

CABINET REPORT – 1 OCTOBER 2014

## **Leisure Centre Contract**

Report of the Community and Leisure Portfolio Holder

### **Recommended:**

- 1. That the Council undertakes a full market testing exercise as its approach to procuring the Leisure Centre Management Contract (due for renewal from April 2017)**
- 2. That in preparing to do so, the Council seeks support from appropriate market and technical consultants to assist with the development of a robust procurement and evaluation process.**
- 3. That a further report will be presented to Cabinet to outline the scope and cost of this support work and to seek authority to appoint consultant(s).**

### **SUMMARY:**

- The Council's key leisure facilities are currently operated by Valley Leisure (VL) under a management contract that runs to March 2017. The portfolio includes Andover Leisure Centre (ALC) Romsey Rapids (RR) Knightwood Leisure Centre (KLC) Charlton Lakeside Pavilion (CLP) and also now includes Romsey Sports Centre (RSC)
- With quite recent and significant changes in the leisure market and economic climate since the VL contract was let (in 2002), the opportunity exists to review (and improve) the scope, structure and terms of the contract when it is re-let.
- Under VL's management and our joint investment, the Council's flagship leisure facilities have flourished. However, ALC, RR and the whole portfolio require substantial and ongoing investment in order that they may continue to meet the needs and expectations of our communities. The opportunity therefore exists to potentially restructure the contract and seek (for example) risk reduction, revenue subsidy reduction and capital investment, as part of a renewed contract over a longer period of time.
- Whilst the working relationship with, and performance of VL remains strong, in order to exploit the opportunity to improve the contract legally requires an undertaking of a full market testing exercise (as opposed to consideration of a simple extension).
- Market and technical advice has been sought as part of early feasibility work regarding the approach that can be taken to procurement and is set out in this report.

## **1 Introduction**

- 1.1 The VL contract runs to March 2017, and whilst this is some way off, timely decisions need to be made regarding future demands on these facilities, the needs of the community and service development beyond 2017, what we may wish to procure in line with corporate priorities and the approach taken to said procurement process.
- 1.2 It is therefore essential that we set out a clear and unambiguous approach to this contract as early as possible. This will enable us, the current operator, and the market generally, to prepare as fully as possible for this exercise.

## **2 Background**

- 2.1 As is the case with many local authorities and leisure facility operators currently, the need to continually invest in key flagship leisure centres is an ever present challenge. Whilst inward investment has continued throughout the contract term, it is recognised that potentially more major investment will be required in all of these facilities in the coming years.
- 2.2 Currently the Council is paying a management fee for the running of its portfolio, with shared responsibilities for liabilities such as maintenance. Through exploring more innovative ways to construct the new contract, market intelligence suggests it may be possible to vastly improve this position and achieve sustained investment from the operator throughout the lifespan of the contract. In addition to investment in service development, the opportunity to provide a new / refurbished ALC and improvements to the whole leisure centre stock is also believed to be a real possibility.
- 2.3 Discussion have been held with VL regarding the potential to extend current arrangements, however legally, in order to introduce changes to the terms of the contract and explore and achieve a better contract position, an open market procurement exercise is required. For the avoidance of doubt, it must be stated that there is no implied criticism of the current operator, however in order to amend the contract in any material way, the contract must be market tested.
- 2.4 Early feasibility work has highlighted the opportunity to seek to diminish Council subsidy (through both a reduced or even nil management fee and exposure to shared risk such as maintenance liabilities) without compromise to service. The emerging Procurement Directive which includes a 'Competitive Procedure with Negotiation (CPWN) has also been identified as an approach and methodology that may be appropriate to explore and exploit given our circumstances and the current market.

- 2.5 Designed for complex projects, the key feature is that CPWN allows the Council to enter into dialogue with bidders and refine scope and specification, when they are not necessarily fully prescribed. It also enables the Council to consider and compare emerging proposals against key outcomes, deliverables and performance measures.
- 2.6 Given the value and importance of this contract, the need to ensure community and market benefits can be maximised, and the fact this is such a potentially complex contract, it is proposed that the Council seeks independent technical and market support. In particular this must focus on procurement and legal assistance in scoping and preparing for proceeding through, this relatively new, process.
- 2.7 This will require our tendering for consultative support and reporting back to Cabinet with detailed timeline, process, scope and costs, and to appoint the preferred consultant(s).

