

**CONTRACT MONITORING BOARD MEETING  
MINUTES**

**Date of Meeting:** 16 July 2012  
**Location:** Ongar Leisure Centre (OLC), Waltham Abbey Swimming Pool (WASP) and Loughton Leisure Centre (LLC)  
**Time:** 6.30pm  
**Attending:**  
Councillors: Mrs E Webster (Chair) (EW)  
W Breare-Hall (WBH)  
Neville Wright (NW)  
Gavin Chambers (GC)  
EFDC: L MacNeill (Assistant Director responsible for the Leisure Management Contract) (LM)  
A Clear (Manager responsible for monitoring the contract) (AC)  
Jade Blunnie (Support Officer) (JB)  
S Forster (Minutes)  
SLM: K Bames (SLM Contract Manager) (KB)  
**Copies sent to:** Q Durrani, J Gilbert

		<b>Action</b>
<b>1.</b>	<b>Apologies for Absence</b> Cllr J Whitehouse	
<b>2.</b>	<b>Minutes of previous meeting 5 March 2012 &amp; Matters Arising</b> Not discussed	
<b>3.</b>	<p><b>Overview of contract</b></p> <p>The Board were taken by bus to three of the four leisure centres in the district which form the basis of the contract with SLM. The purpose of the site visits was to give the new Members a tour of the facilities, an insight into how they are managed and a background to the present contract. Whilst on board the minibus the content of the pack previously sent out by AC would be explained.</p> <p>On the first leg of the journey to OLC LM gave the reasons why the Council had gone out to contract, and distributed copies of the Key Objectives and Terms of Reference for the Board. The original objective was to reduce the costs of running the centres and reduce risks to the Council.</p> <p>At that time Members decided there would not be an internal bid, and two options were given, (1) a 15 year contract with a 3 year extension, and (2) a 7 year contract with a 3 year extension. Epping Sports Centre (ESC) was only to be have a 3 year contract due to the possibility of new facilities being available once St Johns School was rebuilt. As this never took place, the contract was drawn in line with the others after 3 years. Members were fully involved in the specification, including standards of service, maintenance, opening hours etc. A tender process then followed, and representations from 13 companies were received. A shortlist of 5 was made, but this was reduced to 3 main contenders. The evaluation was based on a price/quality ratio of 60/40. A management fee forms the basis of the contract, either paid to the contractor to run ESC, OLC and WASP, or paid to EFDC for LLC as this is a newer building and more cost effective.</p> <p>Income Share (IS), and Guaranteed Investment (GI) elements also formed part of the original specification. IS is based on the principle that, as the centres improve year on year and the income increases, the Council should receive 30% of the</p>	

difference between the contractor's declared income, and that which they estimated in their tender for each year. This covers all four centres, with LLC the highest earner and OLC the lowest. The Council's IS in 2010/11 amounted to c£50k but for 2011/12 the figure was only £5k. However, hopefully income will begin to improve now new equipment has been installed and the IS figure will increase this year.

Under GI, contractors were asked to itemise the improvements they would guarantee to make to the premises in certain years, and give details of the items they would invest in over a 3-5 year period. The fabric of the building would still be the Council's responsibility, everything else would be the contractor's. This is not as simple as it seems, as will be seen at WASP.

In 2006 SLM won the contract under option 2 (7+3), due to terminate in 2013. However, in 2011 they indicated a preference for an early extension and as EFDC wished to reduce the management fee an extension to 2016 was agreed. SLM also committed to invest further in the facilities.

In response to NW's question, LM said that local authorities generally have one contractor to run all their centres so that charging, timetables etc. are consistent. The Epping contract is unusual in that the sites are based around the borders of the district which can lead to anomalies with customers coming in from outside the area.

Because SLM has a charitable arm, they are able to reclaim some VAT. However, this is regarded as income and it is added to the Council's income calculation.

#### **Arrival at Ongar Leisure Centre**

Approaching the centre, EW pointed out that the signage after the roundabout was poor. LM told her that Highways had prohibited putting signs on the lampposts outside the centre, and the land on the opposite side was privately owned. This matter is still to be resolved.

KB, the SLM contract manager who always attends Board meetings, met the coach and was introduced to the new Members.

