



REPORT TO: COMMUNITY SERVICES COMMITTEE

DATE: 11 JUNE 2009

HEAD OF SERVICE: ENVIRONMENT

REPORTING OFFICER: HEAD OF ENVIRONMENT
PHIL LONG

SUBJECT: REVIEW OF THE COUNCIL'S LEISURE CONTRACT AND
COMMUNITY LEISURE LTD (CLL)

WARDS AFFECTED: ALL

1.0 PURPOSE OF THE REPORT

- 1.1 The purpose of the report is to put forward recommendations following a review of performance by the CLL working party.
- 1.2 The current grant funding arrangement with Community Leisure Ltd (CLL) ends in September 2009.

2.0 RECOMMENDATIONS

- 2.1 That Full Council be recommended to approve the findings and recommendations of the CLL Working Party as follows:
- a. In conjunction with CLL and key stakeholders, to develop a comprehensive strategy for Sport and Active Recreation.
 - b. Implement Option 1 - Extend the CLL grant funding arrangement for five years to the end of September 2014 with the option of a further two-year extension.
 - c. Agree the implementation plan (detailed in Section 10 of the main review document.)
 - d. Review and amend the existing grant conditions within legal constraints re procurement regulation, to enhance partnership working and monitor performance against key indicators, efficiency savings and project delivery against the annual business plan the new Sport and Active Recreation strategy and revised Corporate aims and objectives.
 - e. Work in partnership with CLL, with a view to increasing customer satisfaction and participation regarding sport and active recreation, extracting maximum value from the partnership contract and resolving where possible outstanding contractual issues regarding NRLC.
 - f. Develop and strengthen links between CLL, Sports and Active Play Development, community sport network and the wider Health remit.
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- g. Implement a quarterly performance review board for CLL performance monitoring by the CLL working party.

3.0 REASON FOR RECOMMENDATIONS

- 3.1 Performance to date has improved, the company appears financially stable; satisfaction is high and participation levels are increasing in most areas. Additional value for money has been extracted from the service with the recognition of potential for more in the future.
- 3.2 The time frame will allow the preparation and implementation of a detailed forward-looking strategy to assess current and future sports and recreation needs locally, seen as essential for service progression regarding step change improvement.
 - It removes the risk of Liquidation costs for CLL
 - It removes the risk of novation costs or potential of reduced tender value regarding the Competition Line agreement.
 - It removes the risk of inertia.
 - By comparison to other options it facilitates the fastest progression of step change improvement.

4.0 BACKGROUND

- 4.1 It was agreed by Council in June 2007 that the arrangement with CLL to be extended for a further two years, with a breakpoint after one year (June 2008) for a service review. A further resolution was the establishment of the Community Leisure Working Party.
- 4.2 In June 2008 the Community Leisure Working Party met and agreed the format of a task and finish group to carry out the review. (The full review document is available on request and in the Members Room).

5.0 REPORT

- 5.1 A comprehensive review of leisure provision and CLL has been undertaken and recommendations approved by the CLL working party. Analysis was undertaken of the following areas:
 - Financial and Statistical comparisons.
 - Participation.
 - Satisfaction with Sport and leisure Services.
 - Health and Safety.
 - Performance against O&S review 2005; 17 Main Recommendations.
- 5.2 The findings of the review are summarised as follows:
 - The financial stability of CLL appears sound and the company is reasonably robust despite a series of exceptional one off costs during 2007/8 and 2008/9.
 - Additional value has been extracted from the service by CLL effectively reducing running costs for 2009/10, the benefits contributing to the delivery of RDC efficiency targets.
 - The service is competitive relative to the family group regarding fees and charges, benefiting Ryedale residents.

- Potential choices are to seek additional value from the existing partnership arrangement, via a revised agreement (as far as legally practicable) or to go out to procurement to test the market regarding alternative service providers.
- Participation levels are generally good and increasing across most categories with the exception of Sports Hall Usage.
- Outward facing satisfaction surveys- involving users and non users- indicate that RDC performance is slipping by comparison with others, both nationally and within Yorkshire, indicating a mismatch between need, expectation and service provision and highlighting the urgency of a needs analysis and strategic review to inform service direction and procurement options.
- By comparison inward facing surveys (actual service users) report extremely high levels of satisfaction with the service provided by CLL, but potentially highlight the poorer quality of the facilities at Derwent Pool, reflecting the age of the facility.
- The report highlights the urgent requirement to review and amend (where possible) contractual arrangements with Lady Lumley's school and the existing grant conditions with CLL to enhance partnership working and monitor performance against key indicators and project delivery against the business plan to minimise risk.
- The two-year extension has facilitated the development of CLL into a more robust and increasingly customer focused company, however the uncertainty of the current arrangement leaves the company limited security or potential for investment to facilitate step change improvement which has had a negative impact on staff moral.
- To move forward it is essential that a clear and transparent long-term position be developed regarding service procurement for provision of sport and leisure services.

