

SUBJECT:	<i>Appointment of Leisure Operator</i>
RELEVANT MEMBER:	<i>Councillor Liz Walsh, Portfolio Holder for Healthy Communities</i>
RESPONSIBLE OFFICER:	<i>Martin Holt, Head of Healthy Communities</i>
REPORT AUTHOR:	<i>Martin Holt; martin.holt@chilternandsouthbucks.gov.uk</i>
WARD/S AFFECTED:	<i>(All Wards);</i>

1. Purpose of Report

The purpose of this report is to inform Members of the outcome of the Cabinet meeting on 20 August 2019 and the Buckinghamshire Council Shadow Executive meeting on 10 September and to note the capital investment in the Chiltern Lifestyle Centre, Chesham and Chalfont Leisure Centres proposed by the leisure operator.

RECOMMENDATION TO COUNCIL

To note that £5.664M has been added to the Buckinghamshire Council capital programme to enable capital investment in the Chiltern Lifestyle Centre, Chesham and Chalfont leisure centres to be made by the leisure operator.

Agreed by Cabinet on 20 August 2019:

- That Cabinet note the current position regarding the procurement of the Chiltern leisure operator contract
- That Cabinet agrees that the leisure operator contract for the operation of the Chiltern Lifestyle Centre, Chesham and Chalfont leisure centres and interim operation of the Chiltern Pools can be awarded to the most economically advantageous tender
- That Cabinet agrees to enter in to leases with the leisure operator to occupy the Chiltern Lifestyle Centre, Chesham and Chalfont leisure centres and the Chiltern Pools.
- That delegated authority is given to the Head of Healthy communities to agree the final terms of the leisure operator contract and leases.

Agreed by the Buckinghamshire Shadow Executive on 10 September 2019:

- That the proposal to develop the Chiltern Lifestyle Centre be agreed.
- That net expenditure of £33,500,000 as included in the current Chiltern District Council capital programme for the construction of this project, to be funded from borrowing, as agreed.

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- That the appointment of the Leisure operator to manage the new Leisure facilities from 1st April 2020 be agreed.
 - That it be agreed that additional expenditure for the refurbishment of Chalfont and Chesham leisure centres and the Furniture, Fixture and Equipment costs of the Chiltern Lifestyle Centre, as contained within the tender of the appointed leisure operator, be funded from borrowing.
 - That the setting aside of £2.26M from General Reserves to cover the three year initial revenue costs be agreed. This is to be replenished during the 15 year contract period, ensuring the Chiltern Lifestyle Centre is delivered at no cost to the Council Tax payer.

2. Content of the Report

- 2.1. At the Cabinet meeting on 26th June 2018 a decision was made to procure the leisure operator contract to manage the Council's current leisure centres and the proposed Chiltern Lifestyle Centre subject to its development.
- 2.2. The approach taken was to tender for a Mandatory Solution of operating the Chiltern Lifestyle Centre and the Chesham and Chalfont Leisure Centres for a 15 year period from 1st April 2020 with the option to extend the contract by 5 years.
- 2.3. A Mandatory Variant Solution was also sought to enable the Council to appoint a leisure operator to manage the existing leisure centres for a 15 year period from 1st April 2020, should the Chiltern Lifestyle Centre not be developed. The Mandatory Variant Solutions only being evaluated if the decision is to maintain the continued operation of the Chiltern Pools for 15 years.
- 2.4. This approach assisted the Council in testing the validity of the business case, produced by Knight Kavanagh and Page (KKP), as to the operation of the proposed Chiltern Lifestyle Centre.
- 2.5. The Bidders were also instructed to put forward investment proposals for the Chesham and Chalfont Leisure Centres to be delivered within the first year of the contract. This would enable the centres to remain vibrant and continue to attract market share. The Council will pay for the investment, but the fee payable by the operator will repay the cost of the loan to the Council
- 2.6. The highest scoring tender was submitted by Sport and Leisure Management Ltd (SLM) who trade as Everyone Active. At the time the report was submitted to Cabinet the successful Bidder could not be identified in accordance with the procurement governance procedures. The decision requiring approval by the Shadow Executive of Buckinghamshire Council.