History of the site: it was opened in 1977, with another phase in 1979. It was previously a school premises, but the school closed in 1989 and the site was sold for redevelopment in 2000. Under the agreement with Essex CC the centre had use of the school gym. After the closure of the school ECC paid EFDC £430,000 compensation. This money was given to the contractor towards the cost of the enhancement work to the gym.

The group was first shown the all weather pitch (AWP), which opened in 1987 with a 10-15 year life expectancy. It was used for 5-a-side football, netball and tennis but is now unsafe and not used. The cost of reconstruction is estimated at £90k (although the Council has not seen the quotes). It cannot be extended as the land is Green Belt. SLM maintain that it was 10 years out of date when they took over, but this should have been obvious before they made a bid. They may be willing to carry out the work but the Council are reluctant to agree as the management fee would increase. When the new contract is up for tender potential contractors will be expected to set out their plans for the area as part of their bid. The ideal solution would be for an all-weather Astroturf pitch but NW said that the best option in the long term may be to demolish that part of the site.

The original bar is now an exercise area, and a mezzanine floor was put above the squash court to create a further space for classes. A moveable floor was originally planned for the swimming pool but it was agreed that if the centre could

attract 1000 swimmers the Council would agree to a review. When the number reached 900, it was decided that as there were no waiting lists the project would be withdrawn.

The changing rooms, next seen by the group, were refurbished as part of GI. GC, who works with the disabled, pointed out the unpleasant odour in the exercise area and also in the disabled toilet, which had not been cleaned.

A lady member stopped to ask if more yoga classes could be introduced at the centre, which KB said she would take on board.

Next on the tour was the gym area. The group was informed the equipment is replaced every 5 years. It was paid for by the Council but this is repaid over the remainder of the contract by way of a reduction in management fee. When the contract ends the equipment remains the property of EFDC.

At the pool area, LM said that the centre had once been connected to the school, which had been demolished. There are some maintenance issues as Ongar is a hard water area and there can be problems with limescale build up. KB showed the group the Unisex changing village. The showers, cubicles and toilets had all been refurbished as part of the contract.

As an introduction to SLM KB said that the company has been in the industry since 1987 and is now a large organisation throughout the country, looking at Northern Ireland next. It operates in three regions within the south-east. Epping forms part of the eastern region along with several others, including Basildon and East Herts, which skirt the M25. They have just been awarded the brand new £22m contract for St Albans. Epping was one of the first contracts for SLM in the area. The partnership with the Council has been a successful one and is linked with sports development and community support. It has been a good opportunity to develop the brand and members are now able to use their cards at any of their contracts throughout the country.

SLM has won a number of awards, including the FIA Operator of the Year Award for the third year running, and also an innovation award for the website which has been noted for its groundbreaking work. Members can now easily book and pay on-line. The four centres always do well at the FIA Flame awards, and the swimming school has also been very successful.

KB herself worked with the Council for many years before her transition into the commercial role of contract manager for SLM. She is based at Epping as the general manager, but is very hands on and will deal with any issues that arise at all four of the centres.

Back on the coach AC told the group that when SLM bid for the contract they were confident that Ongar would attract a number of customers from adjoining districts. This has proved not to be the case, and Ongar still represents the lowest attendance figures of the four centres.

LM then referred to the monitoring report provided by AC. The contractor has one main target, to attract sales, and they concentrate mostly on income. It is the Council's role to collate information, monitor the contract and make sure other issues are dealt with, and ensure the figures supplied by SLM match their own. Maintenance problems are difficult to enforce and if matters are delayed for long enough, one whole cycle can be missed, which is advantageous to SLM.

The company are obliged to send print-offs of everything that goes through their tills, which are rigorously checked by Council officers. There is an open book

KB

policy, and the Council are able to make spot checks at any time.

#### Financial appraisal of contract

AC went through the book: Contract monitoring - SLM is broken down into 3 groups, Community Leisure (the charity arm), Food & Beverage and Fitness and Health. The top table on P6 shows annual declared income by group since the start of the contract. As part of the initial investment, SLM built a fitness studio at WASP and a gym and 2 fitness studios at OLC. They also closed the bar there. These improvements are reflected in the increased fitness income at those sites. Overall income is increasing year on year, with the exception of ESC which is now at saturation point. A new site is being considered at the St Johns Road development in Epping, but this is still in the consultation process. LLC continues to receive the biggest income.

The bottom table shows the 3 main income earning areas of the contract. In 06/07 this accounted for just over 50% of the total income; last year this figure was over 66%.

