

Subject:	Portslade Sports Centre – Future Management Arrangements		
Date of Meeting:	11th July 2014		
Report of:	Executive Director of Children’s Services Assistant Chief Executive		
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Ward(s) affected:	North Portslade		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report sets out the options for the future management arrangements of Portslade Sports Centre following discussions with Portslade Aldridge Community Academy and the Aldridge Foundation.

2. RECOMMENDATIONS:

- 2.1 That the Committee gives approval to undertake a procurement process to seek an external operator to manage Portslade Sports Centre.

- 2.2 That the Committee grants delegated approval to the Executive Director of Children’s Services to

(i) appoint an external operator on a six year management contract from 1st April 2015 to be coterminous with the citywide Sports Facilities Contract

(ii) grant an extension to the management contract for a period of up to five years should it be required in order to be coterminous with the citywide Sports Facilities Contract

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Portslade Sports Centre (PSC) consists of the original community college sports centre which was built in 1973, the more recent community sports centre (built in 1997) and adjacent artificial turf pitch (both received grant funding from Sport England).

- 3.2 Located immediately adjacent to Portslade Aldridge Community Academy (PACA), PSC is a ‘dual-use’ centre which is currently operated directly by the Council and provides sports facilities for community use and for the students of PACA.

- 3.3 The sports centre was not included in the original transfer of assets to PACA when the Academy was formed in 2011. The main reason for this was that there were complexities around the community role of the centre and the formal remit of the Academy as determined by central government, which does not extend to providing community facilities.
- 3.4 Since the formation of the Academy, the Council, PACA and the Aldridge Foundation have been jointly exploring options for PSC in order to provide improved facilities for students and the community, building on the shared vision for school and community sport.
- 3.5 PSC currently provides a range of well used sports facilities for the community and Academy students. However, the original centre is over 40 years old and needs considerable investment in order to meet modern day expectations. A recent condition survey carried out in April 2014 has identified £360,000 of works required over the next five years to roofs, mechanical and electrical installations, floors and general redecorations. In addition, the artificial turf pitch which was re-laid in summer 2005 will require replacement in the next five years at a cost of approximately £130,000.
- 3.6 The net revenue cost to the Council of operating the centre is approximately £116,000 pa. In addition to this there has been approximately £75,000 spent on repairs to the roof over the last six years with further required roof works planned for this financial year which are estimated to be £60,000-£80,000.
- 3.7 The options explored by the Council, PACA and the Aldridge Foundation have therefore centred around the best way of securing a financially sustainable future for PSC and improving the facilities for the community and students of PACA.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 During the discussions between the Council, PACA and the Aldridge Foundation, three options were considered:

Option 1 - Status quo: the Council continues to operate and manage the centre, with the centre manager reporting to a Council officer and agreed day to day links with a senior manager at PACA and a formal agreement with PACA to provide facilities for its school sports functions.

Option 2 - Transfer to PACA, with a formal agreement with the Council to preserve and develop the centre's community sports functions.

Option 3 - Enter into a contract with a leisure services provider (the majority of which are not-for-profit trusts), with a formal agreement with the Council to preserve and develop the centre's strong community use and a formal agreement with PACA to provide facilities for its school sports functions.

- 4.2 Option 1, continuing with the current management arrangement, would ensure the Council retains direct control of the operation but there are a number of disadvantages:

- The Council would be retaining the risk of operational income and expenditure.
 - The Council does not have the resources to make the necessary improvements.
 - The existing arrangement for managing the centre is not ideal as PSC is the only such facility directly managed by the council and so this option would not be consistent with the Council's strategy for managing its other sports facilities.
- 4.3 Option 2, transfer of the centre to PACA, has been the subject of lengthy and detailed discussions between the Council, PACA and the Aldridge Foundation over the last two years. However, having considered this option in the light of these discussions and in relation to its core responsibilities as an Academy, the PACA Board advised the Council in October 2013 that management through a leisure services provider was their preferred route and Option 2 was to be discounted.
- 4.4 Option 3, entering into a management contract with a leisure services provider is likely to provide the following benefits:
- A leisure services provider has the benefit of economies of scale from managing many sports facilities. This has the potential to improve standards of service and increase use of the centre through more effective programming and marketing.
 - Potential investment in facilities and equipment to meet modern day customer expectations. A provider is likely to invest if they feel that such investment will increase use and therefore provide sufficient financial return to them during the term of their contract.
 - Potential revenue saving to the Council. A provider will probably increase income as a result of 1 & 2 above. Most providers also benefit financially from relief from business rates and VAT due to their trust status. This means that they can usually operate with lower expenditure levels than in-house management.
 - A wider range of opportunities for staff for professional and career development.
 - Transfer the risk of operational income and expenditure to an external provider, although the Council would retain some landlord responsibilities for maintenance of building fabric.
 - The Council would still be able to monitor and influence service delivery through the contract specification and would reserve the right to approve fees and charges as is the case with other Council sports facilities.
- 4.5 For the reasons given in 4.3 and 4.4 above, it was decided that the Council should consider the feasibility of Option 3, to enter into a contract with a leisure services provider to manage the centre. This would be in line with the Council's

strategy for the management and development of its six other community sports facilities, through the current citywide contract with Freedom Leisure. Like many such leisure services providers, Freedom Leisure is a not for profit trust with its origins in the public sector.

