

## **EXETER CITY COUNCIL**

### **SCRUTINY COMMITTEE - COMMUNITY**

**27 FEBRUARY 2007**

**EXECUTIVE**

**13 MARCH 2007**

### **LEISURE FACILITIES IN EXETER**

#### **1. PURPOSE OF REPORT**

- 1.1 This report seeks approval for the strategy for the development and management of the Council's major leisure facilities for the next 10 to 25 years.

#### **2. BACKGROUND**

- 2.1 Appendix 1 lists the Council's leisure facilities under consideration, along with each site's current status and the proposal for dealing with them.
- 2.2 Work was done in 2004 to identify the issues and evaluate the various options available to the Council, and Appendix II lists the headings of a number of briefing papers that were made available on the Members' site on the Intranet. They are still available for Members' information. The majority of the material is still current, although many of the financial figures have not been updated.
- 2.3 Executive agreed in January 2005 that in order to lay the groundwork for the future, the Council would align current contracts so that they ended together, and research how best to set a future contract. The key elements of that decision were:
- the DCL contract be extended to be coterminous with the date that the Riverside Leisure Centre reverts to the Council's full control;
  - up to £20,000 be allocated in both 2005/06 and 2006/07 to assist with the various aspects of the leisure facilities review;
  - initial support be given to the proposal for a medium term (10 – 25 years) negotiated partnership with a contractor.
- 2.4 Executive in September 2005 then approved the extension of the DCL contract to 28 September 2010, when the leases on the Riverside Leisure Centre and the Isca Centre expire.
- 2.5 Executive in January 2006 approved additional budget of £50,000 to undertake a feasibility study into the provision of a new swimming pool at Clifton Hill to replace Pyramids Swimming and Leisure Centre. Although this to some extent pre-empted future decisions on the nature of leisure management contract, it was agreed that the city would need a modern swimming pool, whatever other changes to the stock might happen. This study is now underway: further information is contained below and a verbal update will be provided at the meeting.

### 3. PROPOSAL

#### The facilities

- 3.1 In planning for future contracts, the Council needs to be keenly aware that market conditions can change quickly, and this can destabilise a long term contract easily. Initially our thinking was that we should consider carefully whether all the current centres would be needed in the future, especially as the new school facilities were to be publicly available. However the arrival of those facilities has as yet had no discernable impact – they were late, and as yet have not been marketed or promoted. Our proposal now is that we continue to assume that all the centres will be included, but that any future contract be made flexible in order to respond to changes as they happen.
- 3.2 Geographically the spread of facilities in the city is about right and that we should plan to maintain the current level of provision for the next 20 or so years, although perhaps to look at their programmes and any specialisms they might have as an ongoing part of their management.

#### Future management

- 3.3 The main options for operating the facilities are:
- **In-house** – the Council would take on some 200-300 staff (many of them part time) and directly operate the facilities. Most of the main advantages, such as control over programming and pricing, can be achieved through the other options. External assistance would be needed to estimate the cost of bringing the service back in-house, and the actual costs would not be known until the service had been running for a year or two.
  - **Trust** – the Council could create a trust, making a payment to the trust's board to take responsibility for operating the facilities. The main advantage would be an immediate 80% saving to be made in business rates. However, the award of business rate relief is discretionary and it is by no means certain that the relief will apply to all the centres. The rate bill for the 7 facilities proposed to be included in a contract package is approximately £221,000pa. While some trusts in the UK have been successful, quite a number have failed or are struggling. When there is a problem, for example with insufficient finance, the only recourse is to the local authority so the Council would effectively remain at risk.
  - **Contract** – the Council would pay a fee to a commercial contractor, who would operate the facilities. Depending on how the contract is drafted, it is likely that risks (eg unexpected expenses) and gains (eg excess income) would be shared so that more of a partnership arrangement would exist than at present. Major leisure management contractors are able to call upon their own specialist resources such as market trend forecasting, fitness, health and safety, finances, technical support etc. The Council's experience of contracted management of its facilities has so far been quite good overall.
- 3.4 Arrangements have been made over recent years to ensure that the Isca Centre is financially stable, with an annual sum plus a share of surplus income (over expenditure) being payable to the Council. The Centre is increasingly successful in a number of areas and it is proposed that from 2010 a new lease be granted such that it continues to be managed by Isca Centre Ltd's board.