Ps 7-10 show the annual income by site. The lines highlighted 'a' at Epping show the bar/catering income. The Epping bar was closed in March 09 following an agreement between EFDC & SLM. The lines highlighted 'b' show swimming lesson income. In January 11 SLM introduced a swimming lesson Direct Debit (DD) scheme to help parents spread the cost. This means that the end of year termly swimming lesson income appears lower because the DD income would have been collected in April/May instead of being paid in March when lesson re-enrolment took place. The lines highlighted 'c' show how the DDs and Annual Memberships (AMs) have risen since the start of the contract.

(a) Facility Management - It was decided at the start of the contract to monitor a few key attendance areas and the figures on P11 show the dry side activities. Those on P12 give public swimming figures, which appear to be showing a decline. However, the DD package allows free swimming. At OLC and WASP DD members wishing to swim would still go to the reception desk to gain access but at LLC they can use the fast track turnstile which does not register swimming usage. Also if a member uses the pool after the gym or a fitness class it will not register on the figures.

Junior swims are down, partly due to current trends but also because SLM run lessons throughout the school holidays which restricts public usage. Also, children paying for lessons by DD are allowed free swimming during school holidays. OAP numbers went down when the free swimming initiative, which operated in 2009-10 and until August 2011, was terminated.

P13 shows the membership comparisons for June since the start of the contract. There has been a decline in centre memberships since 2006, with a number of customers converting to monthly DD. Senior membership increased following the early finish of the free swimming scheme as a number joined to take advantage of cheaper activity prices. Junior membership has risen sharply as centre membership is included for the children's swimming lessons paid for by DD. SLM prefer to take new members on the DD scheme and do not encourage centre memberships.

(b) Health and Safety - unannounced H&S visits are carried out approx. every 3 months by the North Weald Airfield General Manager, Darren Goodey, who is H&S qualified as well as being an ex-leisure centre manager. The areas looked at during the visits include staff qualifications and training, pool safety, first aid/accident reporting, evacuation/emergency procedures (fire drills & extinguishers, emergency lighting, alarms, etc.), H&S (COSHH, PPE), customer

<p>safety and general housekeeping. At the pools, the water is tested for temperature and levels of bacteria. Only minor issues were identified on the last visit, and AC will check that they have been carried out.</p> <p>Once per annum 'mystery shoppers' make ad hoc visits to the centres and their findings are given on a summary which was provided by AC. Their comments are generally in line with the issues picked up on H&amp;S visits and customer complaints. The general public's perception is that EFDC is responsible for any shortcomings at the centres, and hold them accountable.</p> <p>(c) Asset Management - building maintenance visits are carried out every quarter by the Council's Senior Building Surveyor, usually accompanied by the SLM Maintenance Manager. They look at the condition of the structure and plant, check that agreed servicing schedules are being adhered to and ensure that any faults and recommendations are being carried out. SLM are also provided with copies of reports from Zurich, the Council's insurers, and again checks are carried out to ensure any issues raised are dealt with. The general décor standards throughout the building, and planned &amp; unplanned maintenance, are also monitored and discussions are held regarding any EFDC planned maintenance.</p> <p>With regard to penalties for work not completed, it is not permitted to fine the company so instead EFDC use a system of issuing improvement notices. A total of 25 per calendar month are allowed, after which the Council have the right to terminate the contract. This did occur on one occasion, when the Monitoring Board took the decision to continue with the contract. Details of improvement notices issued since the last meeting are given on the pack page of the pack. Some, after 2 or 3 are issued, are escalated to default notice status. Many of the issues relate to failure to provide information. Under the terms of the contract the Council could carry out any outstanding repairs and charge SLM accordingly, but this carries with it the danger that it would then be expected to continue to do so for all future works.</p> <p>A report on the last visit to OLC is on Ps 16-18. Reports from the other visits will be forwarded to Members when they have been carried out. The full report is shown as the centres still represent major assets to the authority.</p> <p>Since the start of the contract there have been some issues at Loughton which, whilst being SLM's area of responsibility, EFDC dealt with as part of the snagging work from the new build (air conditioning in plant room, increased capacity to pool showers, pool chemical dosing upgrade and underwater lighting).</p> <p>(e) Performance Monitoring - the results of the customer service standards visits are shown on Ps 19-22. These are unannounced visits to look at the building from a customer perspective. Checks are made on cleanliness, customer health &amp; safety, faulty equipment, paperwork (pool testing and customer comments) etc. Not every finding is recorded as it is expected that small issues such as missing toilet rolls etc would be addressed immediately. Some issues might appear minor. These would be recorded where they had been noticed on a previous visit but not actioned, or where there is an effect on customer satisfaction (e.g. one light missing in an area with only 2 lights).</p> <p>Epping has always set the standard and is rarely a cause of concern. Loughton has the most issues but it is the largest and busiest centre in the district.</p> <p><b>Arrival at WASP</b> KB met the group in the car park and accompanied them on the tour. AC pointed out that this is on a slope, and for customer safety reasons the car park has to close whenever it snows, sometimes for several days. The Council are not in a</p>	<p>AC</p> <p>AC</p>
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position to challenge this decision once a risk assessment has been carried out.

