



Havering

LONDON BOROUGH

TOWNS AND COMMUNITIES OVERVIEW AND SCRUTINY COMMITTEE

4 September 2018

Subject Heading:

Update on the Leisure Management Contract

SLT Lead:

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Policy context:

The Council's Culture Strategy

SUMMARY

On 12 July 2016 following a competitive procurement process, Cabinet agreed a report to award the Council's Sports and Leisure Management Contract for a period of 20 years from 1 October 2016 to the company SLM. The report also sought Member agreement in principle to the continued Council funding of the Chafford Sports Complex, within the parameters identified in the Cabinet report of 12 July 2016.

This report provides an update on the Sports and Leisure Management Contract with regard to Chafford Sports Complex.

RECOMMENDATIONS

That the Towns and Communities Overview and Scrutiny Committee notes progress with the Sports and Leisure Management Contract since the award of the contract that commenced on 01 October 2016 with regard to Chafford Sports Complex.

REPORT DETAIL

1. Background

1.1 Following a robust tender process lasting over two years, Sport and Leisure Management Ltd (SLM) were awarded the Sports and Leisure Management Contract. Theirs was the most financially advantageous bid to the Council and the bid met the quality requirements specified in the Tender documents. The bid generated a £1.2m revenue saving for the Council which was factored into the medium term financial strategy. The identified savings assumed that planning permission is secured for the major investment proposals included in the tender award.

1.2 SLM commenced the contract to manage the facilities below on 1 October 2016:

- Hornchurch Sports Centre
- Central Park Leisure Centre
- Noak Hill Sports Complex (from January 2017)
- Sapphire Ice and Leisure (from February 2018)

1.3 In 2011, the then Chafford School took a case to the Land Adjudication Tribunal seeking to claim ownership of the land and the sports complex. The Tribunal ruled in favour of the School, so the ownership of the land and the Chafford Sports Complex transferred to the School. The Tribunal accounted for the Sports Complex being included in the then Leisure Management Contract and judged that operation of the Sports Complex should continue within the Contract until the end date of 30 September 2016.

1.4 Chafford Sports Complex is now owned by Harris Academy Rainham as part of the wider Harris Academy Federation. The Complex is currently operated, outside of school hours, as part of the Council's current Leisure Management Contract by SLM Ltd. Cabinet previously agreed at their meeting on 17 November 2017 to continue this arrangement until December 2018 with the school's and SLM's agreement. The report included the following with regard to Chafford Sports Complex:

Chafford Sports Complex – the Complex is operated by SLM whilst discussions continue with Harris Academy Rainham (HAR) about future options for this facility. Post award of contract to SLM, it became apparent that the proposed investment and status of ownership of the site placed restrictions upon the ability of the Council to invest capital resources in improvement. Whilst it is possible to fund investment from revenue resources, this is considered unaffordable. Further, such investment may have adverse VAT implications for both HAR and the Council.

With no capital investment, SLM have indicated that there is a limited time that they would be able to operate the facility. This is due to its condition and the adverse impact to the commercial aspect of delivery, combined with the inability to maintain customer satisfaction levels.

The Chafford facility is currently the subject of further negotiations between Council Officers, SLM and the Harris Academy due to complexities of managing the VAT position of the parties and the capital investment required to be made by either the Council or the Academy to enable SLM to continue to operate the facility under the new contract. A further update will be brought to Cabinet in due course. It should be noted that the updated financial position does not take account of the longer term income and expenditure relating to the Chafford facility.

- 1.5 The Sports Complex is now 47 years old and in need of significant capital investment if it is to continue to operate as a publicly accessible sports complex. Indeed, it could be said that the Complex is at the end of its life with ongoing investment being required just to keep it open due to the age of the buildings. The Complex would also require a significant ongoing revenue subsidy for a management fee to SLM. In a competitive market, the Complex does not meet with current expectations for the quality of facilities. Even with a new build on the site, the ongoing revenue subsidy increases largely due to it being a dual use site.
- 1.6 The Cabinet report of 15 November 2017 included funding for the management of Chafford Sports Complex up to and including December 2018.
- 1.7 A further report to Cabinet on 25 July 2018 on the Council's Medium Term Financial Strategy agreed that a number of options are considered as service reductions to meet a funding gap of £37.8m faced by the Council over the next four years. One of the options was to carry out a review of Chafford Sports Complex. The detail in the report is as follows:

The Chafford Sports Complex is owned by the Harris Academy Rainham but is run by the Council's Leisure contractor, SLM Ltd, on a short term contract that ends in December 2018. This contract is currently funded by the Council from one-off reserves. There is no funding for the Complex in the Council's base budget. This review will consider the options for the future of Chafford Sports Centre.

2. Review

- 2.1 At the time of writing this report, the review will consist of a consultation regarding the future of Chafford Sports Complex, including seeking to identify the impact were the Complex to cease to be included within the Sports and Leisure Management Contract
- 2.2 The Consultation, subject to final confirmation, will include meetings with key stakeholders including Harris Academy Rainham, SLM, and

groups that hire the Complex. There will also be a questionnaire, available both online and as hard copy, that will be available from a number of locations including Chafford Sports Complex, Rainham Library, Town Hall, Harris Academy Rainham. The Consultation will be advertised and promoted via the Council's website, press releases, Council publications, posters and an advert in at least one local paper. The Consultation will last for eight weeks.

- 2.3 Once the Consultation has been completed, and the results have been analysed, a further report will be prepared for Cabinet. This report will seek a decision on the future of Chafford Sports Complex.

IMPLICATIONS AND RISKS

Financial implications and risks:

This report is for information only. Overall there are significant financial implications associated with the operation of the Contract with regard to Chafford Sports Complex and associated capital works. The report to Cabinet will include further details on the financial implications and risks.

Legal implications and risks:

This report is for information only. Full Legal implications and risks will be considered during the Consultation period and will be included within the report to Cabinet.

Human Resources implications and risks:

This report is for information only. Full Human Resource implications and risks will be considered during the Consultation period and will be included within the report to Cabinet.

Equalities implications and risks:

This report is for information only. Full Equalities implications and risks will be considered during the Consultation period and will be included within the report to Cabinet. An Equalities Impact Assessment will be included with the Cabinet report.

BACKGROUND PAPERS