilities: and this would add to concerns over longer term financial sustainability of the centre.
- 5.7 The proposal would certainly accord with the Council's priority of focus on 'early years', and there are employment and training opportunities to support the Council priority of 'positive destinations'. On the matter of volunteers the Panel had significant concerns that low levels of permanent staffing could result in an over-reliance on volunteers and also questioned the levels of supervision, encouragement and development of volunteers that could be achieved.
- 5.8 In addressing impact on equalities the Panel was satisfied that the proposal would, in overall terms, have a positive impact.
- 5.9 The Panel were sceptical about the level of income being projected for the rental of office space in the building and, whilst the Trust outlined the level of research they had undertaken, the Panel remained unconvinced.
- 5.10 As part of its assessment of longer term sustainability of the centre the Panel were concerned that the, at best, tight financing arrangements and low staffing numbers left the centre with notably insufficient capacity to deal with unforeseen incidents or events.

## **6.0 Findings of the Panel: Midlothian Fitness Academy**

- 6.1 The bidder, Mr Mark Perfect, has submitted a comprehensive document entitled 'Midlothian Fitness Academy's Business Proposal for Bonnyrigg Leisure Centre'. It sets out proposals to form a sports and leisure facility for Midlothian, to be called Midlothian Fitness Academy with community use for leisure activities and childcare. This will be done through the setting up of a Community Interest Company. Specifically the proposed sports complex would be designed for extreme fitness and body building classes, as well as particular fitness training regimes for certain sports. The submission identified the benefits across a range of subjects including towards adult health, children, and employment /training opportunities. It provides financial and business information, together with appended community consultations material; and concludes that it will be "Midlothian Fitness Academy with community based groups utilising the facility for childcare, IT training, dance and drama studios, meeting rooms and cafe along with many other vital community uses". Within the bid is the proposal to use the rear hall of the premises for a 'House of Play', and this is being promoted by Ms Anne Elliot who attended the meeting of the Panel with Mr Perfect. That soft play facility is programmed as a second phase, to come into operation about one year after the opening of the fitness academy.
- 6.2 A primary concern of the Panel was understanding the relationship between the two main elements of the proposal, these being the fitness academy, and the children's play. What seemed evident in the bid document and was made clearer in the discussion with the bidding team is that the fitness academy is essentially a commercial operation, and the soft play is the prime community related element. The subscription rates for the fitness academy seemed high to the Panel, and the bidder stated that there would be no concessionary rates offered, certainly not in the short to medium terms. The information that the soft play and childcare part of the proposals would be a second phase, and would be dependent upon external grant application funding added to the concerns of the Panel about how genuinely community focussed this proposal could be regarded, and how much recognition it gives to the equalities agenda. Furthermore, in discussion Mr Perfect advised the Panel that in the event of the fitness academy failing to achieve income expectations consideration would be given to widening the scope of the operation, potentially to seek business from existing commercially run gyms/leisure/fitness centres.
- 6.3 The commitment of up to £200,000 by Mr Perfect to cover start up costs was accepted by the Panel as clear evidence that this initial phase could be confidently secured and implemented. However, in respect of operational financial performance, the Panel regarded the income projections as over optimistic, especially in respect of the soft play, and the cafe despite the bidders referring to sales of products associated with fitness activities being included as part of the cafe receipts.
- 6.4 The Panel was concerned to understand how the bidders intended to achieve Community Interest Company (CIC) status for a venture which seemed so overtly commercial in character. This is a particularly important matter as only with CIC status, will the venture be able to seek exemption from rates of about £63,000 per annum. Mr Perfect made clear in discussion that without rate relief the proposal will not be economically viable.

- 6.5 The Panel accepted that the soft play facility can be readily regarded as a community benefit and would support the 'early years' priority of the Council. Equally, the creation of jobs to run the academy would potentially contribute to the 'positive destinations' priority of the Council.
- 6.6 There is little evidence of genuine consultations with the local community having taken place on this specific proposal. That which is appended to the submission is a report of a 'Community Consultation' undertaken by Bonnyrigg and Sherwood Community Development Trust, dated 2012, and the results of a limited questionnaire exercise, also undertaken by the Trust in December 2013.
- 6.7 In the submitted bid, and in discussion with the bidders, it is evident that volunteering opportunities would essentially relate to the soft play operations rather than the fitness academy.