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- 2.7. The procurement exceeded the threshold income target of providing the Council with an average guaranteed net income of £1.2M/annum over a 15 year contract to operate the Chiltern Lifestyle Centre, and Chesham and Chalfont Leisure centres.
 - 2.8. The management fee to be paid by SLM to the Council will fully fund the cost of borrowing, and lifecycle repairs to external structural elements of the buildings for which the Council retains responsibility.
 - 2.9. SLM are an established leisure operator with a good financial standing and have operated in the market for 25+ years and each manage over 180 centres across the nation. Should the operator enter in to liquidation then the parent company guarantee would be activated under the contract.
 - 2.10. SLM proposes to invest £4,659,000 in the Chesham and Chalfont leisure centres and £1,005,000 for the Furniture, Fittings and Equipment fit out at the Chiltern Lifestyle Centre. The works proposed will refresh these two centres creating new market opportunities offsetting the risk of trade being lost to the Chiltern Lifestyle Centre.
 - 2.11. The Chiltern Lifestyle Centre Scrutiny Committee and Cabinet agreed that the investment proposed by SLM meets the Council's aspirations to invest in Chesham and Chalfont leisure centres and the cost of borrowing is met by the management fee paid to the Council.
 - 2.12. The Shadow Executive of Buckinghamshire Council at its meeting 10th September agreed the appointment of the leisure operator and that £5,664,000 is added to the capital programme for 2020/21
 - 2.13. This report is to note that £5,664,000 has been added to the 2020/21 Buckinghamshire Council capital programme to enable capital investment in the Chiltern Lifestyle Centre, Chesham and Chalfont leisure centres to be made by the leisure operator

Chiltern Lifestyle Scrutiny Committee

Members of the Chiltern Lifestyle Scrutiny Committee considered the report and the Private Business Case and loan repayment spreadsheet on 7 August 2019 and advised it be amended to reflect interest payments and changes to car parking income.

Members of the Chiltern Lifestyle Scrutiny Committee recommended:

1. That Cabinet note the current position regarding the procurement of the Chiltern leisure operator contract
2. That Cabinet agrees that the leisure operator contract for the operation of the Chiltern Lifestyle Centre, Chesham and Chalfont leisure centres and interim

operation of the Chiltern Pools can be awarded to the most economically advantageous tender

3. That Cabinet recommends to Council that a sum to be agreed to be added to the capital programme to enable capital investment in the Chiltern Lifestyle Centre, Chesham and Chalfont leisure centres to be made by the leisure operator.
4. That Cabinet agrees to enter in to leases with the leisure operator to occupy the Chiltern Lifestyle Centre, Chesham and Chalfont leisure centres and the Chiltern Pools.
5. That delegated authority is given to the Head of Healthy communities to agree the final terms of the leisure operator contract and leases.

3. Corporate Implications

6.1 Financial – the bids have been evaluated against a Public Works Loan Board repayment rate of 2%. The rate has increased to 2.76% since the appointment of the leisure operator.

The Bidders have provided a return based on current prices however the Business Case takes in to account likely inflationary increases in payments from contractor

Following all income and expenditure as part of the Contract the Council will be £300k/annum better than its current expenditure on leisure.

SLM proposes to invest £4,659,000 in the Chesham and Chalfont leisure centres and £1,005,000 for the Furniture, Fittings and Equipment fit out at the Chiltern Lifestyle Centre. The Buckinghamshire Council Shadow Executive has agreed that £5,664,000 is added to the capital programme to enable capital investment in the Chiltern Lifestyle Centre, Chesham and Chalfont leisure centres to be made by the leisure operator

6.2 Legal - Procurement of services is regulated by the Public Contracts Regulations 2015 (the Regulations) and this procurement has taken place under the regulations controlling Competitive Procedure with Negotiation (CPN). The contract was advertised in the Official Journal of the European Union (OJEU) on 19th October 2018

4. Links to Council Policy Objectives

- Delivering cost- effective, customer- focused services.
- Working towards safe and healthier local communities.
- Striving to conserve the environment and promote sustainability.

5. Next Steps

Contracts to be signed with the Contractor and Leisure Operator in November
Improvements to Chesham and Chalfont to occur in the first year of the leisure contract
following hand over 1st April 2020

Background Papers:	Planning Application. Cabinet and Chiltern Lifestyle Centre Scrutiny Reports as referred to in the report.
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