

Shadow Dorset Council

Date of Meeting	12 November 2018
Officer	General Manager – Public Health and Housing - Purbeck District Council
Subject of Report	Future operation of sports and leisure centre facilities in Dorset
Executive Summary	<p>This report details the current management arrangements for the various Council owned Sports and Leisure Centres in Dorset. It highlights the contractual issues faced by two of the centres and the associated risks that might impact on the ability to continue with service delivery as a result of LGR.</p> <p>The report also outlines a suggested future programme of work and highlights the opportunity for efficiencies and savings in the future.</p>
Impact Assessment:	<p>Equalities Impact Assessment:</p> <p>None</p>
	<p>Use of Evidence:</p> <p>None</p>
	<p>Budget:</p> <p>At present the councils collectively subsidise the operation of sports and leisure centres by over £1.5 million per year.</p> <p>Blandford Town Council currently pay an annual grant of £50K to North Dorset District Council (NDDC) which contributes to the running of the leisure centre, this arrangement will end in 2020. Dorset County Council are also due to contribute £33k in 2018/19 to NDDC for the running of the Centre and a further £22k in 2019/20 and £11k in 2020/21.</p> <p>Dorset County Council's current contract for the operation of Ferndown Leisure Centre expires in 2020. To extend the current contract beyond that point could lead to an increase in costs based on current contract terms.</p>

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	<p>There is an estimated cost of £30,000 to appoint a specialist consultant to develop the business case and options appraisal and £50,000 to commission condition surveys for all of six leisure centres. The interim S151 Officer has confirmed that funding for this work is available and provision will be made in the 19/20 budget for continuing expenditure.</p> <p>There is the potential to generate savings to the leisure services budgets but a service that integrates with health and wellbeing through prevention at scale could generate longer term savings elsewhere for the Council. Consideration also needs to be given to potential savings by utilising existing centres to provide wider services to the community.</p> <p>Risk Assessment:</p> <p>Having considered the risks associated with this decision using the LGR approved risk management methodology, the level of risk has been identified as:</p> <p>Current Risk: LOW Residual Risk: LOW</p> <p>Other Implications:</p> <p>None</p>
<p>Recommendation</p>	<p>That the Shadow Executive Committee agree:</p> <ol style="list-style-type: none"> 1. A specialist company be appointed to begin work on developing a business case, including options for future delivery of services, which will also include a building condition survey of all the assets. 2. The outcomes of the business case be presented to Dorset Council for decision in summer 2019. 3. Officers from the Dorset Council Partnership and Dorset County Council extend the current contractual arrangements that are due to expire for Blandford and Ferndown leisure centres until 2022 with sufficient break clauses to mitigate against risks for unexpected delays.
<p>Reason for Recommendation</p>	<p>Beginning work on a business case and a building condition survey of the assets will enable Dorset Council to have a good understanding of the sports and leisure facilities in Dorset and make decisions on the future options for operation of these services that will align to the corporate vision, operating model and priorities.</p>

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	<p>The appointment of a specialist companies to deliver this work will ensure delivery of the business case by summer 2019.</p> <p>It is anticipated that if the preferred option was to outsource the management of all the centres in Dorset to a third party any new contract would be in place by 2021 however, to mitigate against the risk of unforeseen delays it is proposed to extend the current contracts until 2022 as legal advice states that the current contract for Ferndown can only be extended once. Any extension would have sufficient break clauses contained within them.</p>
Appendices	Sports and Leisure Centres that will be owned / operated or supported by Dorset Council following LGR
Background Papers	Sport England - Leisure management options guidance Sport England – Procurement tool kit
Report Originator and Contact	<p>Name: Rebecca Kirk Email: rebeccakirk@purbeck-dc.gov.uk</p>
Additional report contributors	<p>Name: Judith Plumley Email: JPlumley@christchurchandeastdorset.gov.uk</p> <p>Name: Tony Hurley Email: THurley@dorset.gov.uk</p> <p>Name: Paul Rutter Email: PRutter@christchurchandeastdorset.gov.uk</p> <p>Name: Paul Scothern Email: p.t.scothern@dorsetcc.gov.uk</p>

1. Background

- 1.1 There are a number of Council owned and operated Sports and Leisure Centres across Dorset that will form part of the new Dorset Council. The running and operation of these centres varies across the County. The table in appendix 1 provides a breakdown of all the centres that will be the responsibility of the new Dorset Council, how they are currently managed and the current cost of operation.
- 1.2 It can be seen from the table in appendix 1 that currently a number of centres are managed directly by the relevant sovereign Council. The ownership does vary with some subject to lease agreements with Dorset County Council (DCC) while others are owned by the district or borough Council. As from 1 April 2019 all will be under the ownership of the new Dorset Council and any existing lease agreements and contractual arrangements will novate to the new Council.

