



CABINET

10 January 2017

Report of: Director of Leisure and Wellbeing

Relevant Portfolio Holder: Councillor Y Gagen

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SUBJECT: NEW LEISURE FACILITIES AND PROCUREMENT OF LEISURE PARTNERSHIP

Wards affected: Borough wide.

1.0 PURPOSE OF THE REPORT

1.1 To seek Cabinet approval to engage specialist consultants to undertake a financial viability appraisal and options for financing for new leisure provision in Skelmersdale and Ormskirk, to enter into discussion with North Meols Parish Council regarding the future of Banks Leisure Centre and to initiate discussions with the current leisure provider regarding an extension to the leisure services agreement.

2.0 RECOMMENDATIONS

2.1 That the Director of Leisure and Wellbeing and the Borough Treasurer, in consultation with the Portfolio Holder for Leisure & Human Resources and the Portfolio Holder for Finance be authorised to:-

2.1.1 Engage specialist consultants to undertake a financial viability appraisal and options for replacement leisure facilities in Skelmersdale and Ormskirk, in accordance with para 9.1 of the report.

2.1.2 Enter in to discussion with North Meols Parish Council regarding options for the management of Banks Leisure Centre.

2.1.3 To agree and conclude all necessary arrangements with the current leisure provider to enable an extension to the Leisure Services Agreement in accordance with para 9.4 of the report, to include entering into any leases, amendments to agreements, and the giving of any notifications/notices which may be required to effect any extension.

3.0 BACKGROUND

3.1 The Council at its meeting on the 24 February 2016 agreed to the adoption of new Leisure and Playing Pitch Strategies for the Council. Included within the Leisure strategy was a key action timetable (page 1 of the timetable is attached at Appendix 1).

3.2 The first key action is for the establishment of a project team:-

Establish a Project Team led by the Deputy Director of Leisure and Wellbeing with representatives from Finance and Legal, supported by the Procurement Executive with an external Specialist Adviser to undertake the procurement of a new partnership arrangement from 1 April 2020 which would include significant capital investment for the built sports provision as outlined in (a) to (d) below, including options for securing capital investment. (See Appendix 1 for details).

3.3 A Project Team and Project Board were established to make progress with the actions agreed in the leisure strategy, in addition it was also considered prudent for the formation of a Cabinet Working Group to provide political direction and support.

3.4 The Project Team have met on three occasions and the Project Board on two occasions. In addition several individual meetings have been held regarding specific issues both internally and with external partners and leisure providers.

3.5 The West Lancashire Leisure Partnership Cabinet Working Group met on the 7 September 2016 and again on the 30 November 2016.

4.0 PROJECT TEAM

4.1 The Project Team consists of senior officers covering a range of service areas, including leisure and wellbeing, finance, legal, procurement, planning, regeneration, estates and planning services. Other specific teams and function areas will be added as the project progresses.

4.2 The project team have looked at and considered a number of key areas. The areas covered include:-

- Current contract provisions.
- Leisure Strategy Key Action plan.
- Scope of services to be considered.
- Site options for replacement facilities.
- Skelmersdale Town centre redevelopment partnership and the impact/opportunities for new leisure facility provision.
- Funding options and grant funding availability.
- Procurement options.
- The range and commercial applications of the mix of facilities to be provided.
- Contract extension and transitional arrangements.

- Lease conditions and site covenants.

4.3 The project negotiations and engagement to seek funding and delivery of new provision together with identifying a new delivery partner is likely to continue for a period beyond 1 year and potentially up to 4 years.

5.0 PROJECT BOARD

5.1 The formation of a project board to provide oversight and support for the project and project team is important, the project board consists of the Director of Leisure and Wellbeing, Director of Development and Regeneration, Borough Treasurer, Borough Solicitor and the Deputy Director of Leisure and Wellbeing.

6.0 CABINET WORKING GROUP

6.1 The Leisure Partnership Cabinet Working Group is comprised of six members, four Labour Councillors and two Conservative Councillors.

6.2 The terms of reference for the Cabinet Working Group are ;-

- To consider the opportunities available for the procurement of a new partnership arrangement for the provision of leisure services, which would include significant capital investment for built sports provision, as outlined in the Key Action plan of the Councils leisure strategy.
- To report recommendations to Cabinet and/or Council as appropriate.

6.3 The Project Board chair, the Director of Leisure and Wellbeing, together with the chair of the Project Team, the Deputy Director of Leisure and Wellbeing, provide information and guidance to the Cabinet Working Group together with other Council officers as appropriate.

