

Report To:	Cabinet	Date:	29th June 2021
Heading:	LEISURE TRANSFORMATION PROGRAMME		
Portfolio Holder:	CLLR KIER BARSBY, PORTFOLIO HOLDER FOR HEALTH AND LEISURE		
Ward/s:	N/A		
Key Decision:	No		
Subject to Call-In:	No		

Purpose of Report

This report updates Cabinet on the Leisure Transformation Programme, including progress with the Leisure Operating Contract, confirming that the previously identified preferred supplier, Everyone Active have now signed and commenced the new leisure operating contract.

This report confirms to Cabinet that the Leisure Operating Contract will at least achieve the required financial break even position along with necessary capital improvements by Everyone Active to Hucknall and Lammas leisure centres.

This report updates Cabinet as to progress with the Kirkby Leisure Centre development along with the development of a second swimming facility at Hucknall Leisure Centre.

Recommendation(s)

- 1. Cabinet are recommended to note the commencement of the new Leisure Operating Contract with Everyone Active which achieves at least a financial 'break even' position for the Council.**
- 2. Cabinet are recommended to note the progress with capital developments at both Kirkby Leisure Centre and Hucknall Leisure Centre.**
- 3. Cabinet are recommended to support and delegate authority to the Director of Place and Communities in conjunction with the Corporate Finance Manager and Portfolio Holder for any in term variations to the Leisure Operating Contract as long as the financial 'break even' position is not reduced.**

Reasons for Recommendation(s)

Cabinet Members will recall previous reports confirming that Everyone Active were appointed as the preferred supplier to the Leisure Centre Operating Contract. This report confirms to Cabinet that Council officers supported by external specialists and legal advisors have successfully concluded the final elements of contract negotiation and that Everyone Active commenced the new contract on the 1st May 2021.

Alternative Options Considered

Leisure Operating Contract – Do not commence with Everyone Active (Not Recommended)

Council officers with external specialist support have successfully concluded the negotiations with Everyone Active. The new leisure operating contract, not only looks to improve the physical offering at the leisure centres, including much needed capital investments at Lammas and Hucknall centres, it also ensures a greater engagement with communities within Ashfield, via community engagement, outreach services and improved facilities.

Kirkby Leisure Centre will introduce a swimming pool with moveable floor which is predominantly for swim access with limited swimming classes.

Should the Council have decided to not appoint and commence the contract with the successful tenderer the Council would not have been in a position to re-open the leisure centres in line with the government's Road Map. Additionally, the Council would not have been in a position to extend the previous contract, therefore requiring the Council to put in emergency measures to take control of the centres and open them to the public. This would not have achieved the improved financial position of the contract.

Second swimming pool at Hucknall – Do not proceed (Not recommended)

The Council could choose to cancel the development work ongoing regarding the second swimming pool at Hucknall. This is not recommended as the additional swimming facility at Hucknall is noted as being a specific output for the Leisure Centre Contract and failure by the Council to deliver this improvement would lead to a significantly worse financial position. Additionally, not moving forwards with this facility will limit the capacity for swimming lessons, family swims and sessions specifically targeting those with long term health conditions.

Detailed Information

Leisure Operating Contract

Council officers along with external specialist and legal support have concluded the negotiations with Everyone Active. Whilst robust, these negotiations have been completed in good faith and the resultant contract will not only achieve an improvement on the financial position for the Council (through to a minimum 'break even' position) but also will see significantly improved leisure offerings across the existing sites at Lammas and Hucknall as well reinvestment into the new Kirkby Leisure Centre when it is completed in 2022.

The final form of contract which is based upon a Sport England compliant contract protects the Council and outlines the performance targets that Everyone Active must achieve. The contract sets out key performance indicators, mechanisms for additional profit share and processes where applicable for how to deal with short and long term impacts on the trading environment due to such things as pandemics and changes in law from HM Government.

Internal lead officers were supported by in house legal team and specialists at FMG Consulting and Blake Morgan who coordinated the legal elements of the contract negotiations.

The procurement outcome significantly improves the Council's financial position regarding this service provision, removing a previous payment to the operator and achieves a positive contribution over the life of the 10 year contract. The initial target for the Leisure Centres Operating Contract was to achieve a minimum financial 'break even' position, which would result in the saving on the payment to the operator, funding the prudential borrowing costs associated with New Kirkby Leisure Centre. The additional achievement of the positive contribution beyond the 'break even' position is funding the prudential borrowing costs of the second swimming pool at Hucknall Leisure Centre.

The procurement outcome has also achieved capital improvements to fixtures, fittings and equipment at Hucknall and Lammas Leisure Centres. These capital improvements are all funded by prudential borrowing, which will be incurred by the Council. The revenue costs of the prudential borrowing are provided for in the Leisure Operator's financial model and the Leisure Operator will make payments to the Council to fund the prudential borrowing costs.

