

Former Bonnyrigg Leisure Centre: Assessment of Bids Received (May 2014)

Report of the Assessment Panel

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1.0 Introduction

- 1.1** In April 2014 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 9 and 16 April and in 'The Scotsman' on 15 and 22 April. A copy of the particulars forms Appendix A to this report. The closing date specified for the receipt of offers was 12 noon on 12 May 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 1860m² (20,015ft²)*", 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 three bids were received by the due deadline. These were from:-
- 1.2.1 Bonnyrigg and Sherwood Community Development Trust;
1.2.2 Bonnyrigg Centre Trust Limited; and
1.2.3 LO-GY Limited.
- 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:
2 June 2014
3 June 2014

At the meeting on 3 June 2014 two of the three bidders were present at separate times during the meeting.

The Panel were able to refer to the submitted documentation.

4.0 Process of Assessment

- 4.1** In order to provide the context for a comprehensive, informed and consistent approach to the assessment of each bid, the Panel agreed on a number of specific criteria. A copy of the statement of these criteria forms Appendix B to this report.
- 4.2** In the initial assessment of each bid the Panel noted matters on which it wished to seek clarity, understanding and further information. This was the case in respect of two of the three bids. Accordingly each of these two bidders was invited and met with the Panel at separate times on 3 June 2014.
- 4.3** Thereafter, on 3 June 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 and Conclusions of the Panel: Bonnyrigg and Sherwood Community Development Trust

- 5.1** The submission by the Trust comprises a single page letter from the Chair of the Trust, enclosing a further single page letter on the matter of community interest companies. The letter from the Trust refers to its status as part of a previous bid submitted in the name of 'Midlothian Fitness Academy' and states:

"This is to inform you that our bid for the Leisure Centre remains the same; we have no changes we can make from the original tender."

The letter then makes four further points:-

- Midlothian Fitness Academy would not be a commercial concern but a community interest company;
- no business can reasonably offer discounted rates or concessionary rates until there is financial sustainability;
- the Trust has completed two years of consultation with the Bonnyrigg community; and

- the Trust could be involved in retaining the whole building if working alongside Brightsparks.

5.2 The Panel noted this further information from the Trust. It did not need any clarification or further information, so there was no requirement to meet again with the Trust. The Panel did not consider there to have been any material change to the bid as previously submitted by Midlothian Fitness Academy and, accordingly, remained of the view that it could not recommend the bid for the reasons articulated in its previous report.

6.0 Findings and Conclusions of the Panel: LO-GY Limited

6.1 LO-GY submitted a formal letter of bid from their solicitors, together with a document entitled 'Bonnyrigg Leisure Centre: LO-GY Limited Business Plan'. Further information was provided by the bidders when they met the Panel on 3 June 2014. LO-GY is a local charity, its defined purpose being the promotion, encouragement and advancement of leisure time occupations or pursuits in the interests of social welfare or the furtherance of education so as to improve the conditions of life for the public in the East of Scotland.

6.2 LO-GY currently operates from premises in Loanhead at the former East Church. It offers and provides recreational gymnastic activities/classes. The charity states that its facilities are well used such that a move to larger premises would accommodate current unmet demand; and it notes that the building is now *"well beyond its best and lags a long way behind other more recent converted or purpose built facilities"*. If successful with its bid LO-GY would expand its current activity to deliver recreational gymnastics and trampoline based activities, as well as a wide variety of non-specialist community activities. In addition, there would be the relocation of the children's parties venture which is run by Jumping Jacks under the auspices of LO-GY; together it is stated that they would generate sufficient income to enable the Centre to cover its costs and year on year to generate surpluses. In addition to the above, the rear hall would be used for a variety of *"programmed sports, leisure and recreational classes/activities"*, the soft play area would remain, as would the shop and the cafe. The areas set aside for children's parties could also be a multi-use area for a range of community group meetings/activities. A social enterprise company/charity would be created to operate a charity shop. The cafe would be sub-let.