- 3.5 The Golf Driving Range at Clifton Hill is currently dealt with under a separate contract to an individual operator. However, operation of the site has been problematic since the day it opened. Provisional terms have been negotiated with the operator whereby he will be required to invest at least £60,000 in improving and altering the premises to overcome the problems. It is proposed that the Golf Driving Range continues to be dealt with separately from the other leisure facilities.
- 3.6 As indicated in Appendix I, it is proposed that Riverside be packaged with the 6 DCL sites and a single contract sought. It is envisaged at this stage that this will entail the following process:
- publish a Prior Information Notice inviting expressions of interest, holding a bidders' day, and entering into dialogue with potential operators, to see how they would like the contract shaped;
  - seek a baseline price from contractors for a basically specified service;
  - narrow the field to two favoured operators and negotiate with them at a detailed level over costs and services etc until one is chosen to be the Council's partner.
- 3.7 The advantage of this approach is that it allows officers first to assess the market in as wide a fashion as possible. Secondly we can develop ideas for the nature and content of the contract with the contractor, drawing on his expertise and experience, while still maintaining our role in seeking the best service for the residents of Exeter. Thirdly we can explore in detail the opportunities for investment on the part of the contractor, where he can see potential, and which can reduce the overall revenue cost of the contract to the Council.
- 3.8 The process would be brought to Committee at key stages in its development, and in particular prior to the second advertisement for tenderers, and to conclusions on precise content of the contract offered to the preferred operator.

#### **Investigation into alternatives**

- 3.9 Officers have looked at the options in some depth (see the papers listed in Appendix II). If Members feel that a study is needed in greater detail, there is time before 2010 to appoint consultants to undertake a full needs analysis (for the number, type and spread of facilities needed) and a full options appraisal (for the style of future management eg in-house, trust, or contracted). It is estimated that a sum of about £40-50,000 would be needed to arrange this.

#### **4. IMPLEMENTATION**

- 4.1 If Members are comfortable with the recommendations of this report, the options will have been narrowed sufficiently such that the next step will be to investigate in detail the various sub-options for contracting, possibly leading to a negotiated partnership.
- 4.2 A further option is for the successful contractor to be involved in the procurement of the new pool, and this will be evaluated as part of that project.

## **5. RESOURCE IMPLICATIONS**

- 5.1 About £20,000 has been spent on a visual condition survey of the Council's electrical and mechanical plant. This concluded that the overall condition is generally satisfactory, although routine servicing, testing and maintenance (and especially records of such) need to be improved across the board.
- 5.2 Approximately £35,000 of the budget is still available should the need arise for any external advice on any aspect of the management arrangements, and it is likely that at a later stage there will be a need for specialist legal advice. At this stage, no additional funding is required, unless Members would like officers to arrange a needs analysis and/or an options appraisal.

### **New Swimming Pool**

- 5.3 In parallel with our work on the overall contract, we have been pursuing research on the feasibility of the chosen site for a new swimming pool. Members will recall that the Council decided that the option of extending and improving Clifton Hill Sports Centre was the best solution to the issue of replacing Pyramids. Engineering consultants are currently investigating the suitability of the site in terms of size, levels, ground conditions, planning issues and traffic. Their full report will be available during April and a verbal update will be provided at the committee.
- 5.4 A second piece of work has been commissioned to establish which of the many funding routes now available for the procurement of public buildings will best suit the needs of the City Council. This is due to report at the end of March.

## **6. RECOMMENDED that:**

- 1) the Council continues to provide the current facilities portfolio,
- 2) future management be procured through a contract with a commercial leisure operator, and that officers initiate the process by authorising the Head of Contracts and Direct Services to publish a Prior Information Notice in the near future.

### **HEAD OF LEISURE AND MUSEUMS**

Originator: Ian Cowe

S:PA/LP/Committee/207SCC3  
14.2.07

COMMUNITY AND ENVIRONMENT DIRECTORATE

**Local Government (Access to Information) Act 1985 (as amended)**

**Background papers used in compiling this report:**

None