WASP has a huge area of window space, and the gaskets, which recently needed replacing, had been the subject of a dispute. Under the maintenance specification the frames are EFDC's responsibility, and the glass is SLM's, but it was unclear who would be held accountable for the seals in between. Following legal advice, the difficulty was resolved by both parties splitting the cost 50/50.

LM: History of the site - the pool was opened c1969, with the teaching pool added later. The current gym was originally the football changing rooms. The building is now in a poor state of repair due to its age, with the air handling and trunking on the roof needing replacement, at an approx cost of £100k. A report on the main pool roof is also awaited from Building Control, but if it too needs replacing the centre may have to close for 7-8 weeks.

When the W/A Sports Centre was handed back to the King Harold school Members considered the possibility of building a sports hall extension to the swimming pool. The cost was estimated at £1.7m. When the business case was put forward it was clear that an increase in the revenue budget would be required for ongoing costs and for it to be managed by SLM. It was decided that SLM would be asked to take the building design scheme to the planning permission stage, at the Council's cost. This was duly carried out last year. The project was then put on hold, and the Council is to assess whether to progress it as part of the annual review of the capital programme. In view of the amount of capital required to upgrade this centre, this option may need to be reconsidered. The process would have to begin with the Monitoring Board, and then taken on to a Cabinet decision. LM showed the group where a new sports hall would be situated. It would be separate to the pool area, and would have a crèche that would double as a meeting room in the evening, as well as separate changing rooms.

Visiting the gym first, AC said that as part of the investment a walk through and new gym area had been built, but otherwise little had changed except that the children's changing room had been renovated. The consistent SLM design and colour scheme were noted. The separate male & female changing rooms are in need of some refurbishment to bring them up to the standards of the other centres. GC noted that the disabled toilet was in poor condition.

At the pool, AC told the group that at a depth of 3m it was the deepest in the district, and the base is very steep. The springboards had been removed and diving is not permitted at any of the pools. KB told the group that advertising space around the pool can be purchased.

Back on the coach, in answer to a question by NW, LM replied that there are pros and cons to having a contractor running the centres. Generally the lack of bureaucracy ensures that decisions are made quicker, and funding does not come from the public purse. It only requires a small Council team to manage it, without HR, Finance or Legal personnel having to be involved. However, SLM is owned by Castleview Holdings and decisions must be passed through them. As they now bid for almost every contract available and they grow ever larger, issues are taking longer to process and there are some concerns that they are expanding too fast. There used to be 4 duty managers at LLC but there are now only 3, who are expected to travel long distances for meetings. Membership staff are also on commission, and have to send reports of their sales figures in each day. Managers are having to spend more time in the office, not managing the business or staff, and standards are beginning to slip.

When the contract next comes up for tender many big leisure companies are expected to make a bid. Some authorities are now taking leisure contracts back

in-house, and this may be another option to consider as staff would be less income- and more customer-biased, and cleanliness standards may be higher.

NW also asked why, since OLC appear to be creating the least amount of income, the Council had not considered taking it out of the contract. LM said that SLM were fulfilling their obligations and spending what they had promised at OLC and if companies wanted the most profitable site (Loughton) they would be expected to take on the least (Ongar). However this will have to be reconsidered at the next tender process if companies increase the management fee for OLC.

GC had found SLM staff reluctant to give out information on becoming a member over the phone, and he had been asked to visit to be shown around in person, which was an inconvenience. AC said that this had also been identified by the mystery shopper.