- 4.6 Due to EU Procurement regulations, PSC cannot be automatically added to the existing citywide sports facilities contract with Freedom Leisure. The appointment of a leisure services provider would therefore be subject to a formal tender process.

Soft Market Testing

- 4.7 In order to gauge the level of interest of potential operators and to help inform this report, the Council and a representative from PACA have held site visits and informal discussions with six different operators, five of which were not-for-profit leisure trusts. These discussions covered the following key topics:

Market Interest

- 4.8 All six operators said they would be interested in tendering for the opportunity if it went to the market. Some of them already have a local presence as they manage contracts in neighbouring authorities but even those who do not currently operate locally said they see PSC as a good opportunity for them.

Capital Investment

- 4.9 All of the operators stated that the centre is a good size but requires investment in order to bring it up to date with modern day standards and to meet increasing customer expectations. They considered many areas needed updating, particularly those within the original part of the building. There were also a number of comments regarding the apparent lack of a co-ordinated approach to marketing and branding.
- 4.10 All of the operators stated that they would be willing to invest in the centre, the extent of which would be dependent upon the length of contract (see 4.12 below). Many of them drew on examples of improvement projects that they have been involved in, some of which have been funded directly by themselves and others that have been funded by local authority clients through prudential borrowing. The latter is often a preferred option because of reduced borrowing costs.
- 4.11 Health & fitness facilities (gyms and exercise studios) are generally the biggest income generator in centres such as PSC. Extending and improving these facilities is therefore considered to provide the best potential return on investment. This would be dependent upon there being sufficient local demand for such facilities which would be assessed through market research.

Length of Contract

- 4.12 The existing Sports Facilities Management Contract which covers six other Council facilities across the city runs until 2021 with an option to extend up to a further five years.

- 4.13 It would be prudent that any potential contract for PSC be coterminous with this contract in order that it could be included as part of a citywide package for any future re-tender. If approved, this would mean tendering for a six year contract with the option to extend for up to five years, assuming the PSC contract was to start on 1st April 2015. This approach is likely to give the best potential for long-term investment in the facility.

Timescale

- 4.14 An indicative procurement timetable is shown below:

Actions	Dates
Policy & Resources Committee	10 th July 2014
Issue and Evaluate Pre Qualifying Questionnaire	July/Aug 2014
Issue Invitation to Tender	Aug/Sept 2014
Evaluate Tender Proposals	Oct/Nov 2014
Award of Contract	Dec 2014/Jan 2015
Commencement Date of Contract	April 2015

TUPE considerations

- 4.15 There are six full time members of staff together with 21 part time staff and 17 coaches/instructors at Portslade Sports Centre. This amounts to around 14 full time equivalent staff in total. They are currently employed under contract by the council and would therefore be affected by a potential change in management arrangements. Under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (“TUPE”) their terms and conditions of employment would remain the same following any transfer to a new operator and the process would be managed in accordance with the Council’s Organisation Change Management Framework.
- 4.16 Potential operators will be required to demonstrate experience of TUPE transfers and understand the procedures involved.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Consultation was undertaken with potential operators, as outlined above, to inform the process.
- 5.2 PSC staff and unions were issued with a briefing note prior to the Soft Market Testing to explain the discussions that the Council were involved in and the options regarding future management arrangements. A full timetable of consultation sessions is to be produced to ensure unions and staff are fully briefed throughout the process.

6. CONCLUSION

- 6.1 Seeking an external operator is considered to be the best way of securing a financially sustainable future for PSC and improving the standard of provision for the Portslade community and students of PACA.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The report updates on the future management arrangements for Portslade Sports Centre.

It is important if the procurement process is followed that the council achieves the best value for money and the principles of value for money are upheld.

The financial implications of the recommendations will depend on the outcome of the procurement process. It is important that that the financial position is reviewed regularly in line with the Targeted Budget Management Timetable (TBM) to ensure there are no additional costs to the council than the existing net budget of approx. £116k.

Finance Officer Consulted: Name Paul Brinkhurst

Date: 09/062014

Legal Implications:

- 7.2 Until the Sport England's funding agreement expires on 23 Nov 2018, Sport England's stipulations must continue to be addressed and met in any future arrangements.

The legal requirements as to procuring the proposed services (with particular respect to standing orders and/or any applicable Public Contracts Regulations) must also be satisfied.

The proposed option will require the agreement of PACA to allow PCS parking on PACA land as well as possibly enhanced vehicular access

Lawyer Consulted: Marten Matthews

Date: 10/06/2014

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms

None

Background Documents

None