6.0 OPTIONS

6.1 Essentially four main commissioning options have been considered:

- 1 Extend the CLL agreement** - Amend the grant agreement (as far as legally practicable) to enhance partnership working and monitor performance against key indicators, efficiency savings and project delivery against the business plan, the new Active Lifestyles strategy and Corporate Plan. The normal extension period to be considered would be for 5 years with an optional 2-year additional period.
- 2 In House** - Take the service back into Council ownership and develop an Active Lifestyles strategy.
- 3 Start preparations to market test the service from June 2009** with a view to enter into a new agreement with the current or a new provider from October 2010. This will require extension of CLL's agreement by 12 months plus a one-month hand over period.
- 4 Hybrid Option** - Amend (as legally practicable) and extend the Grant Agreement with CLL to end of August-September 2011 to allow preparation of a strategy, cessation of the Competition Line agreement and a full procurement exercise. Start preparations to procure the service from January 2010 with a view to enter into a new agreement with either the current or new provider from July 2011 to allow a one-month hand over period.

6.2 Critical Issues (Section 8 of full Review report)

- 6.2.1 **Strategy Development:** The Councils revised Corporate Plan puts the encouragement of Active Lifestyles strategy as one of its key five Aims. Key actions include:
- To develop and implement a Council Active lifestyle Strategy with a vision towards the legacy of the 2012 Olympics and the promotion of a green gym approach to active places, spaces and travel with the aim of fitness for life.
 - Develop more effective multi agency and partnership working to increase participation in and satisfaction with sport and active recreation.
 - Achievement of a healthy weight through encouragement of a healthy Lifestyle, the aim of fitness for all for life.
- 6.2.2 **CLL agreement finishes September 2009:** Should the decision be made to go to Option 3, procurement timescales would require extension of the current arrangement to the end of Oct 2010 plus a one month handover. Should CLL be unsuccessful in the commissioning process there would be the need to conduct a solvent liquidation estimated by CLL at £30K.
- 6.2.3 **Competition Line Agreement:** The agreement is due to expire in August 2011 and has the potential to cause contractual problems if a commissioning process takes place and CLL is unsuccessful and ends their agreement before this date. RDC would have to either ensure novation of the agreement or provide funds to compensate for breach of contract and find capital to acquire the equipment. The costs of this have been estimated as £70k.
- 6.2.4 **NRLC Agreement:** The dual use agreement signed in 1999 between Lady Lumley's School, RDC and NYCC for 60 years details apportionment of costs, access time etc. Recent work undertaken by CLL has targeted elements of the defective contractual arrangements and highlighted a number of potential issues.
- 6.2.5 Further work needs to be undertaken to resolve these issues. Failure to achieve this before the potential letting of a new contract could result in additional costs to the Council.
- 6.2.6 **Current Grant Funding Arrangements:** There is urgent need to review the existing grant conditions if the arrangement with CLL is to be extended as per Option 1 and 4. In their current form they are limiting to both parties.
- 6.2.7 **Sustainable Long term investment in Leisure Facilities:** This is likely to be a key issue assuming the Council continues to retain ownership and therefore maintenance liabilities in relation to the structure and fabric of the buildings.
- 6.2.8 Although both pools have been recently refurbished, by their very nature they represent a higher risk in terms of maintenance and will potentially require further major investment in the next 10-15 years.
- 6.2.9 **The new Malton School Sports Hall/Astro turf pitch:** The impact of these developments (potentially coupled with Norton School Sports Hall and Fitness Suite and potential development at Helmsley) on NRLC's/Lifestyles customer base and future financial viability are unknown and will remain so until the new facilities have been up and running for a period of time. School facilities are scheduled for

completion in 2010. The degree of uncertainty may hinder any market testing exercise until the true impact is known.