- 1.3 A number of the other centres are operated by contractors on behalf of the relevant council, however, some of these contracts are due to expire in the next 18-24 months with one already using the option to extend.
- 1.4 In addition, there are other leisure facilities owned by the council but which are leased of other organisations without subsidy (Weymouth Swimming Pool and Redlands Community Sports Centre) and the independently-owned/operated Bridport Leisure Centre which receives council subsidy as a result of a long-term contract. These are shown in the second part of the table in appendix 1.

2. **Current Position**

- 2.1 The current operating contract for Ferndown Leisure Centre, between DCC and the operator Places for People (PfP), is due to expire in July 2020. It was a 15 year contract with a break in the 10th year, and agreement was reached with PfP prior to the end of the 10th year to continue for the remaining 5 year period.
- 2.2 DCC have sought legal advice regarding the ability to extend the contract beyond the 15 year period. This contract falls under the governance of the Public Contracts Regulations 2015 and regulation 72 covers the modification of contracts during their term. There are some criteria that allow for an extension and in order to meet these it will be necessary to the prepare a secure business case for the extension and a clear programme for further procurement once the new Council is in place. The legal advice goes on to state that if the contract is extended it can only be done once.
- 2.3 Whilst the renewal of the operating contract at Ferndown has yet to be considered by DCC members, a decision does need to be made in terms of if, and how, any renewal takes place.
- 2.4 Sports and Leisure Management Ltd (SLM) are contracted to operate Blandford Leisure Centre under a contract that expires in December 2019. The contract has an option for extension that has not yet been exercised and Solicitors at the Dorset Councils Partnership (DCP) have confirmed the current contract with SLM can be extended beyond December 2019.
- 2.5 At the North Dorset District Council Cabinet meeting held on the 5 February 2018 members agreed to commence the process to procure a new operating contract for Blandford Leisure Centre to take effect from 1 January 2020 and to procure a new operating contract in collaboration with other local authorities in Dorset in advance of local government reorganisation. In reaching this decision members were of the view that if a holistic approach towards procurement was followed with a single provider managing a portfolio of sports and leisure centres across Dorset, some facilities such as Dorchester Sports Centre, where income levels are strong, may contribute towards achieving a near zero subsidy contract for the whole portfolio and generate savings for the new Council.

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- 2.6 Members of Purbeck District Council agreed at their November 2017 meeting to work in partnership with other Councils in Dorset to jointly procure a single provider to manage certain Sports and Leisure Centres in Dorset. This work would be expected to tie in with the need to re-procure contracts for the operation of other sports and leisure centres. No budget had been agreed for this work until a further report had been considered by the Council once the costs of appointing a specialist company to undertake the procurement process was known.
- 2.7 East Dorset District Council has always indicated that they were happy with the in-house management arrangements and had no mandate to contract out the management of their centres to a third party but were willing to take part in a fact finding exercise with other authorities as part of the LGR process.
- 2.8 Officers from Purbeck, DCP, EDDC and DCC undertook initial discussions with three specialist consultancy companies in January 2018 to test the market regarding the procurement process. Discussions with these consultants established that the whole procurement exercise would take in the region of 18-24 months. All of the consultants advised it would be necessary to develop a strategy that reflects the corporate priorities of the new Council in respect of sport and leisure and the links to health and wellbeing. Although the recently produced Sports Facilities audit for Dorset provides a basis for this work with an assessment of demand and supply, it would not capture the vision and priorities of the new Dorset Council. The new strategy would need public and stakeholder engagement and approval by the new Council. It will also be necessary to undertake full building condition surveys of each centre and develop an asset management plan of expected works required during the contract period. These documents would then form part of the tender documentation. This workload accounts for the reason why the consultants specified the length of time required for preparation. The Sport England guidance to procurement also indicates an 18-24 month timescale is realistic.
- 2.9 The creation of Dorset Council also presents wider opportunities regarding strategic estates management and service delivery. Sports Centres are well placed to provide wider Council services that could ultimately improve health and wellbeing of the population. Other Council's in the country have also used their sports centres for the delivery of other services such as libraries or one stop shops and there may be an opportunity to consider these options as part of a wider asset management strategy that could lead to the potential disposal of other assets.
- 2.10 When officers were discussing options with the consultants about the future management of the sports and leisure centres there was some optimism that savings could be made by having a single contract with the aspiration that there would be opportunities to reduce subsidies, with an aim of some facilities (but not all, particularly those that have schools attached) achieving a zero subsidy as is the case for Weymouth swimming pool. At present the councils collectively subsidise the operation of leisure centres by over £1.5 million per year.