7.0 DEVELOPMENT / PROCUREMENT OPTIONS

7.1 Cabinet Working Group Members considered proposals for the mix of facilities, incorporating elements of existing provision and considering options of commercial interest which would reduce the ongoing operational costs. A list of the options proposed to members is included at Appendix 2.

7.2 The procurement process, finances and affordability are critical. Options and availability of working with one development partner to design, build and then operate the facility could be restrictive and would involve a high level of risk security built into any agreement for the long term operational management. It is proposed that separating the functions of design and build away from the operational management would provide for a wider selection of potential partner organisations and a better value operational tender at a later date.

7.3 The potential for collaboration with the West Lancashire Clinical Commissioning Group (CCG) with an option for a health centre/doctors surgery added to the

proposed Skelmersdale leisure facilities would add value to the impact of a new facility and working in partnership should reduce build and operational costs.

- 7.4 Should the separation option for the design/build with a separate tender/agreement for the operational management be accepted and taken forward then an extension of the current leisure services agreement would be required, this would allow for the new facilities to be assessed for income and operation costs prior to a procurement and tender process for the operational management of the facilities.
- 7.5 In addition by extending the current agreement and evaluating the business during the first twelve to eighteen months of the new facilities, then it will provide the Council with opportunities to consider other types of management arrangements.
- 7.6 In order to effect an extension it may be a requirement to provide a Contract Modification Notice in the Official Journal of the European Union, OJEU. There is a risk that this will provoke a challenge, but this is considered to be extremely unlikely as the rationale for the extension (i.e. collecting operating financial data for the new-build centres in advance of a tender) will benefit not only the Council, but all potential bidders by reducing financial risk.
- 7.7 The existing operational leisure services agreement and the relationship between West Lancashire Community Leisure Limited (a registered charity) the operating partner Serco Leisure Operating Limited and the agreements between WLBC and Serco Leisure Operating limited for maintenance and Serco Paisa for capital investment have proved beneficial for the Authority. The current arrangements were agreed in 2004 and since then other types of operational partnership structures have been formed and should be considered. A new type of management arrangement and or variations of the current agreement may provide additional benefits and opportunities.
- 7.8 Members of the Cabinet Working Group were advised of the current relationship with Beacon Park golf course, which was added to the operational leisure services agreement in 2012. Members were also informed of the options and restrictions for Banks Leisure Centre, that the facilities at Banks do not belong to the Borough Council and are leased from the Secretary of State for Health with a renewal of the lease in 2021.
- 7.9 The options for the site of Banks Leisure Centre have been the subject of tentative discussions between developers and the Secretary of State for Health. However further progress cannot be made without the involvement of the Borough Council. Options have been broadly discussed for external funding for an alternative facility in Banks, subject to the land that the current leisure centre is on, being released by surrender of the lease. This option is in very early discussions and may not be financially viable. Unless alternative methods of managing the facilities or the development option proceeds, then the prospect of the lease with the Secretary of State for Health coming to conclusion and the facility closing is a distinct and real possibility.
- 7.10 Cabinet Working Group members discussed the site options for the new leisure centre in Skelmersdale. Members were advised of the ongoing discussions with

St Modwen and the options under consideration from the Director of Development and Regeneration. The release of the land vacated by Nye Bevan Pool, once the new leisure centre opens, would be advantageous to the redevelopment of the town centre.

- 7.11 The option for a replacement for Park Pool within an area close to the town centre of Ormskirk is important. In order to maintain customer loyalty and to ensure continuation of services provision it is proposed that the current facilities should remain open until the new facility is built. Options and the availability of a new site will need to be considered as part of a financial viability study.

8.0 PROJECT TIMELINE

- 8.1 An outline project time table is provided below, identifying key dates and the key tasks as part of a procurement process.

- 8.2 An initial draft outline of key dates is provided below:-

	By end of
• Identify project team and project board members.	April 2016
• Agree members working group representation.	June 2016
• Agree procurement options and identify external support required. *	July 2016
• Agree scope for procurement/range of facilities .	Oct 2016
• Report to Cabinet on external support and range of facilities.	Jan 2017
• Extension negotiations and notice for OJEU.	Mar 2017
• Report to Council seeking authority to progress with discussions.	Apr 2017
• Agreement for extension for the operational management and outline agreement for transitional management arrangements.	Sept 2017
• Specification development and funding options identified.	Nov 2017
• Pre tender invitation SQ (PQQ).	Jan 2018
• Procurement options confirmed and invitation/tender published.	Mar 2018
• Negotiations and evaluation with design/build partners.	May 2018
• Preferred partner appointment and final agreement on range and funding of facility options to be delivered.	July 2018
• Agreement for transitional operational management.	Sept 2018
• Start construction of new facilities (if funding is in place).	Mar 2019
• Opening of new Leisure Centre/s .	April 2020
• Commence procurement/tender process for a new operation.	April 2021
• Evaluation of operating performance of new facilities.	Oct 2021
• Negotiations with prospective operating partners.	Oct 2021
• Commence new partnership arrangement.	April 2022

* *External support has not yet been engaged.*

A detailed project time line will be developed with the Project Team, providing key tasks and a critical path for specific routines and project deadlines. Reports to Cabinet and Council as required to progress in relation to key decisions and authority to proceed with key actions/delivery.