- 6.2.10 **The cost of changing service provider:** This should not be underestimated. Actual costs have not been explored so far but discussion with other Districts estimate they could be in the region of £100K coupled with costs of market testing estimated at £70K.
- 6.2.11 **Extension of CLL agreement to August 2011 (Option 4):** Extension of the current (albeit potentially amended) agreement for only two years severely limits the ability of CLL and RDC to progress the partnership or make tangible improvements or investments in a meaningful way. It potentially leaves CLL in the position of relative inertia, due to the limited contract term.
- 6.2.12 The uncertainty of the arrangement would leave the company with limited security and potential for investment to facilitate step change improvement.
- 6.2.13 **Market Conditions:** In discussion with other Authorities it is apparent that the market is fragile due to current economic conditions. Coupled with a demographically small and ageing market, the ability to attract sufficient interest from suitable service providers is an unknown at this stage.

7.0 OPTION APPRAISAL

- 7.1 **Option 1 - Extend the CLL agreement for 5 years plus optional two-year extension is considered to be the strongest option for recommendation. It is the least risk, least cost option, exercising the greatest control over the key variables outlined in section 8.3 of the full review report.**
- Performance to date has improved, the company appears financially stable; satisfaction is high and participation levels increasing in most areas.
 - Additional value for money has been extracted from the service with the recognition of potential for more in the future.
 - The time frame will allow the preparation and implementation of a detailed forward-looking strategy to assess current and future sports and recreation needs locally. This is seen as critical to the success of any commissioning option and essential for service progression regarding step change improvement.
 - It removes the risk of Liquidation costs for CLL.
 - It removes the risk of novation costs or potential of reduced tender value regarding the Competition Line agreement.
 - It removes the costs of commissioning.
 - The timeline allows the potential impact of the new Sports Hall and astro turf pitch at Malton School and Norton College to be fully considered regarding the impact on demand.
 - The in house Option 2 is not practicable due to the high costs involved regarding business rates, VAT and loss of charitable status. In addition RDC does not have the requisite Leisure Management skills in house.
 - Option 3 does not give the timescale for preparation of a strategy to effectively go to tender.
 - Option 1 by comparison with Option 4, removes the uncertainty of an extended short term arrangement, increases the security of the company and creates scope for potential investment to facilitate step change improvement quickly.
 - It removes the risk of going to the market in the current economic climate.

8.0 FINANCIAL IMPLICATIONS

- 8.1 Implementation of Option 1 has the potential to extract additional value out of future arrangements. Some additional cost will be incurred regarding the development of a comprehensive Active Leisure strategy. A further report on this issue, a proposed timetable, requirements and financial implications will be brought to members.

9.0 LEGAL IMPLICATIONS

- 9.1 Advice will be taken regarding changes to the current grant funding arrangement with CLL and the dual use agreement with NRLC.

10.0 RISK ASSESSMENT

- 10.1 **Financial Risk:** The lowest risk option, removing the risk of liquidation and novation costs, potentially in the region of £100-200K and also costs of market testing estimated at £70K.
- 10.2 **Strategic Risk:** The development of a clear visioning strategy facilitates delivery of Corporate plan objectives and targets to meet the needs and aspirations of the community and further improve performance. The option reduces the risk of inertia and encourages the potential of step change improvement, creating scope for further investment through increased contractual stability.
- 10.3 **Environmental Risk:** The option facilitates the development of an open space-green gym strategy with encouragement of an active lifestyle regarding sustainable travel options.
- 10.4 **Sociological Risk:** The development of an Active Lifestyle strategy in conjunction key stakeholders such as the PCT should facilitate long term planning aimed at the reduction of obesity in children and adults.
- 10.5 **Reputational Risk:** Removes the risk of inertia inherent with other options and encourages comprehensive long term planning to ensure value for money.
- 10.6 **Economic Risk:** It removes the risk of going to the market during a period of economic crisis and the inherent uncertainty of securing long-term value from commissioning the service in the current climate.

11.0 CONCLUSIONS

- 11.1 The report highlights a number of key variables. None of the options are without risk. Option 1 - Extending the CLL agreement for 5 years plus optional two-year extension is considered to be the strongest of the four. It is the least risk and least cost option,

Background Papers

The full CLL review report is available in CLLR folders, member's library or on request. The review document encompasses the following sources:

- CIPFA charges for Leisure Services Statistics 2007/8
- CIPFA charges for Leisure Services Statistics 2006/7

- CIPFA comparisons of Facilities and Expenditure 2008/9
- CIPFA comparisons of Facilities and Expenditure 2007/8 to include net expenditure per head.
- Sport England definitions
- CLL Customer feedback analysis
- Community Leisure working party minutes
- Community Leisure Board of Management minutes.
- CLL Power point presentation January 2009

OFFICER CONTACT:

If you require any further information on the contents of this report please contact Phil Long, Head of Environment. The Officer can be contacted at Ryedale House, Telephone 01653 602820 or e-mail: phil.long@ryedale.gov.uk