

**REPORT TO THE SCRUTINY PANEL RESOURCE AND PERFORMANCE
MEETING ON 16th JULY 2015**

Status: For Discussion

Title: The Council's working arrangements with Harborough District Leisure Trust

Originator: Matthew Bradford, Service Manager-Contracted Services

Where from: Corporate Management Team

Where to next: Any recommendation to be considered for implementation.

Objective:

To scrutinise the Council's working arrangements with The Leisure Trust/ Serco.

The report should include performance data against set targets and comparative data against previous year.

1. Outcome sought from Panel

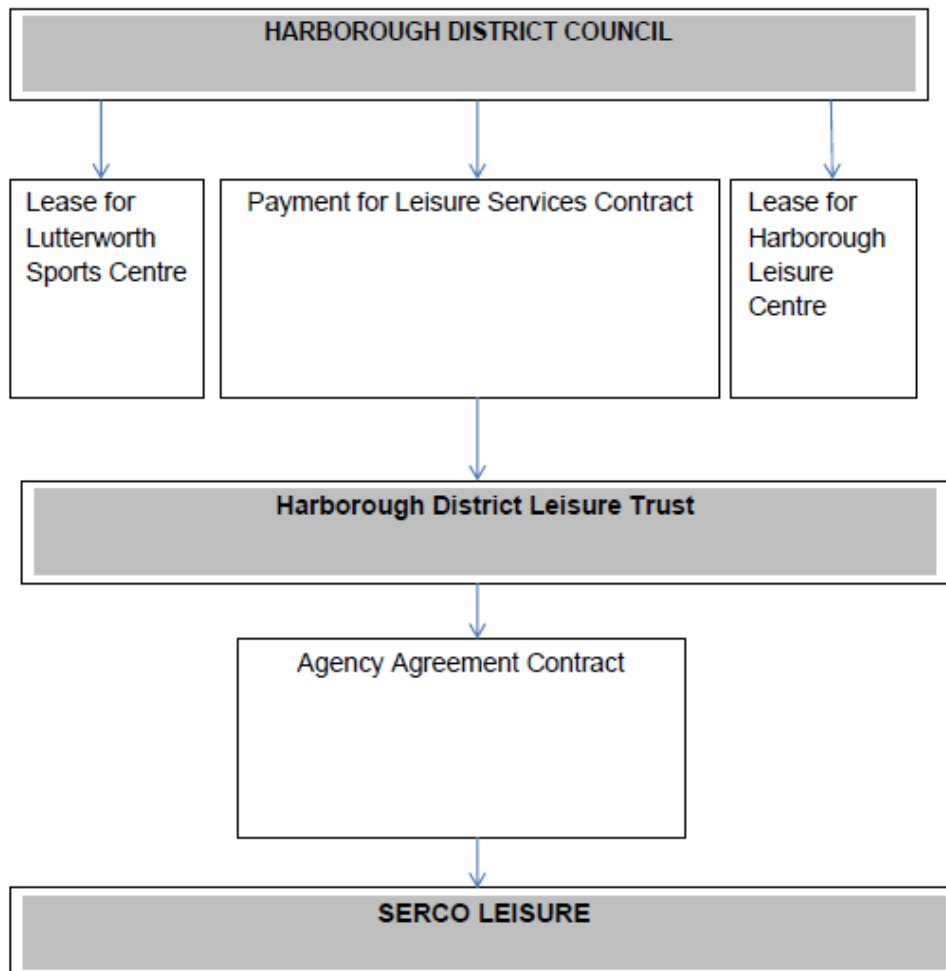
- 1.1 To consider and discuss HDC's working arrangements with the Harborough District Leisure Trust (HDLT)
- 1.2 To consider HDLT's performance over the year 2014/2015.

2 Background

- 2.1 HDC had a contract for the delivery of leisure services with Serco which began in 2004 and runs for a period of 15 years. The contract was novated to Harborough District Leisure Trust (HDLT) from May 2008 in order that the benefits of community governance (and financial benefits) could be realised.
- 2.2 Harborough Leisure Centre and Lutterworth Sports Centre are both leased to HDLT for the duration of the contract. HDLT are responsible for repairs and maintenance under the terms of both leases. The Council recently commissioned a dilapidations survey for the Leisure Centre to ensure that the Trust and their partner SERCO undertake repairs and replacement of required facilities by 2019.
- 2.3 The Council in 2014 paid to the Leisure Trust a subsidy of £124,244. The contract has a gain share mechanism. However, the trigger for this has not been reached over the period of the contract.

2.4 HDLT has an Agency Agreement with Serco to provide services within the Leisure Centres. The existing contract and lease structure for the services provided is given in Figure 1 below.

