



## TOWNS AND COMMUNITIES OVERVIEW AND SCRUTINY COMMITTEE

### 7 September 2017

**Subject Heading:**

Review of Cabinet Report - The Sport and Leisure Management Contract

**SLT Lead:**

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**Policy context:**

The Council's Culture Strategy

07 September 2017

### 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 01 October 2016 to the company SLM. The report also sought Member agreement in principle to the building of a new Hornchurch Sports Centre, investment in new health and fitness facilities at Central Park Leisure Centre, the operation of the new Sapphire Ice and Leisure and to the continued Council funding of the Chafford Sports Complex, within the parameters identified in the Cabinet report of 12 July 2016.

This report sets out progress made during the first year of the Sports and Leisure Management Contract.

### RECOMMENDATIONS

That the Towns and Communities Overview and Scrutiny Committee notes progress with the Sports and Leisure Management Contract during the first year since the award of contract that commenced on 01 October 2016.

### REPORT DETAIL

#### 1. Background

- 1.1 This report sets out the key activities progressed during the first ten months of the contract in effect as it commenced on 01 October 2016 and Committee is sitting on 07 September 2017. Due to paper clearance processes the report of necessity is reflecting this shorter period.

- 1.2 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.
- 1.3 SLM commenced the contract to manage the facilities below on 01 October 2016:
- Hornchurch Sports Centre
  - Central Park Leisure Centre
  - Noak Hill Sports Complex (from January 2017)
  - Sapphire Ice and Leisure Centre (once opened – Spring 2018)
- 1.4 SLM continue to manage Chafford Sports Complex under the terms of the previous Sports and Leisure Management Contract whilst negotiations continue with the aim of agreeing a variation to the Contract that would secure the future operation of the Chafford Sports Complex.
- 1.5 The major investment proposals at the award of Contract that secure the financial position as set out in SLM's Tender were:
- A new build Hornchurch Sports Centre
  - An extension to Central Park Leisure Centre
  - Opening of the Sapphire Ice and Leisure Centre

## **2. Sports and Leisure Management Contract – the First Ten Months**

- 2.1 Officers are pleased to report that the contract is progressing well. Attendances at the leisure centres for the first nine months of the new contract are better than expected. The attendances from April to June 2017 increased by 2,756 compared to the same period the previous year. There has been a 35% increase in disability participation rates across the centres through SLM working in partnership with local disability groups. Activities for this group included archery and swimming. Female participation in netball has increased across the Borough with over 80 women now playing in the weekly 'Back to Netball' league. The Everyone Active Referral Scheme (EARS) is steadily increasing its referral numbers from local GP's and more patients are completing the 12 week programme and using the leisure facilities on a regular basis. SLM have also hosted a number of high profile Regional events e.g. CHKA Karate competition, Kororo Kai Ju Jitsu and Ultra-White Collar Boxing.
- 2.2 **Noak Hill** - The opening of Noak Hill Sports Complex in January 2017 was completed on time. This is a new facility comprising a small sports hall, club room for Havering Disability Sports Association, a dance/exercise studio, changing accommodation for the outdoor pitches, four tennis courts/multi use

games area and a full size 3G artificial turf pitches. The facility has had 7,092 attendances in the first six months of operating and already developed strong links with several football clubs from within Havering. The facility is also used by Havering College for the delivery of their sports courses. Good use is being made of the sprint track and outside areas for bootcamps and other fitness classes. There is scope to further develop the site at the back with additional facilities e.g. another 3G pitch or additional tennis courts.

- 2.3 **Hornchurch Sports Centre** - Following contract award to SLM, Cabinet became aware of a desire, primarily from local swimming clubs, to consider a 50m swimming pool as part of the facility mix. Whilst this has been under consideration, with plans being developed and costs obtained to build a facility with a 50m swimming pool, the progression of submitting a planning application for a new Hornchurch Sports Centre has been delayed.
- 2.4 Once the costs were analysed for a 50m facility and the associated revenue and cost implications were known, the decision was taken to return to the 25m swimming pool proposal in May 2017. However, the design of a 50m pool option has been a benefit as it is far more space efficient than the original 25m pool design submitted with SLM's Tender. This is now the basis of the design for the 25m pool and has reduced 'wasted' circulation space. At the time of writing, the tender costs for building a new Hornchurch Sports Centre with the new design are awaited. It is hoped a verbal update can be provided to the Committee at the meeting.
- 2.5 Should planning permission not be secured for a new 25m development the contract will revert to a 10 year model, rather than the current 20 years.
- 2.6 The new Leisure Centre at Hornchurch was a central part of the procurement of the Leisure Contract which was a lengthy and detailed process over two and a half years. Funding of the costs for the new Leisure Centre was factored into the evaluation of the Tenders, along with the cost of borrowing, the income to be received from SLM over the life of the contract and the savings that would be delivered. Within the tender was the estimated cost of a new Hornchurch Leisure Centre - which prior to contract award was commercially sensitive and not in the public domain. SLM carry the risk on the build of this centre. They are currently in the process of tendering for this work and therefore the costs remain commercially sensitive and not in the public domain.
- 2.7 The 50m pool evaluation has impacted the original timeline for the build which has had an initial financial implication for the contract for 2017/18 and across the life of the contract. The financial model is being reprofiled.
- 2.8 Under the terms of the contract the Council are required to pay SLM per month from the start of the contract until 6 months after the 25m decision date. Whilst the amount payable for 16/17 remains unchanged the effect is that in 2017/18, rather than receiving income from SLM, the Council will be paying SLM. The financial implications of this are currently being reviewed against revised timelines.

