



PRCC.32 15/16

**Committee Prosperous
Communities**

Date 8th December 2015

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Subject: Future Leisure Options Review

Report by:

Chief Operating Officer

Contact Officer:

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Purpose / Summary:

To update Members regarding progress of the Council's review into future leisure provision and current work being undertaken.

RECOMMENDATION(S):

- a) Members support the recommended option of reprourement of the leisure contract, at a minimum of zero cost, but ideally on a profit share basis, as set out in section 3.1 (c) of this report.
- b) Members support the ongoing work to develop a leisure specification in order for the Council to commence a procurement exercise.

IMPLICATIONS

Legal: There is no provision within the current contract to extend this further. Any procurement of services will be conducted within the Council's Contract Procedure Rules.

Financial : FIN/98/16

Any additional financial support needed will be requested from reserves through the appropriate governance arrangements

Staffing :

Equality and Diversity including Human Rights :

Risk Assessment :

Climate Related Risks and Opportunities :

Title and Location of any Background Papers used in the preparation of this report:

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

x

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

x

1 Introduction

- 1.1 The Council's current leisure contract with Everyone Active (previously SLM Ltd) is due to expire on the 31st May 2018. The contract has been previously extended and there is no provision within the contract to extend this further.

2 Background

- 2.1 The current annual leisure management fee is around £260,000 and this is increased by RPI annually.
- 2.2 The expiry date of the current contract and the considerable costs involved has presented the ideal opportunity for the Council to review the leisure service and future options of delivery.
- 2.3 In January this year the Council commissioned Winckworth Sherwood to work with us to develop a leisure options appraisal. Developments have been monitored by the Leisure, Culture, Events and Tourism Member working group and the Council's Commercial Board.
- 2.2 A range of options were considered which included:
- a) Bringing the leisure service back in house
 - b) Forming a leisure trust to manage the services
 - c) Reprocurring a leisure contract.

3 Leisure Review Findings

- 3.1 A summary of Winckworth Sherwood's findings are:

(a) In House Option

Whilst the advantages of this option include full control of the leisure service, the main disadvantages are the level of risk that would sit with the Council especially in terms of continuing financial pressures going forward. The whole of the maintenance would be the responsibility of the Council and this option would leave the service vulnerable. In addition the Council would have to create an in house team to provide managerial control. Financial analysis concluded this option would cost the Council somewhere in the region of £291,421 per year. Increasing the costs of the leisure service clearly do not support the Council with their aspiration of being non grant dependant by 2020.

(b) Trust Model

There are a range of advantages with this model which include NNDR and VAT savings and greater access to potential funding. However, the fact that the Council have only one major facility is a distinct disadvantage as there would be insufficient core business should the main facility have to close for any reason which would leave the Trust

at serious risk of failure. Financial analysis indicates that this option would still cost the Council in the region of £94,874 per year.

(c) Re-let the Contract

Since the Council let the current leisure contract in 2009 the leisure market has moved on significantly and a number of private sector operators now have charitable arms to operate leisure facilities and access NNDR and VAT relief. The result of the leisure options appraisal demonstrates that a contractor could significantly increase the income potential of all three facilities and that a zero cost management fee is achievable. Furthermore it may be possible that the facilities could be operated with a profit share agreement and therefore the Council could potentially receive income. It should also be possible to secure significant inward capital investment if the contract length is of sufficient length to facilitate this. Nine companies have been identified within the current marketplace that currently operate or are tendering for contracts on this basis.

- 3.2 Taking into account the results of the leisure option findings, the recommended option is to reprocure the Council's contract on the most financially advantageous basis possible. As a minimum this should be on a zero cost basis but preferably a profit sharing arrangement.

4 Current Work

- 4.1 To ensure the best outcome for the Council the optimum amount of time to allow for successful reprocurement is two years. Under the guidance of Commercial Board Officers are currently seeking to commission a leisure expert to work with us to produce a high quality leisure specification ready to enter into a tendering process in June 2016.
- 4.2 The leisure specification will be based on the recommended option in 3.2 and all Members will be consulted to ensure that their aspirations for the leisure service are included.

5 Recommendation

- 5.1 It is hereby **RECOMMENDED** that
- a) Members support the recommended option of reprocurement of the leisure contract, at a minimum of zero cost, but ideally on a profit share basis, as set out in section 3.1 (c) of this report.
 - b) Members support the ongoing work to develop a leisure specification in order for the Council to commence a procurement exercise.