



PRCC.19 16/17

Prosperous Communities
Committee

19th July 2016

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Subject: Leisure Contract Reprourement

Report by:

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Purpose / Summary:

To bring Members up to date with current progress regarding leisure contract procurement and to agree the parameters of a new contract

RECOMMENDATION(S):

- 1) That Members agree to the principals contained in paragraph 3.2 and that these form the basis of the forthcoming procurement exercise.
- 2) That a report is presented to Members of Policy and Resources Committee for them to approve the Procurement timeline and consider the impact on Council assets and resources

IMPLICATIONS

Legal: Legal/procurement advice will be sought from Legal Services Lincolnshire and Procurement Lincolnshire

Financial : FIN/39/17

The budget for the current leisure management contract is £262,100. It is envisaged that any new contract will achieve savings of at least this amount, as it is anticipated that a positive management fee could be realised if capital investment in the facilities is made.

The Capital Programme 2016/17-2020/21 includes the provision of £7.8m for the investment in Leisure Facilities.

Staffing : Staff employed by the current contractor would be transferred under a TUPE arrangement

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:

Review of Leisure Provision in West Lindsey (PR.59 12/13)

Future Leisure Options Review (PRCC.32 15/16)

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

Key Decision:

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

Yes

No

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 current contract includes West Lindsey Leisure Centre in Gainsborough, and two chance to share facilities at De Aston School and Caistor Yarborough School.
- 1.2 The Council wishes to take this opportunity of the impending contract end to assess future leisure provision within the District and identify a value for money solution to secure the leisure service going forward.

2 Background

- 2.1 The original contract was due to expire on the 31st May 2014. Policy and Resources Committee agreed in April 2013 to extend the contract for a period of four years and provide £269,000 of capital funding to reconfigure parts of the leisure centre in Gainsborough. In return the Council received £1.1 million in revenue savings over the final 4 ½ years of the contract and customer satisfaction of the facility in Gainsborough is very high.
- 2.2 The Council have conducted a thorough options appraisal seeking to identify the best value for money solution for leisure provision post the end of the current contract. As a result the recommended option was that the Council should reprocure it's leisure contract but seek to do this with a surplus being provided, or at an absolute minimum that the contract should be at zero cost. Members of Prosperous Communities Committee agreed this course of action in December 2015 and supported Officers to commence a procurement exercise.
- 2.3 Following on from a strategic assessment of leisure need within the District linked to the development of the Local Plan, the Council have concluded that there may be a commercial opportunity to develop a dry leisure facility in Market Rasen subject to a business case and feasibility. It is therefore the Council's intention to test the market to see what could be provided in Market Rasen with the proviso that this is cost neutral to the Council or generates a surplus.
- 2.4 Work undertaken as detailed in paragraphs 2.2 and 2.3 has been monitored on an ongoing basis by the Leisure, Culture, Events and Tourism Member working group previously formed by this Committee.

3 Testing the Market and Procurement

- 3.1 Officers have undertaken work to understand the leisure market and how contracts are evolving. Independent soft market analysis has shown that the leisure market is buoyant and that contractors have evolved their business models to be able to positively repond to the challenges local authorities are facing in terms of their finances.

3.2 As a result of the above the Council are currently working towards developing a Procurement Strategy and contract documentation which can be put to the market to identify the most value for money solution and as a result it is proposed:

a) The overall parameters of a future leisure contract will be to ideally run at a surplus but at worst case scenario at zero cost to the Council. In order to achieve this it may be necessary for the Council to invest in current or future leisure facilities within the District and it is the Council's intention to test the market to see what level of investment may be necessary to get to the desired position of delivering a surplus.

b) In order for the market to deliver a surplus rather than receive a grant subsidy a contractor would wish to see a reduction in certain risks. One of the key risks for a contractor would be to deliver the development and investment necessary in order to achieve a positive surplus over a short term contract. As a result it is proposed that the new contract should be for a minimum of ten years with an option to extend for a further five. This will allow the Council to secure a contract on the most financially advantageous terms possible and provide the Council with an opportunity to extend the Contract for a further five years should this be of financial benefit.

c) In order for the Council to achieve its strategic aims of receiving a surplus for the leisure service or it being cost neutral, a contractor would need as much flexibility as possible as to how the contract was delivered. Therefore best practice based on learning from other Local Authorities shows that the Council should concentrate on the results it would like to see, for example more people engaging in leisure activities and remaining active, rather than how the results are achieved. This not only allows flexibility but will allow a contractor to design how they best achieve and deliver a surplus. It also gives a contractor the ability to respond and adapt to continually changing lifestyles and community needs.

d) The current contract which began in 2009 includes two facilities used under chance to share arrangements. These were relevant for funding streams prevalent at that time but are now less so with the cuts to Public Sector budgets including the County Council and Public Health. The two facilities at De Aston School and Caistor Yarborough School are a financial drain on the current contract and provide limited opportunity to develop and maximise income as they are only available outside of school use. The sports hall in Caistor had just 1765 total visits last year. Whilst usage of De Aston was higher at 21,400 visits last year the school do not appear to be supportive of the community offering and have recently started to charge the Council an annual rental on top of the management fee paid to Everyone Active to manage the facility. It is proposed that these two facilities are removed from the future contract as they do support the Council's aspiration to receive a positive income from the leisure service.

e) In terms of adapting to the changing environment and funding streams as set out in d) above it is proposed that the Council look at accessibility in a different way that includes the sparsity and rural nature of our District. As such the Council intends to test the market with the possibility of providing a leisure outreach service. This would provide for activities to be taken out into our communities and could be included in a new contract if it was cost neutral to the Council.

4 Next Steps

A report will be taken to Corporate Policy & Resources Committee for them to consider the Procurement timeline and the implication on Council assets and capital funding.

5 Recommendation

5.1 It is hereby RECOMMENDED:

1) That Members agree to the principals contained in paragraph 3.2 and that these form the basis of the forthcoming procurement exercise.

2) That a report is presented to Members of Policy and Resources Committee for them to approve the Procurement timeline and consider the impact on Council assets and resources.