

Decision Pathway – Report

PURPOSE: Key decision

MEETING: Cabinet

DATE: 03 March 2020

TITLE	Management arrangements and investment opportunities for leisure centres and swimming pools.		
Ward(s)	Citywide		
Author: Guy Fishbourne		Job title: Sport & Physical Activity Manager	
Cabinet lead: Mayor		Executive Director lead: Jacqui Jensen	
Proposal origin: BCC Staff			
Decision maker: Mayor			
Decision forum: Cabinet			
Purpose of Report: <ol style="list-style-type: none">1. To update senior officers and members on the work which has been undertaken in preparation for the need to have new leisure management arrangements in place across in scope leisure centres and swimming pools by March 31st 2022, including:<ul style="list-style-type: none">• a market valuation exercise (shadow bid)• management arrangement options appraisal and evaluation exercise• facility investment opportunities2. To recommend a future management option for the delivery of leisure services across leisure centres and swimming pools currently operated by SLM.			
Evidence Base: <ol style="list-style-type: none">1. In 2006 the Council entered a 10 plus 5 year leisure management contract with Sport and Leisure Management Limited (SLM) which provides leisure services across the following six facilities: Horfield Leisure centre, Easton LC, St Pauls Community Sports Academy, Kingsdown LC, Henbury LC and Bristol South Pool. This contract expires on March 31st 2022 and these facilities are all in scope for a new management arrangement.2. The current leisure management contract with SLM delivers services at a zero-based subsidy plus profit share; however some emergency repair and maintenance costs are met through the Council’s Building Practice budget. The Council retains responsibility for the fabric of the building ie structure, major replacements.3. The contract for Jubilee Swimming Pool also expires on March 31st 2022. Whilst this is separate to the SLM contract, a decision will be required on its management arrangements beyond March 2022. The Council does not pay a subsidy for this site however the incumbent contractor’s (Lex Leisure) maintenance liability is capped at a fixed amount per annum. Maintenance costs beyond this cap are the responsibility of the Council.4. Jubilee Pool is subject to a competing facility clause within the Hengrove PFI contract and its inclusion in any future potential procurement exercise is not straight forward and not without wider financial risk. Therefore, this report does not recommend a preferred management arrangement for Jubilee pool as constraints related to the Council’s procurement regulations and wider contractual obligations need further consideration. A preferred management arrangement for this site will be recommended at a later date.			
Management Options Appraisal and Shadow Bid <ol style="list-style-type: none">5. In preparation for the need to have new management arrangements in place, officers with support from specialist leisure consultants (SLC) have been exploring how the Council can optimise the impact of any future arrangements, linked to investment opportunities to ensure full alignment with its strategic approach.6. As part of this work, an assessment of the core leisure management options (Appendix J) available to the			

Council has been undertaken which included an assessment of the financial and non-financial implications of the following models:

- I. **In-house provision** including bringing the operation and staffing of the leisure centres back under the direct control of the Council
- II. **Local Authority Trading Company (LATC)**
- III. **Competitive procurement** of the leisure services to a multi-site trust or hybrid trust.

NB. A straight forward commercial leisure operator is not considered on the basis that:

- a) They are not subject to the same NNDR and tax efficiencies as the above options and would be uncompetitive / disincentivised from bidding
- b) A commercial operator would only want a lease and the Council wants a specification to protect price inflation, concessionary rates, inequalities etc.

7. Officers have sought to better understand the implications of the above potential operational management models including, pension and HR considerations, tax, VAT & NNDR implications, governance and set up of alternative delivery vehicles, financial implications and time implications.
8. SLC has also identified Community Asset Transfer (CAT) as a potential option and this could realistically apply to some facilities. Core leisure centres for the Council however will need to be driven by a Services Specification and this is not possible under a CAT.
9. To support this process, SLC has developed “shadow bids” (estimate of the minimum base value of the contract) (**Appendix J**) based on income and expenditure information from the existing operators, SLM and Lex Leisure (Jubilee) and have integrated maintenance and lifecycle costs for each site over the next 10 years developed from recent condition surveys.
10. SLC has produced models for each of the three management options for a 10 year period, which for the purposes of this exercise, are based on continuing the existing service portfolio without any investment or rationalisation.
11. Key financial and non-financial criteria were agreed, weighted 60% financial and 40% non-financial (**Appendix A, Table 1**). This was based on the need for the Council to provide clarity and financial certainty for the Medium-Term Financial Plan but with a desire to retain and enhance the service through sustainable investments. To evaluate the three different management options against the set criteria, a panel was set up and included officers from Procurement, Finance, HR and Public Health. The evaluation process was facilitated by SLC and observed throughout by internal audit.
12. Core assumptions have been made and the financial exercise has revealed that different management options are likely to produce different financial outcomes and an indication of the long-term cost of the service (**Appendix A, Table 3**).
13. The shadow bid for the in-house option has included estimated support service costs of bringing the service back in-house or setting up a Local Authority Trading Company (LATC) as the Council would need to provide HR, payroll, facility management, health and safety, legal support etc

