



Service Design Proposal

Leisure

1 What is the recommendation?

The Council should transfer the management and operation of its leisure facilities to an established not for profit operator following a competitive procurement. In doing so, the Council would retain ownership of the assets and lease the facilities to the operator for the contract term.

2 Why is this proposal recommended?

The Council has recently invested in two improved Leisure Centres and has plans for further investment to enhance the leisure provision in the borough. This is in addition to the Jim Peters Stadium that had significant investment in the area as part of London 2012 and the Splash Park facility in Barking Park. This will make a compelling and attractive offer for potential providers allowing them to focus on the service offer and income generation opportunities. This should result in greater benefits for the Council (both financial and non-financial).

Following the review of the original proposal for a locally established leisure trust, in the light of the Chancellor's Emergency Budget 2015 and issues of affordability, a further options appraisal was undertaken. The option appraisal recommended that a transfer to an established provider would provide the optimum service delivery model in terms of cost and quality.

Legislative changes to Procurement Regulations in 2015 remove the option of a concession contract awarded without competition to a locally established trust. A newly established local trust would not have the capacity or capability to bid successfully for a contract in a very competitive market.

There is a well-developed market of "not for profit" operators, that could secure the current NNDR and VAT concessions. In addition, it is anticipated that there are considerable efficiencies to be gained by transferring to an established operator, as they will have lower overhead costs, greater experience and capacity to market the service and generate new business and income.

In addition, the Council will benefit from a contractually assured fee that is likely to be profiled evenly across the contract term, so the Council would secure the financial benefits earlier than when they actually fall and the operator carries the financial risk. Subject to the contract term, there is also the opportunity to transfer risk and liability from the Council to the new operator (i.e. routine repairs & maintenance, energy consumption and income risk).

3 What does the future service look like?

The Council's leisure facilities play an important role in improving health & wellbeing outcomes for local residents alongside other local provision, facilities and parks. However the leisure centres currently only reach c. 10% of the local population. They should be part of the overall drive to increase participation in physical activity in the borough.

The scope of the service would be as described in section 5 below; the service will at a minimum maintain the current service standards but operate at a lower cost. The operator will pay the Council a fee to operate the facilities on behalf of the Council (as has been the case in a number of recent leisure procurement events).

The market will need to be allowed pricing and operating freedoms similar to the previously proposed local trust in order to reduce operating costs and increase income.

4 What will the service deliver?

The Council will need to develop a Service Specification and set out its minimum requirements based on, but not restricted to, its current service offer. This is likely to include the relevant elements of the draft Sport & Physical Activity Strategy that are geared to increasing participation levels with the inherent health & well-being benefits. The requirements of the Council will determine the value of the contract.

It will be important that the Council requirements retain its existing social access policies through concession pricing, however, the operator should have the freedom to operate commercially also, generating new products and customers. The Council could seek pricing proposals from the operator that ensure social access for approval by the Council.

The operator will meet the Council's minimum requirements whilst using its commercial experience to enhance and develop the service offer.

Programmes currently delivered through Public Health funding would not be transferred directly as part of the leisure management contract; these would be commissioned separately by Public Health, although it is likely that the operator would seek the opportunity to bid for funded programmes. Some of the current operators have developed specialist Health teams to respond to and deliver on these opportunities and Public Health outcomes.

5 What are the constituent parts?

The scope of the service to be transferred consists of:

- Abbey Leisure Centre
- Becontree Heath Leisure Centre
- Jim Peters Stadium
- Barking Splash Park*

*The operation of the Splash Park is already let through a concession to a third party; the management oversight of this facility may be best located within the Parks Service alongside existing concessions (i.e. boat hire, café, miniature railway, etc.).

6 What will be different for the customer?

Initially the customer will see minimal difference other than branding changes and the facilities will operate as specified. Over time, the operator will introduce new products and offers designed to attract new business and customers. The customer should benefit from well developed marketing and customer service processes.

7 What will need to change in the service(s)?

The Council will have to develop its commissioning and contract management capability in this area, although through good procurement and selection of the right partner for the Council, this function should only require a "lean" client function.

It is likely that a new operator would want to negotiate changes to terms and conditions in line with the industry norms (i.e. no weekend working enhancements, a closed pension

scheme and a stakeholder pension rather than the LPGS model). New employees would be employed on different terms and conditions from transferred employees, changes to their terms and conditions would only be through negotiation. These likely changes are the same as would have been true for the original trust option.

The new operator will need to operate more commercially utilising their broader sector experience to reduce costs and increase income.

8 What will be the impact on the workforce?

There are currently c. 330 employees (90 FTE) potentially affected by this proposal. The existing workforce would transfer to the new operator with their existing terms and conditions under the Transfer of Undertakings (Protection of Employment) Regulations 2014 (TUPE). The Council (the transferor) would initially need to consult with the Trade Unions and all potentially affected employees and draw up an initial TUPE list of employees, once a provider has been selected through the procurement process both Council and the new service provider (the transferee) should consult with the Trade Unions and affected employees.

In addition, an established provider will have existing head office and support contracts in place and is unlikely to require the Council's back office support functions (i.e. Finance; HR; IT; Legal; Marketing etc.). Therefore there may be additional impacts on the Council's support service functions.

9 When will the changes take effect?

If the recommendation to transfer is approved in March 2016, contract commencement could potentially be achieved by April 2017.

Year	2016/17					2017/18				
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Market testing	■									
Approval	●									
Procurement	■									
Launch						●				

The Council will need to determine the resources required to manage this procurement event. Given that it is unlikely the Council will have the capacity, experience or technical expertise to secure maximum benefit through a leisure management procurement, external support will need to be commissioned. Developing the brief and seeking tenders for support (legal and technical) may take 6-8 weeks. The Council would need to develop a suite of contract documentation including clear minimum requirements and service standards, determine its procurement strategy, its commercial position and risk appetite before commencing the procurement exercise. An Early Market Engagement exercise carried out in January and February 2016 has informed procurement route, commercial position and risk profile to some extent but these will need to be reviewed and confirmed.

10 When will customer outcomes be seen?

It is possible that a new operator could commence in April 2017.

11 What savings will be made from the changes?

£362k of net savings per annum will be realised with an additional £843k of income benefits in terms of business rates and additional revenue.

12 When will the savings be realised?

Savings will be realised from 2017/18, from the commencement of the contract, this is anticipated to be April 2017.

Leisure Service Benefits After Ongoing Costs

