



**Corporate Policy &  
Resources Committee**

**Date 11<sup>th</sup> January 2018**

**Subject: Leisure Contract Award**

Report by:

Director of Resources

Contact Officer:

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Purpose / Summary:

To update Members on the successful conclusion of the leisure procurement project and to seek authority to award the contract.

**RECOMMENDATION:**

a) Members agree to appoint Sports and Leisure Management (SLM) Ltd. as the Council's preferred partner and award them a 15 year contract to include the provision of a District wide sports outreach service: the contract is to commence on the 1<sup>st</sup> June 2018.

## **IMPLICATIONS**

**Legal: Legal Services Lincolnshire have compiled the contract documentation which has been made available to all contractors through the procurement process. They will be fully involved in formalising the contract once it is awarded.**

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**Financial : FIN/122/18/TJB**

The current cost of the Leisure Management Contract is £268,700 per annum. This contract is due to end in May 2018 and therefore a procurement exercise has been undertaken to secure a Leisure Management provision for the next 15 years which will include a full repairs and maintenance element and a management fee which has at least a £0 contribution from West Lindsey District Council (WLDC) and return at least a £1.5m+4% over the term.

Within the Capital Programme there is a budget of £7.8m, funded from borrowing, for improved Leisure Provision.

With significant investment requirements at Gainsborough Leisure Centre £1.4m will be expended based on the proposals within the SLM bid.

In addition £6.3m will be allocated to deliver the provision of a dry leisure facility in the Market Rasen area.

The successful bid includes the provision of management and maintenance of both leisure facilities in addition to an outreach service. It achieves not only a return on our £1.4m investment + 4% but in addition a contribution to the Council of an average management fee of £136k p.a.

This equates to a £2.47m revenue benefit over the 15 year life of the contract and this is after deducting the costs of borrowing for the £7.8m capital investment, the details of which are;

Saving on current management fee	£3.986m
New Management Fee Income	£4.218m
Other budget net Savings	£0.324m
Less	
<u>Cost of Borrowing</u>	<u>£6.051m</u>
Net Revenue Benefit	£2.477m

Other budget net savings include saving on property maintenance, which is now embedded in the contract and the additional cost of grounds maintenance at Market Rasen.

The average net contribution per annum is therefore £0.165m

The annual budgetary impact of the contract will be built into the Medium Term Financial Plan.

The costs of the consultancy support for this procurement exercise has been £45k against a budget of £50k, this was funded from the Invest to Save Earmarked Reserve. This has been an innovative approach to procurement and the Consultants advice, experience and understanding of the market has been invaluable in achieving this outcome.

**Staffing : No impact on staffing arrangements. Leisure centre staff are employed by our leisure contractor and the incumbent contractor has been successful in retaining the contract.**

**Equality and Diversity including Human Rights :**

Leisure facilities and activities will be accessible and available for all service users and will be promoted as such. SLM Ltd. have their own Equality and Diversity policy which will sit alongside the Council's own policy.

**Risk Assessment :**

The financial submission received includes the dry leisure facility in Market Rasen. Failure to secure either land or planning permission will have an adverse effect on the payment to the Council over the lifetime of the contract. Currently the Council are assessing four sites as to their suitability and hope to secure one of these early in the New Year.

Net benefit projections have been calculated on current interest rates which are low. Any raise in interest rates will affect the net income projections.

**Climate Related Risks and Opportunities :**

Both the refurbishment of West Lindsey Leisure Centre and the new build in Market Rasen will include energy efficient and saving technologies.

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

None.

**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 31<sup>st</sup> May 2018. The current contract arrangements cost the Council circa £300,000 per year, comprising of a management fee and some elements of maintenance that the Council are still responsible for.
- 1.2 At the start of the procurement exercise the ambition was set that any new arrangement would be cost neutral as a minimum but ideally would generate an income for the Council. There was a recognition that the Council would need to allow a contractor flexibility in order to generate sufficient income.
- 1.3 In addition to this financial ambition a key principle of any new contract arrangement was to provide more opportunities to get more people active and to drive health benefits across the District.

## **2 Background**

- 2.1 Prosperous Communities Committee have previously considered reports to agree the key principles of both the leisure contract procurement process and future contract on the 8<sup>th</sup> December 2015, 19<sup>th</sup> July 2016 and 2<sup>nd</sup> May 2017. In addition progress has been monitored throughout by the Leisure, Culture, Events and Tourism Member Working Party, which reports to Prosperous Communities, to ensure the key principles agreed have been incorporated within the tender opportunity.
- 2.2 In July 2016 Corporate Policy and Resources committee considered the impact of the leisure procurement on Council assets and resources and approved the procurement timeline and project plan. £7.8million of capital was set to support the leisure procurement, up to £1.5million of this was to be used to upgrade the current facility in Gainsborough with the remaining amount to be used to purchase land and develop a dry leisure facility in Market Rasen.
- 2.3 The Council engaged Sports and Leisure Consultancy (SLC), dedicated leisure procurement specialists, to support them with the leisure procurement.
- 2.4 Procurement Lincolnshire have been involved throughout the procurement process and have provided assurance with regard to procurement procedures and regulations.