6.3 LO-GY state that all of the work required to prepare the building for operation would be carried out *"from the outset"*; the costs being wholly met by the receipt gained from selling the existing LO-GY premises in Loanhead for residential development. The bidder considers that it would open for business up to six months after acquisition, and to use the premises for between 30 and 35 years.

6.4 The Panel noted that LO-GY had been operating for many years at Loanhead, which indicated a relatively sound business model. It also noted that in moving to the former Bonnyrigg Leisure Centre its operation would significantly increase, and were concerned to understand the capacity of the current business arrangements to meet this demand. The LO-GY charity appear to be heavily dependent upon its incorporated commercial company, Jumping Jacks, to maintain financial stability and sustainability. The Panel noted the total dependence of the proposal on the achievement of sufficient receipt from the sale of its existing premises; which in turn assumed a certain amount of residential development securing the necessary statutory consents. The Panel noted that the extent of community benefit offered included a reduced hire rate for special needs groups, the continuation of the currently operated hardship fund *“to support deserving youngsters from disadvantaged families”*, and a new social enterprise charity clothes shop.

6.5 Having reviewed all of the documentary information submitted and the information gathered in discussions with the bidders, the Panel reached a number of conclusions. There is concern about the lack or limited amount of market research that has been undertaken to demonstrate the projected level of use of the expanded operation and the predicted income levels. Related to that the Panel had reservations about the staffing and management arrangements to operate at this greater capacity. There is a heavy reliance on the receipt of funds from the sale of LO-GY’s existing premises to enable the essential building conversion works to be undertaken at Bonnyrigg. The Panel was concerned that the valuation of the site at Loanhead seemed to be based on a number of assumptions which had not been more rigorously tested, most notably the form of development that might achieve planning permission, and the sale price of new residential units. Specifically in terms of the operation of the venture the Panel was concerned over the relationship between the commercial business of Jumping Jacks and the LO-GY charity, the latter seeming to be a distinctly minority element. The reasons for the Panel’s concern on this matter reflected its wider reservations over the seeming lack of a genuinely broadly based local community context for this venture. There appears to have been limited contact with local community groups to gauge support and to define the extent of genuine community involvement: the absence of which suggests that this is primarily a commercial business looking to expand into larger premises.

7.0 Findings and Conclusions of the Panel: Bonnyrigg Centre Trust Limited

7.1 Bonnyrigg Centre Trust Limited (BCTL) submitted a formal bid from their solicitors, together with a document entitled *“Bonnyrigg Hub: A Building Management Strategy”*, and an e-mail dated 12 May 2014 (received within bid time period). Further information was provided by the bidders when they met the Panel on 3 June 2014.

7.2 The Panel noted that BCTL had previously bid for the premises, and that this new revised bid sought to address matters considered to be of concern by the Council in its assessment of that previous bid.

7.3 In summary the proposal is to undertake a two phase development: the first phase would comprise a fully staffed soft play, party venue and cafe, as well as renting out of the side hall as community offices, and the opening of a youth club. The second phase would involve transforming the former pool area into a large innovative creative play centre. BCTL state that it will act as *“a building for the whole community”* and demonstrates the Trust’s commitment to *“working together to meet the community’s needs”*. It will provide local employment, attract grant funding, stimulate Midlothian’s social enterprise sector, support early years development, and increase greater community capacity. BCTL also identify target outcomes in terms of greater community cohesion, skills development (especially young people), and reduced rates of deprivation.

7.4 The Panel noted that the nature and scope of the proposal is broadly similar to that of the previous bid. However, the Panel also took cognisance of the changes as articulated by the bidder. Most notably these are the phased approach to provide for a more confident and manageable approach; including a modest Phase 1 during which BCTL, as occupier of the building, would be able to bid for external funding. A further major revision is that BCTL would not seek any financial or in-kind support from the Council. The submitted e-mail from BCTL states:

“We will set up and run the building independently of Midlothian Council’s support and ensure the community understand that it stands or falls on its own two feet without Midlothian as a fallback. If the community venture fails, it comes down.”

The Panel noted changes in relation to staffing levels proposed, the reduced levels of projected income from office rental, and the promotion of ‘Bonnyrigg Bonds’ to build up a contingency reserve fund.

