

**REPORT TO THE COMMUNITIES SCRUTINY PANEL
MEETING OF 1 SEPTEMBER 2022**

Status: For Discussion
Title: Leisure Procurement Strategy
Report of: Jacqui Evans- Director of Communities and Wellbeing
Portfolio Holder: Cllr Whelband, Communities Cabinet Member and Cllr Hallam, Finance Cabinet Member
Where from: Harborough District Community Wellbeing Partnership
Where to next: Cabinet

Objective: To review the draft Leisure Procurement Strategy and seek opinions on the proposed balance between meeting the Council's service requirements, return on investment and ensuring the opportunity is attractive to the market.

1. Outcome sought from Panel

1.1 The purpose of this meeting is to present the draft Leisure Procurement Strategy, to the Panel for comment and provide background information as to the current market for Leisure provision. Views are particularly sought from the Panel in respect of balancing the Council's requirements and aspirations, the return on investment and ensuring the opportunity is attractive to the market. Members are invited to note the project timeline, including gateways to when the new Leisure contract begins on 1 April 2024.

2 Background

2.1 On 6th September 2021, Cabinet considered a report on the Review of Leisure Provision. It resolved to proceed with redevelopment of the Leisure Service provision (Option B).

2.2 To support the redevelopment, Council has agreed to make available to operators of up to £9.75million for which the annual capital repayments will be paid by the leisure operator over the life of their contract (up to 25 years).

2.3 Cabinet reiterated that the cost to the Council of the new contract needs to be as low as possible. The MTFs identifies a £zero cost to the Council for the next leisure contract.

2.4 The Council has commissioned The Sport, Leisure and Culture Consultancy (SLC) to support the procurement process which is being led by an internal Leisure Project

Team and Project Board. Cabinet are represented on the Board by Cllr Whelband and Cllr Hallam.

- 2.5 In order to commence a new Leisure contract on 1 April 2024 with all relevant due diligence, the Procurement Strategy needs to be approved at Cabinet in September 2022.

3.0 Leisure Procurement Strategy

- 3.1 Part of the process to award a new Leisure contract by 1 April 2024 is to develop a clear Procurement Strategy, which sets out the Council’s approach to the procurement process and establish a suitable balance between meeting the Council’s service requirements, return on investment and ensuring the opportunity is attractive to the market.
- 3.2 SLC’s Briefing Paper dated August 2022; Appendix A sets out the Procurement Strategy.

4.0 Timeline for awarding the Leisure Contract on 1 April 2024

- 4.1 The timetable for procurement is set out below in Table 1. This identifies key stages and governance milestones and their status.

Table 1. Procurement Timetable

	Date	Status
STAGE 1: PROJECT INCEPTION	DEC 2021	Complete
STAGE 2: MARKET ENGAGEMENT	JAN 2022 – APR 2022	Complete
Market engagement carried out with 5 national leisure operators	March/April 2022	Complete
All Member briefing on key messages from engagement	Jun 2022	Complete
STAGE 3: DEVELOPING THE PROCUREMENT STRATEGY	MAY 2022 – SEP 2022	
Confirmation that the new contract is affordable (at least £zero cost to the Council), subject to interest rates at tender stage in 2023	Jun 2022	Complete
Project Board Workshop to develop Procurement Strategy	Jun 2022	Complete
Procurement Strategy reviewed by Communities Scrutiny Panel	Sep 2022	

STAGE 4: PROCUREMENT DOCUMENTATION/ SPECIFICATION	SEP 2022 – OCT 2022	
Procurement Strategy considered by Cabinet	Sept 2022	
STAGE 5: TENDER PROCESS AND EVALUATION	NOV 2022 – MAR 2023	
Initial tender evaluation (assume 4 bidders)	Jul 2023	
Gateway review by Project Board	July 2023	
Revised tender evaluation	Oct 2023	
Council approval of preferred partner	Nov 2023	
NEW CONTRACT COMMENCES	Apr 2024	

- 4.2 In Stage 5, between November 2022- March 2023 the Invitation to Tender process will take place following completion of the procurement documents including the Leisure Contract.
- 4.3 The tender process involves qualification, an initial tender and final tender. It is expected that in the region of 4 bidders will submit initial tenders in July 2023.
- 4.4 It is key to note that there is a Gateway review in July 2023 by the Project Board, where options will be considered, and relevant adjustments will be made to the evaluation as required. This final tender phase will then take place from July -October 2023.
- 4.3 In November 2023, Cabinet and Council approval will be sought for the preferred partner. The necessary work will then be initiated with the preferred partner from November to March, to enable a new contact to be on 1 April 2024.

5 Points for discussion

- To discuss the Leisure Procurement Strategy, which will be presented by David Rushton, Director for SLC.
- To note the timeline for awarding the Leisure contract.
- To understand the current market for Leisure provision.
- Invite ideas for future consultation and engagement.
- For Members to ask questions of HDC Officers and SLC on this area of work

6 Equality Impact Assessment Implications/Outcomes

- 6.1 A full equalities impact assessment will be completed as part of the procurement and will be built into the leisure provision we develop.

7 Impact on Communities

- 7.1 Leisure provision across the district aligns to one of our key Corporate Priorities, 'to promote health and wellbeing and encourage healthy life choices'.

8 Financial

- 8.1 In September 2021 Cabinet agreed to proceed with the option of redevelopment and refurbishment of the existing sites at an estimated net capital cost of up to £9.75 million. This was included in the 2022/23 (to 2026/27) capital programme that was approved by [Council](#) in February 2022.

- 8.2 The capital will be repayable over the life of the contract, and the operator will be expected to cover these repayment costs. It is also anticipated that the Council could potentially also receive a return on the investment, as well as covering the cost of the contract.

- 8.3 The new contract is expected to have a duration of 25 years; made-up of an initial 15-year term plus 2 extensions of 5-years. Although the risk is 15 years from the time the contract was awarded, if the:

- capital investment was to have an economic life of greater than 15 years, but the
- selected contractor chose not to extend beyond 15 years,

there is a risk that the Council Tax payer would have to meet the residual 10 years cost of capital if any subsequent contractor did not agree to meet the residual costs of capital.

9 Legal Issues

- 9.1 The procurement and subsequent contracts will be subject to a series of legal requirements. It is on this basis the proposal has been and continues to have specialist legal support to ensure compliance with procurement and contractual arrangements.

10 Carbon Management Implications

- 10.1 Transferring some or full responsibility for utilities to the operator as part of the procurement will encourage investment in energy saving technology and contribute towards addressing the climate change emergency.

- 10.2 A new contract is the ideal time to include such investment to enable the operator to obtain maximum benefit and return on the investment, and the operator would be financially incentivised to do so. This has been the case in several recent

procurements. This approach would also contribute to the Council's corporate commitment to achieving net zero carbon.

11 Risk Management Implications

- 11.1 A full risk register for the project is being managed in accordance with the Council's Project Management framework. The key risks that are being managed include;
- Failure to achieve £zero cost for the new contract
 - Impact of rising costs of utilities
 - Maintenance liabilities for the facilities
 - The final facility mixes not meeting expectations of stakeholders
 - Project team resources

12 Consultation

- 12.1 High level engagement has taken place between December 2021 and January 2022 as part of the development of the Health and Wellbeing Strategy. 38% of respondents (169 residents) thought that sports and leisure facilities need improving to make Harborough a healthy, active place to live.
- 12.2. Engagement with Leisure users for both sites will be taking place to feed into the final service specification.

Previous report(s): *n/a*

Information Issued Under Sensitive Issue Procedure: *N*

A. The Sport, Leisure and Culture Consultancy's **Briefing Paper**