

CABINET

**COUNCILLOR MAURICE SHEEHAN
OPERATIONAL SERVICES
PORTFOLIO HOLDER**

18 SEPTEMBER 2018

KEY DECISION: NO

REPORT NO. COMM1810

LEISURE MANAGEMENT CONTRACT - EXTENSION

Summary

The purpose of this report is to approve the extension of the current leisure management contract, to enable options for the future provision of leisure facilities in Farnborough to be fully considered as part of the redevelopment of the Civic Quarter.

Recommended

That Cabinet approves the proposed extension to the leisure management contract in respect of the Farnborough Leisure Centre and Aldershot Pools.

1. INTRODUCTION AND PROPOSAL

- 1.1 The leisure management contract for the Farnborough Leisure Centre and Aldershot Pools is due for renewal on 1 February 2019. As the procurement of a major contract is expected to take up to 18 months, it could have been expected that this work would be underway. However, the timing for this procurement has been dependent on decisions relating to the regeneration of the Civic Quarter area of Farnborough, currently the location of the Farnborough Leisure Centre.
- 1.2 The redevelopment of the Farnborough Civic Quarter provides an opportunity for the Council to consider a range of options in relation to leisure, including the provision of a new, more cost effective Farnborough Leisure Centre and the potential release of development land. Whilst refurbishment could extend the life of the current leisure centre building and provide an initial financial return, this would reduce over time, as maintenance costs tend to increase with age. A new build could enhance the new Civic Quarter and, subject to the facility mix and right location, would potentially attract increased participation and enhance income, consequently leading to a more cost effective operation.
- 1.3 Following the appointment of a preferred investment partner, public views on options for the overall Civic Quarter site are to be sought as part of a community engagement process to be undertaken later in the Autumn. Following this, a Master Plan will be prepared and it is planned for this to be consulted on during and finalised by Spring 2019.

- 1.4 Now these timescales are clear, it is possible to start the procurement process for a new leisure contract and issue the required notices to the market as required under EU procurement procedures. Given the time required to undertake the procurement process and allow for mobilisation of a new contract, it is therefore necessary to extend the current contract arrangements in the meantime.
- 1.5 As consideration for the extension, the Council had negotiated a reduced management fee with the current provider, Places for People. This will be formally agreed by the Head of Community and Environmental Services, in consultation with the Council's Monitoring Officer and the Council's Section 151 Officer and will be made public once the extension has been signed.

2. ALTERNATIVE OPTIONS

- 2.1 The Council could take the service in-house at the end of the current contract whilst it awaits the outcome of the Master Plan work. The costs to the Council of operating the services during the period between the old contract and any subsequent new contractual arrangements would increase, as unlike contractors, the Council is unable to recover VAT on income or secure Non Domestic Business Rate Relief. There would also be significant costs in transferring existing staff, not least in respect of pension liabilities. Whilst the Council would retain any operational profits, an in-house service would increase the broader budget strategy risks to the Council.
- 2.2 The Council could tender a short-term contract but given the costs involved, there is unlikely to be any significant interest from the market, nor any likelihood of short-term cost savings.

3. IMPLICATIONS / RISKS

Legal implications

- 3.1 The Council awarded a seven year leisure management contract with DC Leisure (now Places for People) in 2002 with an option to extend up to another five years. In 2003 following negotiations on a major refurbishment in which Places for People invested £2.5m, the Council entered a 15-year contract from completion of the works expiring 31 January 2019.
- 3.2 The revised contract end date is on our website and the Council have carried out soft market testing with potential contractors who will be expecting the publication of the Prior Information Notice.
- 3.3 As the contract is worth more than £180k and the value is over the 10% threshold, the Council will need to publish a Voluntary Ex-Ante Transparency (VEAT) notice in the Official Journal of the European Union (OJEU) website.
- 3.4 On the basis that the Council have already extended the contract, a decision to extend further could be challenged by other contractors. However, it is considered that a short extension to facilitate an effective procurement would be low risk particularly if this is done at the same time as issuing the Prior

Information Notice that gives the market advanced notice of the procurement process.

Financial and resource implications

- 3.5 The Council has negotiated a reduced management fee on the extension to the contract with Places for People, to be agreed by the Head of Community and Environmental Services in consultation with the Councils Monitoring Officer and Section 151 Officer, which will be reflected in the Council's budget as soon as practicable.

Equalities Impact Implications

- 3.6 There are no direct equalities impact implications, as the leisure facilities will continue to operate.

4. NEXT STEPS AND CONCLUSIONS

- 4.1 The Council's Policy and Project Advisory Board has agreed to establish a Leisure Management Contract Task and Finish Group to support the leisure contract procurement, and make recommendations to Cabinet.
- 4.2 The extension to the current contract will enable the Master Planning work to complete and allows maximum flexibility in respect of future facilities within the Civic Quarter site.

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