7.5 The Panel, having considered all of the information, maintained its view that the bid by BCTL demonstrates a significant level of community consultation and a genuine attempt to take an inclusive approach in seeking to provide facilities and services which would be of direct benefit to the local community. This latter aspect is compromised to some extent by the two phase proposals of BCTL, under which much of the community benefit is tied into the second phase. Nevertheless, the two phase proposal gives a greater degree of confidence in a more manageable and sustainable approach to achieving overall success. Whilst the stated outcomes of the venture put forward by BCTL are both laudable and ambitious there is little evidence to demonstrate how they will be achieved and, accordingly, the Panel was sceptical about the ability of BCTL to deliver on these outcome targets. The Panel’s most serious concerns remain centred around the financial business model. Whilst BCTL have sought to address concerns previously raised by the Council, the Panel

still consider income and cost assumptions to be optimistic, with operational costs to be barely sustainable and fragile in the face of any unforeseen changes/events of even a relatively minor nature.

8.0 Summary

- 8.1** It is relevant to emphasise that the Panel were assessing the merits of each bid in the context of a potential **community asset transfer** of the building. A successful bidder therefore needs to demonstrate not only the financial sustainability of their proposals, but also that their venture has notable added value to the local community with whom there is genuine engagement and sustained involvement. Those two principles underpin the range of specified assessment criteria used by the Panel.
- 8.2** The submission from the Bonnyrigg and Sherwood Community Development Trust adds very little to the previous bid by Midlothian Fitness Academy, of which the Trust were a part. The bid remains essentially that of a commercial venture with limited demonstrable added value to the local community. Accordingly, the Panel cannot recommend this bid.
- 8.3** The submission from LO-GY Limited, whilst based upon an existing established business, was considered by the Panel to have a number of significant flaws in the areas of limited market research, management capacity for the expanded venture, assumptions on receipts of sale of their current premises, the essential commercial nature of the venture, and the limited engagement with the local community. Accordingly, the Panel cannot recommend this bid.
- 8.4** The submission from Bonnyrigg Centre Trust Limited is a revision of a previous bid. It is the only one of the three submissions to wholly demonstrate substantive engagement with the wider local community and to commit to genuine ongoing community engagement in the operation of the venture. The proposed two stage approach reduces the risk of failure but does compromise to some extent the community added value; it being more evident in the second phase. The bidder is seeking a six month opportunity to establish the venture, failing which it will be returned to the Council, with the prospect of demolition soon thereafter.
- 8.5** Having regard to the above summary the Panel considers that the only bidder worthy of further consideration is Bonnyrigg Centre Trust Limited. However, in making a decision the Council will need to consider potential risks which relate to the weaknesses in the Trust's financial model as identified by the Panel. There is the distinct possibility that the venture could fail in its first six months of operation due to the inadequacies of the financial business model. Whilst such failure would, significantly, not be at any financial cost to the Council, the loss of newly instigated community facilities would potentially give rise to disappointment in the local community. That prospect creates a further

risk, that in the event of failure of the venture, and notwithstanding the assurances of the Trust, there would be pressure upon the Council to commit resources, either financial, in kind or both, to keep the venture operating.

9.0 Recommendations

9.1 Having regard to its findings and conclusions the Assessment Panel has agreed the following recommendations:

- i. the revised submission from the Bonnyrigg and Sherwood Community Development Trust be not accepted;
- ii. the bid from LO-GY Limited be not accepted;
- iii. consideration be given to identifying Bonnyrigg Centre Trust Limited as preferred bidders, to be granted a let of the premises for an initial six month period which is subject to review at the end of that period, and on the strict understanding that the Council shall not incur any costs before, during, or after that period other than costs of demolition should the premises be returned to the Council at any time, and subject to all other normal terms and conditions which apply in the letting of Council owned premises;
or
- iv. in the event of iii) above not being accepted, and unless the Council has any operational reason for retaining the building for a use compatible with its existing community leisure and recreational status, then the building be demolished at an early date together with reinstatement of the ground for use as part of the public park within which it lies.

Ian Johnson
on behalf of the Assessment Panel

11 June 2014