Summary of Management Options Appraisal and Evaluation (Appendix J)

14. The results of the management options appraisal show that based on the evaluation criteria and weightings agreed and a careful balanced and considered approach to scoring, the preferred option is Procurement.
15. The quantum of the highest scoring procurement option is significant, scoring 46 points more than the LATC option.
16. Key financial factors which were weighted at 60% include the significant additional costs of In-House or LATC to deliver the service, the inability to transfer asset risk and the lack of certainty from In-House or LATC options to provide the Council with financial certainty.
17. In terms of non-financial factors which were weighted at 40%, the different options scored more similarly, with In-House scoring 32 against Procurement which scored 28.
18. Taking into account whole life costs, the difference over 10 years between In-house and the Procurement option is significant, with Procurement being the most cost effective. Overall the main difference is financial certainty, value for money and risk transfer which for a non-statutory service is an important consideration. Although the difference is less, a Procurement route is also significantly more cost effective than setting up an LATC (**Appendix J**)

19. However, by today's standards the Council's subsidy is and will continue to be comparatively high based on the current mixed portfolio. This is in the context of most leisure contracts procured within the last three years (linked to investment) resulting in a payment to the local authority.
20. The analysis indicates that there is only a modest improvement in finances which can be expected from re-procuring the contract in its current format. This is as a result of the Operators having largely optimised the contract in the context of the ageing facilities at Easton, Bristol South, Jubilee and Kingsdown respectively.

Strategic Investment Opportunities

21. The Council is operating within an increasingly challenging financial environment and needs to explore efficiencies and creative approaches to service delivery potentially linked to capital investment options which will enable it to continue to deliver targeted services at a high standard within the existing or reduced revenue budget
22. Looking ahead to April 2022 and beyond and given the current age and dilapidated condition of a lot of the Council's leisure facilities within scope, this is the optimal time to consider investment into the portfolio. It is likely to create better interest in the leisure operator market if there is a package of investment linked to an upcoming procurement exercise.
23. To optimise the impact of any future arrangements and to help inform future decision making, SLC has undertaken supply and demand analysis and feasibility studies to explore facility development options for Easton Leisure Centre and Horfield Leisure Centre. Investment opportunities are also being considered across other facilities within the portfolio taking into account important influences such as:

- Needs of residents and gaps in facility provision
- The city's strategic outcomes
- Consideration of the current condition of the Council's facility stock

and a number of facility investment opportunities are being modelled with a view to understanding the optimum level of investment required to enable the most cost effective and efficient delivery of services.

24. Financial due diligence is presently being undertaken by officers on various facility investment opportunities which have been modelled by SLC and it is the intention that officers will come back to cabinet in July 2020 with an outline business case for future investment together with an analysis of the impact on the contract subsidy and thereafter with a proposed procurement strategy in September/October 2020, allowing the Council time to shape its medium term financial plan.

Prior Information Notice (PIN)

25. As a result of the management options appraisal and the work being undertaken on facility investment opportunities, officers now wish to publish a Prior Information Notice (PIN) which will allow the Council to inform the market of some basic information regarding the leisure services to be procured. In publishing a PIN the Council can alert the market that there is an opportunity coming up, it will support officers with soft market testing, the development of the outline business case and ultimate procurement strategy, whilst working within the timescales required to have new management arrangements in place by April 2022.

To Note

26. Note the need to have a new management arrangement in place for the future operation of Jubilee Swimming Pool but that the preferred arrangement is yet decided.
27. Note that financial modelling continues to be undertaken on different facility investment opportunities with a view to informing the Councils forthcoming procurement strategy.

Officer Recommendations:

That Cabinet -

1. Approve the management option of competitive procurement of the leisure services to a multi-site trust or hybrid trust;
2. Approve the procurement of managers/operators for the leisure facilities in order for new management arrangements to be in place commencing 1st April 2022
3. Authorise the Executive Director People in consultation with the Mayor to take all steps necessary to procure and award the contract.

Corporate Strategy alignment:

This proposal aligns with the Corporate Principles - *developing people and places to improve outcomes, empower communities and reduce the need for council services: Maximise opportunities to work with partners and other stakeholders locally, nationally and globally.*

1. **Wellbeing:** is one of four themes in the corporate strategy and based upon creating healthier and more resilient communities where life expectancy is not determined by wealth or background.
2. One of the Mayors seven key commitments in the corporate plan is that Bristol will be a leading cultural city, making culture and sport accessible to all.
3. Embed health in all our policies to improve physical & mental health and wellbeing and reduce health inequalities reducing future demand pressures on health and social care services and helping to reduce costs.
4. Supporting preventative interventions and opportunities for physical activity amongst children and adults and creating a resilient, sustainable, clean and healthy city
5. Promoting opportunity, attracting funding and protecting investment in culture while also facilitating others
6. Continue to offer good quality services which attract visitors.

