

HEALTH AND LEISURE REVIEW – REPORT OF THE TASK AND FINISH GROUP

1. INTRODUCTION

- 1.1 In March 2018, the Community and Leisure Overview and Scrutiny Panel agreed that a Health and Leisure Task and Finish group should be set up to consider the most efficient and effective way of managing and delivering the Health and Leisure provision.

The following Terms of Reference were agreed:

- To achieve an outcome that will significantly reduce the cost of the Council's five health and leisure centres;
 - To objectively assess the management options, based upon an assessment of value, judged against a range of criteria of importance to this Council's objectives, to include an understanding of the risks associated with different operating models; and
 - To make recommendations on future management options based upon the outcome of the assessment process.
- 1.2 The Task and Finish group is made up of 9 cross-party elected members, providing geographic representation across the District, and the Portfolio Holder for Health and Leisure. The group has been supported by the Executive Head of Resources, Service Manager (Business Improvement), Head of Finance and Service Manager (Health and Leisure).

The Task and Finish Group consists of:

- Cllr Steve Clarke (Chair) – Milton
- Cllr Steve Rippon-Swaine – Ringwood South
- Cllr Mark Steele – Bransgore & Burley
- Cllr Christine Ward – Becton
- Cllr Kate Crisell – Furzedown & Hardley
- Cllr Sue Bennison - Marchwood
- Cllr Alex Wade – Hythe West & Langdown
- Cllr Alan Penson - Lymington
- Cllr Derek Tipp – Ashurst, Copythorne South & Netley Marsh

And the Portfolio Holder for Health and Wellbeing – Cllr James Binns

- 1.3 This report details the work of the group and makes recommendations as to the future operation of the Council's five health and leisure centres.

2. STRATEGIC OBJECTIVES AND KEY DRIVERS

- 2.1 The task has been undertaken in response to the identified need to make a £1 million reduction in the cost of the Health and Leisure service by the year 2020/21.
- 2.2 Additionally, whilst members of the group highly value and commend the quality of the existing service, they recognise the Council's limited opportunities for investment and development, alongside the constraints on capacity to meet future demand. These factors, combined with the changing leisure market, including the emergence of low cost gyms and leisure centres as much wider 'destinations', require an appropriate response to ensure the future sustainability of the service.
- 2.3 Given this context it was agreed that any alternative model would need to deliver the agreed vision for the service of *'Working with partners to create active communities by providing affordable, accessible leisure facilities, dedicated to improving physical and mental health and wellbeing and establishing a sustainable healthy lifestyle legacy for future generations'*.

Supported by the desired outcomes of:

- Reduced cost to the taxpayer
 - Improved physical wellbeing
 - Improved mental wellbeing
 - Supporting individual and family development and learning
 - Social and community benefits
 - Economic benefits
- 2.4 In support of the financial target the service itself has an operational plan in place which will deliver £600,000 of the £1 million target by 2020/21. The plan includes activities which will reduce costs or increase income as follows:
 - A review of management and operational staffing;
 - Introduction of kiosks in centre to develop self-service options and enhance on line bookings and payments;
 - A review of fees and charges against market; and
 - A focus on core leisure activities and a more streamlined programme of activities.

3. WORK OF THE GROUP

- 3.1 In response to the terms of reference the group undertook a number of key tasks including:
 - Considering and articulating the vision and desired outcomes for the service based on an understanding of the community need and the local authority's wider outcomes;
 - Visiting all of the five health and leisure centres;
 - Agreeing key assessment criteria for delivery models based on Sport England guidance;
 - Identifying alternative delivery model reference sites and, based on the key assessment criteria, establishing a key set of questions for these reference sites;
 - Making a number of visits/calls to reference sites;
 - Evaluating delivery options; and

- Undertaking an early market engagement exercise to help inform the potential interest in the opportunity and any subsequent approach to procurement.

3.2 In order to determine the best approach for future delivery of the service the group considered:

- The deliverability/viability of the authority's strategic vision under each option;
- The wider outcomes that the management option must deliver;
- Level of cost reduction and revenue savings required and in what timescales;
- The condition of the current facility stock and the opportunities to invest;
- Attitude to risk and the level of risk transfer being sought through the process;
- The amount of control that the Council wishes to retain; and
- The sustainability for the service.

4. EVALUATION OF DELIVERY OPTIONS

4.1 The group undertook an evaluation of each option against the key assessment criteria (based on Sport England guidance) to provide an initial assessment and enabling an informed decision on the preferred solution to meet future needs. The evaluation adopted a traffic light system in order to rank the models in terms of greatest potential advantages from the authority's perspective (Appendix 1).