Figure 1 – Existing Contract and Lease Structure



2.5 HDLT is a company limited by guarantee and a registered Industrial Provident Society. There are currently 5 trustees with a range of professional backgrounds and skills. The current Trustees are:

- Clive Grafton-Reed (Chair)
- Michael Taylor
- Stephen Webster
- Anabel Kanjurs
- Kathy Davison

2.6 Pricing for activities is split into core and non-core prices.

- **Core Pricing:** Price reviews take place on a yearly basis and increases are limited under the contract terms to Retail Price Index (RPI) per annum above the baseline price established at the start of the initial contract in 2004.

- **Non-Core Pricing:** Prices for non-core activities are set and varied at the sole discretion of the Trust

2.7 A summary of the performance, marketing and usage of Harborough and Lutterworth Sports Centres is attached at **Appendix A**.

2.8 In addition to the activity prices there are a number of membership packages available for both centres. Terms and pricing for membership schemes are established by HDLT and there is no price control within the contract. There are current approx. 2,600 gym members (health and fitness).

2.8 The Trust also provides a full programme of swimming lessons at both sites. There are currently approx. 2,000 enrolments on the programme. The Trust is currently considering whether the swimming lesson programme can be extended without having a detrimental impact on other pool users.

2.9 Mystery shopper visits have taken place at both Harborough and Lutterworth Centres, with both sites achieving high scores. The reports from the visits can be found at **Appendix B** (Harborough) and **Appendix C** (Lutterworth).

2.10 **Appendix D** provides details of customer feedback received during Quarter 4 2014/2015.

2.11 **Appendix E** provides the Key Performance Indicators that are reported by the Trust to the Council. These are discussed in monthly operational meetings between SERCO, HDLT and the Council.

3 Points for discussion

3.1 To consider HDLT's Annual Performance and ask questions of the Trust and SERCO.

3.2 To consider which indicators within the Report should be contained within HDC's Performance Management arrangements going forward.

4 Equality Impact Assessment Implications/Outcomes

4.1 This report summaries the performance of the Council's Leisure Services provided through HDLT and their leisure provider, SERCO. Emerging issues and service developments are discussed and evaluated through the regular operational meetings.

5 Impact on Communities

5.1 The leisure centres play a vital role in delivering leisure and sporting opportunities to the residents of the district. The role of the centres in delivering health benefits to the community over the coming years is likely to increase with the focus of healthcare moving away from treatment and towards prevention. The centres have already achieved some significant success in delivering activity programmes to

members of the community who have previously been inactive and at risk of poor health.

6 Legal Issues

- 6.1 HDC has a contract with HDLT for the delivery of leisure services. The contract expires at the end of March 2019. There is an extension clause within the contract that permits an extension of up to 3 years.
- 6.2 During November 2014, Serco PLC announced to the stock market that it wishes to sell its leisure and environmental services divisions in order to focus on its core business interests. At the time of writing the process of selling the business has not been completed and it is suggested that this may not now complete until early 2016. As HDC's contract is with HDLT, this may not be a complicated issue to deal with, although there are some contractual issues to overcome once the sale of the business has happened. These include matters relating to Parent Company Guarantees and Performance Bonds. Current indications are that SERCO will dispose of their Leisure interests as a going concern.

7 Resource Issues

- 7.1 Harborough District Council pays HDLT a Payment for Leisure Services, which for 2014/15 was £124,244. In addition to this there is a "gain share" arrangement where any surplus income above a certain threshold is shared between HDC, HDLT and Serco. The threshold for the "gain share" arrangement to occur has never been reached.

8 Community Safety Implications

- 8.1 High participation levels in sport and physical activity amongst young people are thought to contribute towards lower levels of anti-social behaviour (ASB).

9 Carbon Management Implications

- 9.1 HDLT and Serco recognise the importance of Carbon and Energy Management and have received industry recognition for implementing lowering energy usage.
- 9.2 HDC is currently working with HDLT to identify any opportunities for improved energy management. This may result in a bid for external energy efficiency funding in order to fund any improvements in the mechanical and electrical equipment within the centres. It is thought that the greater opportunities for funded projects are at Harborough Leisure Centre because of its age.

10 Risk Management Implications

- 10.1 Operational Risks are managed by the Trust and SERCO and discussed in the regular operational meetings.
- 10.2 The Council retain certain liabilities as the owner of the Leisure Centres and monitor these including identifying and progressing Health and Safety actions.

10.2 The proposed transfer from SERCO of their Leisure Interests remains a risk. Meetings have been held with the Trust and SERCO and current indications are that SERCO will transfer their business as a going concern. If this is the case, the level of strategic and operational risk is significantly reduced.

11 Consultation

11.1 Consultation has taken place with the portfolio Holder for Financial and Commercialisation who is responsible for the Council's major contracts.

12 Background Papers

12.1 None

Previous report(s):

Information Issued Under Sensitive Issue Procedure:

Appendices:

- A. Extract from Leisure Trust Board Report, Quarter 4**
- B. Harborough Mystery Shopper Report**
- C. Lutterworth Mystery Shopper Report**
- D. Customer Feedback**
- E. Key Performance Indicators**