- 2.11 Some centres are dual use with a requirement to provide exclusive use to particular schools during weekday term times. Where the school is an academy funding is paid direct to the Council. Schools that are not academies, funding for the use of these centres comes from Dorset County Council education budget. While it is anticipated some savings can be made to the subsidy, given the restrictions on public access at certain times of day for these centres, a zero subsidy is unlikely. If it is agreed that a business plan is commissioned from a specialist consultant, then this document will provide an indication as to future subsidy levels, based on national benchmarking information. The shadow business plan can also be used to compare with any tenders if an operating contract is procured.

3. **Key Issues**

- 3.1 As outlined above two Councils PDC and NDDC have a resolution to work collaboratively to procure a contract for sports and leisure centres in their area.
- 3.2 It will take approximately 6 months for a consultant to produce a unified business plan for all the leisure centres and for condition survey to be carried out. If the work commences now a report can be present to Dorset Council in summer 2019 which will align to the new vision, objectives, priorities and operating model for service delivery. The business case will enable members to decide how they want to progress with the future delivery of these services.
- 3.3 The creation of Dorset Council has led to some risks and issues and officers will undertake to mitigate these risks as far as possible. These are;
- The contract with SLM for the operation of Blandford Leisure Centre ends in December 2019 and NDDC Cabinet has resolved to procure a new contract with the aim of reducing subsidy even further. Although DCP solicitors have indicated it would be possible to extend the current contractual arrangements, any short-term extension to the current contract would probably result in increased costs to the new Dorset Council if the £50k annual grant from the town council ceases as planned by 2020.
 - The operating contract and associated leases for the operation and management of Ferndown Leisure Centre expire in July 2020. As outlined in 2.2 above DCC legal advice is the contract could be extended once, subject to a clear programme being in place to develop a business case for future operation. There is a requirement to keep parts of the premises operational as they provide the PE facilities for Ferndown Upper School. While there is every intention to deliver a solution for future delivery by 2021 the recommendation to extend until 2022 allows for any unforeseen delays to the process and provides a back stop. There would be no further options to extend the contract should unforeseen delays occur which presents a risk to the ongoing operation of the centre and provision to the school.

- Should each of the constituent councils progress independently, as currently instructed, with the procurement of the management of their individual facilities, it could be a further 10 years before the contracts can be aligned across the new Dorset council area.

There is an outstanding resolution from Purbeck District Council. It was agreed in November 2017 that the operational management of the sports centre be contracted out. In order to progress this, Council approval was required prior to any appointment of a contractor to prepare for the procurement process. It has been agreed to remove the item from the forward plan subject to the Shadow Executive agreeing the recommendations in this report.

- 3.4 Officers recognise that there may be opportunities for efficiencies to be made across the service prior to any formal re-organisation or tendering process, and will work to achieve this.

4. **Future Considerations**

- 4.1 Sport England has published guidance for local authorities to assist them in planning the future management of leisure options. In order to make an informed decision about fundamental changes to the way services are delivered the guidance recommends that a leisure management options appraisal is undertaken. The options appraisal will enable the Council to;
- Consider and clearly articulate the desired outcomes for the service, based on a detailed understanding of community need and the Council's wider outcomes;
 - Provide an objective, transparent and rigorous assessment that can stand up to scrutiny and challenge;
 - Provide an understanding of the risks associated with different operating models;
 - Enable an informed decision to be made on the best value solution to meet the needs of the community in Dorset
- 4.2 The recommendation suggests that specialist consultant be appointed to begin the process of developing a business case for the future delivery of sports and leisure services in Dorset. The business case would include the points outlined in 4.1 as well as a building condition survey of the assets. This survey will provide the Council with indicative costs of work required to maintain the assets, and will inform any future procurement through insights in asset life, investment needs, etc. It is proposed to present the business case to the Council in summer 2019 to inform the next steps.

- 4.3 As outlined in 2.8, officers have already had initial discussions with three specialist consultants to test the market regarding the procurement process. It is anticipated it would cost around £30,000 to appoint a specialist consultant to develop the business case and options appraisal and £50,000 to commission condition surveys for all of six leisure centres. The interim S151 Officer has confirmed that funding for this work is available and provision will be made in the 19/20 budget for continuing expenditure. Discussion is taking place with Dorset County Council property services to determine if they can deliver the work in the agreed timescale. If this is the case the cost of the building survey work might reduce.
- 4.4 A specification for the work would need to be produced and the services of specialist consultants procured in accordance with standing orders.
- 4.5 If the decision is made to undertake a procurement process for the management of Sports Centres the Sport England Procurement Guidance outlines 5 key steps that need to take place before going out to tender these are;

Step 1: Developing local outcomes and deriving specific local, measurable targets.

Step 2: Developing key documentation and supplier engagement.

Step 3: Procurement route selection, contract route selection and setting the timetable (the procurement strategy).

Step 4: Considering budgets and affordability (procurement and project).