City Benefits:

1. Working in partnership to maximise opportunity and resources in order to deliver Bristol's leisure services across in scope leisure centres and swimming pools.
2. The intended outcome will be enhanced leisure provision that is operated as cost effectively and efficiently as possible, whilst providing for the needs of the local community and contributing towards the city's strategic outcomes.
3. The Council will optimise the impact of future management arrangements, and consider investment in facilities where sustainable business plans are agreed and will work in partnership to increase participation and realise maximum health and social benefits for local residents: increased family and community connectedness, improved community networks and social capital, reduced sense of isolation and loneliness, enhanced social skills and self-esteem.
4. Supporting people to be more physically active will impact on a range of public health and adult social care outcomes such as:
 - Obesity levels in adults and children
 - Social and health inequalities, increased healthy life expectancy
 - The number of falls and injuries in over 65s
 - Early death from cardiovascular diseases, cancer and respiratory diseases.

Consultation Details: This proposal has been discussed with members and colleagues in Procurement, Commercialisation, Finance and Property.

Revenue Cost	£65,000	Source of Revenue Funding	<i>Public Health: 10995</i>
Capital Cost	£0.00	Source of Capital Funding	<i>e.g. grant/ prudential borrowing etc.</i>
One off cost <input checked="" type="checkbox"/> Ongoing cost <input type="checkbox"/> Saving Proposal <input type="checkbox"/> Income generation proposal <input type="checkbox"/>			

Required information to be completed by Financial/Legal/ICT/ HR partners:

1. Finance Advice: Ensuring that suitably viable arrangements are put in place to operate the main leisure facilities across Bristol is not only important in delivering on the One City Plan and Health and Wellbeing strategy but operates within the financial assumptions as set out in the Bristol City Council medium term financial plan. That being the case the future management arrangements for management of the leisure centres has to at a minimum deliver a break even position in revenue budget terms. Having carefully considered the options available to deliver the management arrangements from April 2022 onwards continuing with an external operator of the leisure centres delivered through a competitive procurement approach is expected to deliver at a minimum a cost neutral financial position where other options is likely to lead to a level of financial subsidy. The leisure facilities remain in the

ownership of BCC and any building fabric, as well as mechanical and electrical lifecycle costs fall on the council to fund. To ensure that the leisure facilities continue to deliver high quality services, maintain and increase income levels as well as deal with increasing demand a level of investment will be required. This investment in the facilities will not only have to deal with backlog lifecycle repairs due to a low level of investment in recent years but take account of demand for activities, primarily swimming in developing options for remodelling and reshaping the existing buildings. The options for remodelling and reshaping the facilities is well advanced and will form an outline business case that will examine the investment opportunities and investment needs in the context of modelled financial performance of a future contract.

Finance Business Partner: Neil Sinclair - Finance Business Partner, 24th January 2020

2. Legal Advice: The procurement process must be conducted in line with the 2015 Procurement Regulations and the Councils own procurement rules. Legal services will advise and assist officers with regard to the conduct of the procurement process and the resulting contractual arrangements.

Legal Team Leader: Eric Andrews, 24/01/20

3. Implications on ICT: No anticipated impact on IT Services

ICT Team Leader: Simon Oliver 20/01/20

4. HR Advice:

The purpose of the report is to update Senior Officers and Councillors on work undertaken to date and to recommend a future management option for the delivery of the service.

As the service is currently contracted, there will be no HR implications on any Bristol City Council employees. If, however, the contract was won by an organisation other than the one who currently runs the contract then the staff would be transferred to the new contractor, under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). Although it would not affect Bristol City Council employees directly, it is something that the new employer may ask for HR support with and which we would support them with. It may impact on previous Bristol City Council employees who were previously transferred under TUPE to the current operator.

HR Partner: Lorna Laing 11/02/20

EDM Sign-off	Jacqui Jensen	29/01/20
Cabinet Member sign-off	CLlr Craig Cheney	03/02/20
For Key Decisions - Mayor's Office sign-off	Mayor's Office	03/02/20

Appendix A – Further essential background / detail on the proposal Management Options Appraisal	YES
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	NO
Appendix E – Equalities screening / impact assessment of proposal	YES
Appendix F – Eco-impact screening/ impact assessment of proposal	NO
Appendix G – Financial Advice	NO
Appendix H – Legal Advice	NO
Appendix I – Combined Background papers Bristol: Sport and Physical Activity Strategy 2020-2025	Please list each paper
Appendix J – Exempt Information	YES
Appendix K – HR advice	NO
Appendix L – ICT	NO