## 7.0 Conclusions

- 7.1 In concluding and recommending in accordance with its remit the Panel had regard to the background context. In February 2010 the Council agreed that the facilities then available at the Bonnyrigg Leisure Centre be relocated to the new Lasswade High School Centre and, as a consequence, authorised the closure and disposal of the existing Leisure Centre once the new Lasswade Centre (Community Hub) opened. That new Centre opened in July 2013, at which point the previous Leisure Centre was closed, and the process of its disposal began. Accordingly, in recognition of those circumstances a central question for the Panel is the extent to which either proposed bid adds genuine community added value to that which is now being provided at the new Centre.
- 7.2 In addressing the two bids the analysis of the tests set through using the agreed criteria essentially encompass two primary factors: these being financial viability/sustainability, and community benefit. The first of these relates particularly to start-up funding and to the venture maintaining its own financial viability over an extended period of time. The second relates to levels of community consultation undertaken, actual benefits to the local community, the level of community involvement in the running of the facility, levels of volunteering and how volunteers are managed, opportunities for social enterprise, and meeting the equalities agenda of accounting for the needs of minority, disadvantaged and 'hard to reach' groups in the local community.
- 7.3 The bid by the **Bonnyrigg Centre Trust Ltd** demonstrates a significant level of community consultation and a genuine attempt to seek to provide facilities which would be of direct benefit to the local community. The information and evidence presented promotes a sound basis to conclude that the proposals would support key Council priorities of enhancing early years and promoting positive destinations, as well as having the potential to contribute positively to the equalities agenda. However, these benefits could only be realised and maintained by a facility which has a sound financial position; and on this matter the Panel found the bid to be fundamentally flawed. Start up costs and phase two development funding are based on expectations and assumptions which are, at best, highly optimistic. Even if that funding were to be secured the Panel has severe reservations that the facilities could achieve financial viability, even in the short term. The near

certainty is that the Trust would need to seek substantial funding on a regular basis just to 'stay afloat', with the likelihood that the requests for such regular additional funding would be to the Council.

- 7.4 Despite these reservations the Panel did consider the option of recommending that the Trust should at least be given the opportunity to try and establish reuse of the premises for community use; but rejecting this for the following reasons. The financial proposals are so fundamentally flawed that the Panel felt that, without regular external funding, the venture would inevitably fail. Given that position it would essentially be disingenuous to support the Trusts' bid, would unreasonably raise the expectations of the local community, and would place the Council in the invidious position of having to decide on an ongoing basis whether to financially support the facility to keep it open or to refuse funding and thereby be party to its closure. Even if the Council were minded to, in effect, subsidise the venture it would be open to debate as to whether that would be the best use of public finance to support the local community of Bonnyrigg.
- 7.5 The risk of not supporting the bid by the Trust is that potential community benefit, particularly the soft play element, would be lost. If that were to be case then this risk could be mitigated by the Council undertaking, in consultation with others, a review of how this particular 'gap' in community provision could be most efficiently and effectively addressed.
- 7.6 The bid by **Midlothian Fitness Academy** provides a high degree of confidence that the start up costs can be readily covered. However, there is some doubt over what appear to be over optimistic assumptions on income levels, particularly from the soft play activities and the cafe. An essential element of the bid is the achievement of Community Interest Company status thereby allowing the bidder to seek rates relief. The Panel is not assuming that achievement of CIC status will not be forthcoming, but it is sceptical about such status being awarded to what appears to be primarily a commercial venture, notwithstanding that a distinct part of it is the soft play element. Even if such status were to be achieved that would not diminish the concerns of the Panel over the questionable level of genuine community benefit which this bid will achieve.
- 7.7 There is very little evidence of genuine direct community engagement, neither in the preparation of the bid nor in its proposed method of operation. The primary element of the venture is the fitness academy to be run seemingly on a purely commercial basis for a closely defined customer base with no evidence presented of concessionary rates for certain types of potential customers in order to ensure its accessibility to the wider community. As such there is little prospect of this venture addressing the equalities agenda and, consequently, it is difficult to understand why this business should not be seeking to acquire premises at market value or leasing a property at a normal market rent.
- 7.8 In expressing this concern the Panel was aware of the associated soft play element of the proposals, and the potential community benefit to be derived; but it had a fundamental concern about the lack of any genuine integration of this element with the primary use of the premises as a fitness academy. In short the submitted proposal and the discussion with the bidder left the Panel with the clear impression that the soft play element was little more than a distinctly secondary and subservient element.
- 7.9 The risk of not supporting this bid is that a local business may not be established, or may be established outwith Midlothian, with the consequent loss of potential employment and training opportunities. The Panel has weighed the value of this risk in its overall assessment of the bid. The risk of potential loss of opportunity for

community benefit through the provision of a soft play facility can be mitigated by the Council undertaking, in consultation with others, a review of how such a particular 'gap' in provision could be most effectively and efficiently addressed.

## **8.0 Recommendations**

8.1 Having regard to its findings and conclusions the Assessment Panel unanimously agreed to submit the following recommendations:

- i) the bid submitted by the Bonnyrigg Centre Trust Ltd be not accepted;
- ii) the bid submitted by Midlothian Fitness Academy be not accepted;
- iii) as a consequence, unless the Council has any operational reason for retaining the building for a use compatible with its existing community leisure and recreational status, then it should be demolished and the ground reinstated for use as part of the public park within which it lies; and
- iv) the Council should undertake a review of opportunities for soft play in the Bonnyrigg area.

Ian Johnson (Chair)  
on behalf of the Assessment Panel

12<sup>th</sup> March 2014