### **Arrival at LLC**

On arrival at the car park, AC told the group that ex-Cllrs Brooks and Barrett had managed to change the opening time from 8am to 9pm, an issue picked up at the customer forum. The small brick building (the Octagon) in the car park is the only original part of the building, and as this is now used for exercise classes it used to become very hot. Again Cllr Barrett had persuaded the Board to use some income share (for the first time) to have air conditioning installed. The pool closes at 10pm, and the centre at 10.30pm.

KB again met the group at the centre. It has now been open for 10 years and the new pool was built on the site of an old one that had been established in the 1950s. There has been a history of roof leaks since the new build, which have now been rectified. Other maintenance issues under SLM responsibility include the lack of speed of repairs and problems with underwater pool lights. Also, the reduction of one duty manager has resulted in a drop in centre and staff monitoring. There are also fewer staff to maintain cleanliness, although 3 part time cleaners (one has since left) had been employed.

The recent refurbishment work to facilities included an enlarged gym, new movement studio and coffee pod, and a walkway to the Octagon building. Visiting the large gym area first, LM said there were a few problems with the free weights area as it was considered too male orientated, and there is a perceived lack of supervision as the area cannot be seen by staff at the desk.

On the way to the pool area, AC told the group that Cllr Whitbread had approved the installation of air conditioning when he was Chair of the Board. As part of an agreement with the Council when they took over, SLM allowed the swimming club to continue to meet on Mondays, Tuesdays, Wednesdays and Thursdays, despite their preference for these times to be for public swimming. This could be changed at the next contract but would be unpopular with members of the club. It would however give more public swimming time.

GC pointed out that it was impossible to find a time in the early evening when centre members could use the pool. KB said that this was due to staff training, swimming lessons and the swimming club. SLM had asked to stop the Monday night swimming club but Members had decided against it.

Proceeding to the changing village, KB said that following customer feedback the toilets, cubicles, tiles etc were being proposed for refurbishment in Jan/Feb 2013, based on the style at Ongar. Larger family cubicles will also be built. The work is expected to take 6 weeks but, although a little inconvenient, the centre will continue to be in use, with different sections being closed as the work progresses. Although this area was built only 9 years ago, with 14,000 customers every week

it is now looking tired and shabby.

GC examined the disabled toilet and changing rooms and found them to be clean and pleasant. KB said that cleaning was carried out by lifeguards as part of their duties, and takes place wherever possible in quieter times at the centre.

Before leaving, the group visited the Octagon, which KB explained is used for exercise, and salsa and zumba dance classes, as well as a crèche. It can also be hired out for functions.

Back on the coach, in summing up, LM said that the contract cannot be extended again and a new one will be due in January 2016. In order to give a contractor a lead in period it must be let by March 2015, and the tender process should therefore begin in Autumn 2013. However, many decisions will have to be made before then so that the contract specification can be determined. The issues Members will need to consider and come forward with proposals for include:

- The type of contract required
- How to deal with issues at WASP and the AWP at Ongar
- ESC re the St Johns Road project
- Defaults and penalties
- Risk.

The Board currently meets three times each year, and Members may wish to increase the frequency as the new contract date approaches. AC plans the dates of meetings by checking the Committee diary. He tries to avoid busy periods and Monday evenings are usually the most convenient. The next meeting is scheduled for 26 November

The tour was an unusual event, and the Agenda previously circulated formed the basis of normal meetings. The Terms of Reference cannot be changed but the Key Objectives could, if necessary, be altered by variation to the contract. Any recommendations made by the Board can go to Overview & Scrutiny, or straight to Cabinet, depending on the subject matter.

KB attends all the Board meetings, usually with one of the centre managers, and gives a presentation on SLM's progress since the last meeting.

LM and AC attend a national client officers' meeting, which is where, at the morning session, all SLM's clients meet to discuss the contractor's performance in their areas. Any issues raised are discussed with SLM representatives in the afternoon. Meetings are also held with SLM's regional director, and John Gilbert attends meetings that take place with their Managing Director; Board Members are also welcome to attend.

LM added that any issues that Members or their constituents have should be directed to SLM by telephone or email so that they are given an opportunity to deal with them in the first instance. AC or JB will always follow them up.

Arriving back at the Civic Centre AC closed on a positive note by saying that of all the leisure companies, SLM is one of the better ones in the industry.