The Leisure Operating Contract has a number of scenario-based future negotiation routes which predominantly protect the Council through the life of the contract. There are also provisions for ensuring any short or long-term changes in trading conditions (such as pandemics) are clearly managed with implications upon the contract measured and agreed. Such changes in trading conditions could alter the financial return for the Council through the contract. It is not anticipated that such trading conditions would alter the Council's at minimum 'break even' position, however the ability to act swiftly and via the terms of the contract are paramount in managing such potential impacts

Kirkby Leisure Centre

Phase 1 of the Kirkby Leisure Centre development is the construction of the new facility on land at the rear of the existing Festival Hall. This is due to complete in May 2022. Phase 2 is the demolition of the existing Festival Hall and creation of the car park. This phase is still planned for completion by October 2022.

Kier PLC continue to progress the construction of the Kirkby Leisure Centre development with all piling completed during May 2021. Structural steelwork commenced during W/C 24th May with this due to be completed by the end of June 2021. Works are progressing generally to programme, with some activities being brought forwards to enhance the sequencing of works, whilst others are specifically held in abeyance. Additionally, external works such as surface water drainage tanks and the retaining wall to B&M Bargains have also been installed.

Following a detailed study of energy usage at the site, the Council has just committed (subject to statutory approval) to the installation of photovoltaic solar panels to the roof which will see an estimated £29,000 of electricity generated for the centre per annum significantly reducing energy costs whilst additionally reducing the carbon footprint of the building.

Hucknall Leisure Centre

Phase 1 works have been completed on site with a new reception area, café provision, toilet facilities and a refresh for the existing squash courts. Work is already underway on phase 2 which will see the fitness suite extended and refurbishments to the group exercise studios, with works due to be completed by late Autumn 2021.

Design development has commenced for the second swimming pool. Sitting adjacent to the existing, this will offer a more tailored and specific facility for swimming lessons, family activities and sessions designed to meet the needs of people living with disabilities and long-term health conditions. With moveable floor, the facility will also be suitable for a general access swimming facility. Further improvements to the changing facilities will also be completed and this development work will significantly improve the swimming offer at Hucknall. These works are due to be completed by October 2022.

Implications

Corporate Plan:

The Council will deliver its commitments to provide a transformational leisure offer via the Leisure Operating Contract.

The Council will deliver on the significant capital investment of a new leisure centre for the people of Ashfield whilst improving the Hucknall Leisure Centre.

Once operational, these new facilities will play an important role in delivering the outcomes set out in the Council's Corporate Plan and the Be Healthy, Be Happy Strategy 2021-25, previously approved by Cabinet.

Legal:

The Council has protected its legal position by procuring and appointing Everyone Active as the Leisure Operating Contractor for the next ten year period.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	<p>The Leisure Operating Contract will see a positive financial position which compares favourably to the previous contract where the Council paid an annual management fee to the operator.</p> <p>The saving on the annual management fee paid over to the operator will fund the prudential borrowing costs on the new Kirkby Leisure Centre.</p> <p>The positive contribution achieved will fund the prudential borrowing costs on the second swimming pool at Hucknall Leisure Centre.</p> <p>The prudential borrowing costs associated with improvements to fixtures, fittings and equipment at Lammas and Hucknall will be met by payments from the Leisure Operator Contractor.</p>
General Fund – Capital Programme	The developments at Kirkby, Lammas and Hucknall will be delivered within the approved capital programme allocation for the schemes.

Housing Revenue Account – Revenue Budget	N/A
Housing Revenue Account – Capital Programme	N/A

Risk:

Risk	Mitigation
That the trading conditions for the Leisure Operating Contract worsens	The Council has included a detailed mechanism for addressing and agreeing the implications on the Contract. This includes the requirement for the contractor to look to seek central HM Government support prior to any review of financial arrangements with the Council.
That Kirkby Leisure Centre is delayed	The Council is ahead of programme with its 'Reviewable Design Detail', ahead in its programme of operator engagement. The JCT Contract with Kier also identifies necessary processes for them to follow should delays be incurred.
That the second swimming pool at Hucknall is delayed	The Council has appointed the same design team as it is using at Kirkby for the design development. The programme set is achievable and budget is realistic.

Human Resources:

There are no Human Resource implications of this report.

Environmental/Sustainability

The Council is committing the installation of photovoltaic solar panels to the roof of Kirkby Leisure Centre to improve its energy efficiency and reduce electricity costs.

Equalities:

There are no equalities implications of this report

Other Implications:

Not Applicable

Reason(s) for Urgency

Not Applicable

Reason(s) for Exemption

Not Applicable

Background Papers

Leisure Transformation Cabinet reports 2018 - 2021

Report Author and Contact Officer

Theresa Hodgkinson
DIRECTOR OF PLACE AND COMMUNITIES
Theresa.hodgkinson@ashfield.gov.uk