### **3 Corporate Objectives and Priorities**

- 3.1 One of the Council's key corporate projects is to realise ambition to develop existing facilities such as Andover Leisure Centre (CAP 012).
  - 3.1.1 Ensuring our existing community facilities are fit for purpose forms part of our corporate plan aim of "*encouraging all of our communities to reach their full potential.*" To achieve this requires the Council to develop its approach to how capital investment for such projects can be secured. This is reliant on our agreeing our approach to the scope and procurement of this contract in the build up towards 2017.

### **4 Consultations/Communications**

- 4.1 Early background feasibility work has included seeking independent professional market, procurement and legal advice and informal engagement with other Local Authorities that have recently been through similar experiences with their leisure centre contracts. This has highlighted the absolute need to market test the contract, aided with professional technical support, as a means of ensuring the best possible outcome for the Council and the local community from this contract.
- 4.2 National Governing Bodies (NGB's) have been consulted regarding demand for local sporting facilities based upon current and projected demographics, population forecasts, trend analysis and existing supply of facilities as part of the preparation of a Sports and Recreation Strategy for Test Valley. This data will be used as evidence in consideration of the Local Plan and to assist in identifying future service demands and facility provision, and should be concluded in the next few months.
- 4.3 VL has been engaged in discussions regarding the build up to and process for the letting of the contract beyond 2017.

- 4.4 Further Member, stakeholder and community consultation will be undertaken in due course and at the appropriate stages of the procurement process.

## **5 Options**

- 5.1 In order to ensure a robust and transparent process which delivers the best possible outcomes from the contract for the long term benefit of the local community, it is proposed that consultative support is sought. Consultants will work alongside officers in the development of the procurement process, scope and specification of the contract.
- 5.2 A further report will be presented to Cabinet outlining how this will be achieved, whom will be appointed, how much their support will cost and with timescales for delivery.

## **6 Option Appraisal**

- 6.1 Consideration could be given to not seeking consultative support, and managing the process in-house. However, given the significant value of the contract, the complexity of the process and importance of getting this right, it is considered that the cost of consultative support is entirely necessary.
- 6.2 For this reason it is considered that seeking consultative support is the only viable option and that by seeking external technical support, it is anticipated the process will be robust and a more optimal contract position achieved.

## **7 Risk Management**

- 7.1 A risk assessment has been completed in accordance with the Council's Risk management process and has identified significant (Red or Amber) risks as detailed in the risk assessment. The Required Actions proposed to reduce these risks will incur additional control costs/insurance as outlined in the Resource Implications section of this report

## **8 Resource Implications**

- 8.1 A resource allocation will need to be made for all consultative support costs. Until the exercise to tender for consultative support is agreed and undertaken, the costs can only be estimated and are entirely dependant upon the scope of works and the level of complexity and support needed.
- 8.2 Assuming there is support to proceed, once a full tendering exercise has been completed, the scope of works, key milestones, timeline and resource implications will be fully detailed for Cabinet consideration and approval.

## **9 Legal Implications**

- 9.1 Tendering for the appointment of consultant(s) will need to be undertaken in accord with Contract Standing Orders.

## **10 Equality Issues**

10.1 None

## **11 Other Issues**

11.1 Community Safety - none

11.2 Environmental Health Issues - none

11.3 Sustainability and Addressing a Changing Climate – none at this stage.

11.4 Property Issues – none at this stage

11.5 Wards/Communities Affected – All across Test Valley

## **12 Conclusion and reasons for recommendation**

12.1 It is proposed that, with Cabinet Authority support for full market testing of the leisure contract, detailed work will be undertaken to tender for consultative support to assist with the procurement and evaluation process.

12.2 In order to ensure benefits are maximised in developing the next leisure contract, this consultative support will provide confidence and assistance with the development of the procurement process, specification, scope of contract and approach to evaluation of prospective bids and bidders.

12.3 A full costed proposal and business case will be produced for Cabinet consideration and for the appointment of preferred consultant(s).

### Background Papers (Local Government Act 1972 Section 100D)

#### Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes: none

File Ref:

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Date: 01 October