- 8.3 There is no guarantee at this stage that the financial viability appraisal will show that it is feasible to build replacement leisure facilities in Skelmersdale and Ormskirk. Given the difficult medium term financial position facing the council there is a significant risk that this will not be possible. Consequently the time line shown above may need to be amended following the outcome of the appraisal.

9.0 PROPOSALS

- 9.1 That members allocate up to £50,000 funding from the major projects reserve to undertake a financial viability assessment on the proposed facility mix for the new leisure facilities. Identifying the new leisure facilities in Skelmersdale as the priority site and the options for the viability and replacement of the facilities at Park Pool Ormskirk. The financial viability assessment to consider the options put forward to maximise income potential and identify a financial model/s for financing the construction costs. Including an assessment/identification of grant funding and external financing options.
- 9.2 Although preferable to secure two new leisure facilities at the beginning of a new partnership arrangement, it may not be financially possible to afford either. As part of the viability assessment, Skelmersdale would be considered likely to be the priority site while a full replacement for Park Pool may need to be considered at a future date.
- 9.3 That discussions be commenced with North Meols Parish Council regarding the options for a community partnership to manage the day to day operation of Banks Leisure Centre.
- 9.4 That negotiations commence with West Lancashire Community Leisure Limited and the leisure operating partners Serco Leisure Operating Limited for the extension of the current leisure services agreement, for the reasons set out in section 7 above. Including making any notifications/notices which may be required to effect any extension to the partnership arrangement. This would allow for options for transitional funding agreements to be agreed, to allow for the development of two new facilities and the potential transfer or closure from the arrangement of Banks Leisure Centre.

10.0 IMPLICATIONS/COMMUNITY STRATEGY

- 10.1 There are significant implications for any delays in the procurement/extension of an operational management partnership arrangement and securing capital investment for replacement of existing facilities. Partnership agreement and consultation with community groups, CCG, Parish Councils and current partner organisations will be a key element of the decisions for the facility mix that can be delivered and afforded within Council finances.
- 10.2 The provision of local authority services, in particular leisure facilities has an impact on the health and wellbeing of residents. As part of the Councils commitment to improvements for health of residents and to tackle health inequalities, the provision of good quality affordable leisure facilities will support the Councils vision and ambitions.

11.0 RISK ASSESMENT

- 11.1 The project to secure funding and the development of two new leisure facilities is complex and not without risk. Raising aspirations and being unable to deliver is a reputational risk for the Council. Being unable to financially sustain the investment and revenue is a significant ongoing financial risk for the Council.
- 11.2 The procurement considerations for building the facilities and options for the procurement of the future management arrangements will have individual risks which will need to be assessed. These will form part of further considerations as the project progresses.
- 11.3 The project will be included on the Councils corporate risk register, noting the challenges and risks associated with the project.

12.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 12.1 In order to progress with an initial financial viability assessment it is proposed to allocate up to £50,000 to engage specialist consultant/advisors, with funding to be allocated from the major projects reserve.
- 12.2 The Council financial position is that it is required to make significant revenue savings over the next few years. Any negotiations will need to be structured so that the current revenue cost of operating the services under consideration by the project team, is significantly reduced or if commercially viable provide the Council with a surplus position.
- 12.3 Although preferable to secure two new leisure facilities at the beginning of a new partnership arrangement, it may not be financially possible to afford either. The financial viability assessment will need to look at the option of affordability and viability for both sites and the option of one site being taken forward.
- 12.4 The extension of the current leisure services agreement would, without any changes to the current service levels or agreements, provide savings from the fixed capital investment payments of **£ 338,640 per year** for a two year extension. Additional savings could be achieved by negotiation, particularly if options for the leisure centre in Banks could be removed from the operation.
- 12.5 It is likely that the Council will be required to provide both the land and capital investment as part of the development of new facilities, particularly if it also seeks to significantly reduce or remove the revenue cost of the day-to-day operation of the facilities. The extent of any capital and revenue funding will be determined as the project and evaluation of the facility mix and negotiations proceeds.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

1. Leisure Strategy – page 1 of Key Actions Timetable
2. Proposed facility mix