- 2.9 Following this, the amount due from SLM in each of the subsequent years moves back by 1 year, resulting in a further reduction in income over the life of the contract. However, this will be offset by a reduction in the revenue costs of borrowing. Over the longer term life of the asset there will be no change in the total cost of borrowing, profiled over 50 years. This is also being reassessed and reprofiled and will be presented to Cabinet when complete.
- 2.10 The Council is also due to reimburse SLM for the abortive design fees in relation to the 50m Pool. At the time of writing the report the costs have not been received.
- 2.11 Once the costs of the 25m build are known the revised financial model over the contract life will be presented to Cabinet.
- 2.12 The revised timetable for a new build Hornchurch Sports Centre is:
- September 2017 – Public engagement events
  - October 2017 – Planning application submitted
  - January 2018 – Planning application outcome
  - May 2018 – Construction commences of new centre (subject to planning)
  - January 2020 – Construction complete
  - February 2020 – New centre opens/demolition commences of existing centre
  - July 2020 – Demolition of existing centre complete and new car park opens
- 2.13 **Central Park Leisure Centre** – the extension of the gym is underway and on track to open in October 2017. The extension will allow a larger fitness suite (gym) area (722 metres) and provide new dance/fitness studio space. The fitness suite will increase from an 80 station gym to a 140 station gym. Further work to refurbish the health and fitness changing areas for both male and female users is also taking place.
- 2.14 **Sapphire Ice and Leisure Centre** – the new centre in Romford is progressing well and on schedule to be handed over to SLM by Wilmott Dixon in January 2018. Following this, SLM will complete the fit out of the facility e.g. health and fitness equipment. There will also be a period of staff training at the facility before it opens to the public. This is on target and set to take place by 01 April 2018. The new 25m swimming pool will be used by Romford Town Swimming Club and will also be the base for the new Havering Borough swim squad, made up from the best club swimmers within Havering. London Raiders Ice Hockey Club (previously Romford Raiders) will also be returning to the new facility mid-way through next season.
- 2.15 **Chafford Sports Complex** – the Complex is operated by SLM whilst discussions continue with Harris Academy Rainham (HAR) about committing the facility to be in the current contract as envisaged. Post award of contract to SLM, it became apparent that the proposed investment and status of ownership of the site that the Complex sits on could result in VAT implications for HAR.

- 2.16 Whilst HAR seek the appropriate advice regarding VAT, SLM continue to manage and operate the Chafford Complex under the terms of the previous Leisure Management Contract. This was covered in the new contract.
- 2.17 Cabinet delegated authority to negotiate and agree a variation to the Contract concerning the future operation of the Chafford Sports Complex. This work will be undertaken when the HAR position is known regarding VAT.
- 2.18 **Cleaning** – a significant concern was raised by Towns and Communities Overview and Scrutiny Committee in July 2016 about the standard of cleanliness at the Leisure Centres. This was addressed extremely robustly with the operator. A regime of inspections and challenges (including financial penalties issued under the terms of the contract) has ensured that the standard of cleanliness has greatly improved and is being consistently maintained. Lessons learnt from this have been rolled out by SLM across their other contracts. We can also report public feedback clearly noting the step change in cleaning standards.
- 2.19 There is ongoing monitoring of the centres, SLM are working hard to ensure these higher standards of cleanliness are maintained. The improvements have been noted during a recent Quest visit by external assessors.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

This report is for information only. The VAT implications associated with the SLM contract required the Council to Opt to Tax all of the sites. An Executive Decision was taken as necessary by the S151 Officer. There are no financial implications for the residents using the sites. Overall, there are significant financial implications associated with the operation of the contract and associated capital works. These will be raised through the appropriate channels as required. A report will be submitted to Cabinet later in 2017 once the costs of the new Hornchurch Sports Centre are known.

### **Legal implications and risks:**

No additional implications or risks than those identified in the July 2016 cabinet report.

### **Human Resources implications and risks:**

There are no Human Resources implications arising from this report.

### **Equalities implications and risks:**

An Equalities Impact Assessment (EIA) for this report is not required as one was completed for the decision to award the Sports and Leisure Management Contract by Cabinet at their meeting on 12 July 2016. An EIA was completed for this report at that time and is still relevant to this report.

## **BACKGROUND PAPER**

*There is a statutory obligation to list papers relied on in the preparation of the report, unless:*

- 1 It is an exempt report*
- 2 Papers relied upon are already in the public domain as “published papers”. This can include: books, magazines and newspapers; Government publications; Council publications (including previous reports and minutes of meetings)*

*If in doubt, please seek advice from Committee Administration*