4.2 On the basis that all centres are dual use, Asset Transfer was not seen as feasible option and did not meet the council's strategic objectives. Similarly the Public Sector Mutual was ruled out on the basis that it does not offer a sustainable future solution. A District Council trust model was also explored, but scored less well than a wholly owned trading company on its influence over strategic decision making due to the necessary independent nature of a charitable trust. The potential time and cost complexities were also considered as a factor.

4.3 As reported to the Panel in September 2018 the partnership option was evaluated as having the greatest potential benefits, followed by the local authority trading company, both of which having the ability to deliver fiscal advantages in terms of VAT and business rates.

Partnering

- ✓ Financial savings through VAT and NNDR advantages
- ✓ TUPE transfer of staff on broadly similar terms including pensions
- ✓ Some operational risk transfer
- ✓ Protection from local authority funding cuts
- ✓ Greater access to external funding and experience in the market

NFDC New Company

- ✓ Financial savings through VAT and NNDR advantages
- ✓ TUPE transfer of staff on broadly similar terms including pensions
- ✓ Some operational risk transfer
- ✓ Strategic control retained by LA

4.4 The group recognises the strengths of an external partner in terms of economies of scale, access to funding, commercial skills and expertise, although the establishment of a local authority controlled trading company continues to be viewed as a viable option.

5. MARKET ENGAGEMENT EXERCISE

- 5.1 In order to further evaluate the partnership model as the preferred approach it was agreed that additional information would need to be obtained to ascertain the market interest in operating the health and leisure centres and a market engagement exercise was approved by Panel to enable this.
- 5.2 A market engagement document was produced setting out the context and current operating position for the Council's five health and leisure centres and posed a number of questions to leisure operators to help inform any future approach.
- 5.3 Three leisure providers operating in or around the local area were asked to take part in the exercise, respond to the questions in the market engagement document and meet with the Council to further discuss what the market could offer over and above the Council's current in-house service provision.
- 5.4 The response to this exercise was positive and concluded that the opportunity, if formally advertised, would be of interest to the market confirming that savings, over and above those identified in the operational review, of £4 million over the life of a 10 year contract could be achievable under this option. The exercise has been successful in understanding the market view on the key issues to inform the way forward in relation to management and procurement options. In summary the conclusions from the questionnaire and the discussions with each of the operators were:
- All leisure operators would be interested in the opportunity;
 - Consensus on a 10-year operating contract plus optional 5-year extension, with the operation of all centres being tendered together as one lot;
 - Consensus that the Council should use Sport England's standard contract documents;
 - Condition surveys will need to be undertaken for the sites;
 - The preferred procurement approach would be "Competitive Procedure with Negotiation" (dialogue); and
 - All leisure operators are likely to achieve the £400,000 savings target.

6. CONCLUSIONS

- 6.1 Members are committed to ensuring the long term health and wellbeing of our communities through the provision and accessibility of quality and affordable leisure facilities. They acknowledge that securing the sustainability of the health and leisure service to achieve the vision and associated outcomes takes precedence over who provides the service.
- 6.2 To support this objective the Task and Finish Group has undertaken a thorough and formal evidence-based review of delivery options and has concluded unanimously that the partnership option should be pursued by formally tendering the opportunity to operate the Council's five health and leisure centres. In the event that the procurement response is unable to deliver the objectives set then the establishment of a local authority trading company for the operation of the centres should be explored.

Regrettably the current in-house model is not sustainable in the longer term given the benefits of the alternative delivery models.

- 6.3 The Task and Finish Group also recognises the valuable input that the Council's stakeholders will need to have in the process moving forward and is committed to the ongoing dialogue with the trade unions and partner schools and colleges to ensure the best outcomes are achieved.

7. FINANCIAL IMPLICATIONS

- 7.1 In October 2017 the Council approved a budget for independent external expertise to support the consideration and establishment of alternative delivery models. It is anticipated that up to £100,000 will need to be drawn from these funds for this procurement exercise.

8. RECOMMENDATIONS

- 8.1 The Health and Leisure Task and Finish Group recommend that a formal tendering process is undertaken to engage a partner for the future operation of the Council's five health and leisure centres and that this be this Panel's recommendation to the Cabinet. This process will take 12 months; and
- 8.2 That the Community and Leisure Overview and Scrutiny Panel receive regular updates on the progress of this procurement.

For further information contact:

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Group

Background Papers:

Health & Leisure Review - Community &
Leisure Overview & Scrutiny Panel 18
September 2018