Step 5: Developing a data room of key documents

The data room of key documents would include things such as; financial information for the past three years by site and by facility type (for example, swimming, fitness, sports hall), throughput/user information by site and facility type, membership information – numbers per site/type, pricing policies per site, information on regular hirers and/or block bookings, information on any specific contractual arrangements with private trainers (often mainly gym based), TUPE information, any existing leases or contracts, for example maintenance agreements or dual use agreements to name a few.

- 4.6 The projected timeline for the whole process would be as follows;

- Procure consultants to carry out options appraisal, business case and building condition surveys – 3 months.
- Prepare options appraisal, business case and undertake building condition survey – 6 months – complete June / July 2019.

If procurement of external operator is the preferred option:

- Prepare pre-procurement documentation – 6 to 8 months – complete March 2020.
- Undertake procurement process, including TUPE consultation – 10 to 12 months – complete March 2021.

5. **Conclusion**

- 5.1 The management arrangements for each of the sports and leisure facilities across the new Dorset Council Area varies at the current time and whilst some are due for re-tendering shortly, others continue to be managed internally.
- 5.2 It will be more efficient to treat all facilities the same, and if putting them out to be managed by a private contractor is the preferred option, then all facilities should be tendered at the same time in order to obtain economies of scale and best value.
- 5.3 In order to realise savings as soon as is realistic to the new Dorset Council a specialist company needs to be appointed to commence as soon as possible to prepare an options appraisal and undertake a building condition survey of the existing assets prior to making a business case for the best way forward.

Appendix 1

Sports and Leisure Centres that the Council operates

Sports Centre Location	Current ownership	How run and usage	Approximate revenue subsidy
Blandford Leisure Centre	Swimming pool owned by NDDC on land leased from school foundation. Fitness facilities in school building but with sole community use.	Managed by SLM Ltd - contract ends December 2019. Lease from school foundation for site of swimming pool requires certain amount of free school swimming.	£150k p.a. management fee paid to SLM and offset by contributions to NDDC from DCC (£33k), town council (£50k) and parish councils (£4k);
Dorchester Sports Centre	On land leased by DCC from the Duchy of Cornwall and sub-let to WDDC, who in turn sub-let to 1610.	Managed by 1610 Ltd - contract ends in 2022. Some DCC contribution for primary and secondary school use of pool and ATP. Thomas Hardy School have their own sports facilities, but do use the Astro turf pitch and the swimming pool.	£30k p.a. net cost following payment for schools' use (£160k) and profit share (£30k).
Ferndown	Owned by Dorset County Council. Part of the Ferndown Upper School campus.	Managed for DCC by Places for People – contract ends 2020. No district or town council contribution (although there was contribution in 1 st 5 years of contract), wholly funded by DCC. Pool used by local schools.	£515k p.a. management fee to contractor, with £110.5k from DCC funding and the remainder from Ferndown Upper School. Other DCC revenue costs incurred

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Verwood Hub (including Emmanuel School Hall and Potterne Park)	Owned by EDDC, with the sports Hall at Emmanuel Middle School on land owned by the Diocese of Salisbury, under the control of the Wimborne MAT.	In-house management. No swimming pool. School use of sports hall on Emmanuel School site which is managed as part of the Verwood operation Potterne Park includes outdoor pitches, changing and café facilities and receives a grant from Verwood Town Council.	£230k p.a. (including £31k pa from VTC) for three years.
Wareham	Owned by DCC and forms part of The Purbeck School campus. Leased to PDC, lease expires 31 March 2019	In-house management. Dual use centre. DCC contribute to some costs for school use.	£441k p.a. (including a £318k DCC contribution, of which £1.3k is from DCC funding and the remainder from The Purbeck School)
Wimborne	Owned by QE Academy School, transferred by DCC when school became an Academy.	In-house management by EDDC Dual use centre. DCC do not contribute to the use by Queen Elizabeth School as it is an academy and funding is agreed directly with the school.	£260k p.a.

Sports and Leisure Centres that the Council has some responsibility for

Sports Centre Location	Current ownership	How run and usage	Approximate revenue subsidy
Bridport Leisure Centre	Centre is owned by the Bridport & West Dorset Sports Trust on land leased from Palmers Brewery.	Owned and run by a Community Trust with council grant Local schools hire and pay for usage of swimming pool which is programmed into public sessions.	£180k p.a. council grant subject to a legal agreement which is due for review.
Redlands Community Sports Hub, Weymouth	Owned by W&PBC and leased to Weymouth College	Leased to Weymouth College until 2036. Full repairing lease. Shared use by College and community.	Zero subsidy
Weymouth Swimming Pool	Owned by W&PBC.	Leased to SLM Ltd until 2037. Full repairing lease.	Zero subsidy