## **3. Leisure Procurement**

- 3.1 The leisure contract procurement has followed a full Official Journal of the European Union (OJEU) competitive procedure with negotiation route, the leisure services specification containing the key principles agreed by Prosperous Communities Committee.

- 3.2 The invite to tender contained a range of method statements which tested contractors ability with regard to health and safety and facility operation together with a financial submission. Tenders were assessed on a 40% finance and 60% quality basis. Due to the amount of potential capital investment key method statements were included which concentrated on both how this would be utilised to generate additional income and what experience contractors had with regard to refurbishment of facilities and new builds.
- 3.3 Contractors were also asked to complete a method statement on the proposed dry leisure facility in Market Rasen looking at the facility mix and likely cost of construction. They were also asked to include income projections and how this would increase the resulting income to be received by the Council. Whilst a site has not yet been secured, this has allowed the Council to bring the Market Rasen opportunity into a competitive procurement situation. In terms of site selection the Council are currently assessing four sites in terms of both the cost involved and ease of development.
- 3.4 As the financial outcome was paramount, the Council worked with our leisure advisers to compile a shadow bid which forecasted the level of income a new contract should provide. The results of this formed an affordability target which was added to the invite to tender as a minimum expectation. Contractors were therefore asked to submit financial solutions which generated the Council in addition of £1.5 million over the lifetime of the contract. This formed the base bid within tender submissions and includes management of West Lindsey Leisure Centre together with the new centre in Market Rasen.
- 3.5 In addition to the base bid the Council requested contractors to submit a variant bid to provide a district wide Sports Outreach service which would take activities out into local communities and service the 80% of residents that either did not have access to leisure facilities or did not wish to use them. As a variant bid this could then be assessed against the base bid to evaluate whether the Council could afford this service and whether it represented value for money.
- 3.6 The competitive procedure with negotiation process adopted by the Council provided the opportunity for contractors to submit initial solutions and then, following evaluation of these, gave the Council the opportunity to meet with contractors to discuss aspects of their bid and, following this, provide them with an opportunity to submit a revised solution.
- 3.7 An evaluation team was formed comprising support from Health and Safety, HR, Finance, Business Improvement and SLC. Final solutions were received in November and evaluated in early December allowing the Council to nominate a preferred contractor.

#### **4. Result of Contract Procurement**

- 4.1 After full evaluation the preferred contractor is Sport and Leisure Management (SLM) who are our incumbent contractor. The Council have had a contractual relationship with SLM since the commencement of the current contract which commenced on 1<sup>st</sup> June 2009. This relationship has been very positive and the leisure facilities have developed and prospered under their management. SLM also have extensive experience of managing both refurbishments of leisure facilities and new build facilities.
- 4.2 Their bid provides the following:
- a) 15 year contract with full transfer of risk to the contractor in terms of repairs and maintenance, thus giving the Council a known financial position over the lifetime of the contract.
  - b) £2.0 million positive income over the lifetime of the contract including a District wide sports outreach service.
  - c) £1.4 million of the agreed capital budget of £7.8 million will be used to transform West Lindsey Leisure Centre to a health and wellbeing centre, upgrading the outside of the building, investing in new equipment (including specialised equipment for rehabilitation and the older population) and plant equipment. In addition to the positive income this £1.4 million will be paid back to the Council over the lifetime of the contract plus 4% interest. The remaining capital will be used to purchase land and develop the dry facility in Market Rasen.
  - d) Full project development support in designing and constructing the new facility at Market Rasen and management of this once complete. This facility will include:
    - 4 court sports hall
    - Changing facilities
    - Fitness suite comprising state of the art gym equipment
    - Multi purpose room for exercise classes
    - Outdoor 3G pitch
- 4.3 The preferred contractor's bid includes a range of improvements at West Lindsey Leisure Centre which will see redundant areas, or areas of low use, reconfigured in order to accommodate additional users.
- 4.4 After the cost of borrowing the net benefit to the Council over the lifetime of the new contract will be £2.477 million.
- 4.5 Following appointment Officers will be in a position to firm up contract arrangements and will be in a position to start to plan the scheme of

refurbishment and the new build ahead of the new contract commencement.

- 4.6 In terms of timelines it is proposed that the scheme of refurbishment begins at West Lindsey Leisure Centre from the start of the new contract in June next year. The first year of the new contract will be used to finalise plans for the Market Rasen facility, including submission of planning application, and it is proposed that construction commences in Summer 2019 with the facility being operational from June 2020.

## **5 Recommendation**

- 5.1 It is hereby **RECOMMENDED** that

a) Members agree to appoint Sports and Leisure Management Ltd as the Council's preferred partner and award them a 15 year contract to include the provision of a District wide sports outreach service, such contract to commence on the 1<sup>st</sup> June 2018.