

Report of the Head of Finance and the Head of Resources

Redwell and Waendel Leisure Centres: Contract Extension to 31 December 2014

1 Purpose of report

To seek authority to extend the current contact between the council and DC Leisure Limited for the management and operation of the Waendel and Redwell Leisure Centres.

2 Executive summary

The council's contract with DC Leisure Limited (DCLL) for the management and operation of the Waendel and Redwell Leisure Centres ends on 31 March 2014. Members are requested to extend the contract by a further nine months to afford time to complete negotiations for a new contract to commence in January 2015.

3 Appendices

None

4 Proposed action:

4.1 The committee is invited to RESOLVE that a nine month extension until 31 December 2014 be agreed for the leisure centres management contract on current terms to afford time to complete negotiations between the council and DC Leisure Limited.

5 Background

5.1 On 30 May 2012 Resources Committee established a working party to explore the options for the management arrangements for the leisure centres subsequent to the expiry of the contract with DCLL.

5.2 On 26 February 2013 the contact between the parties was extended by six months to terminate on 30 September 2013, and then again for a further six months to expire on 31 March 2014.

6 Discussion

6.1 Negotiations between the council and DCLL had been proceeding in accordance with the instructions of the member working party. The basis of an agreement for a new contract that delivered limited savings on the council's management fee had been reached in principle.

6.2 However, the outlook for the council's financial position prompted consideration of how to achieve a greater level of saving from leisure services. Advice was sought from the Welland Procurement Partnership as to how this might be achieved.

6.3 Working party members considered that pursuing the opportunity for greater savings merited further examination and requested more time to explore alternative options.

6.4 DCLL were advised of the working party's position and agreed an extension of the existing contract on the same terms until 31 March 2014.

6.5 Since that time further work on the options for service delivery and reductions in costs

have progressed and have been discussed with DC Leisure. Full examination of these options to ensure that we get a value for money contract in place for the next 10 years will not be completed before 31 March 2014.

- 6.6 Members will need the opportunity to carefully consider the merits of each option once developed. The working party will be presented with the options once they have been fully developed and analysed. The preferred option may need contractual changes and agreements, which could be a lengthy process.
- 6.7 For this reason a further extension is needed to conclude the negotiations and allow sufficient time for members to agree the required contractual changes. An extension period of nine months has been discussed and DCLL are agreeable to this further continuation on the same basis as the previous extensions.

7 Legal Powers

- 7.1 Provision of leisure facilities is a discretionary service (except in relation to the Children’s Act 2004, Section 11 of which places a statutory duty on district councils to make arrangements to ensure that in discharging their functions they have regard to the need to safeguard and promote the welfare of children) and is subject to powers primarily available under section 19 of the Local Government (Miscellaneous Provisions) Act 1976 and the Local Government Act 1972. This power is complemented by the general power of competence given to the council by section 1 of the Localism Act 2011.
- 7.2 Section 3 of the Local Government Act 1999, as amended by s137 of the Local Government and Public Involvement in Health Act 2007 puts the council under a general duty of best value to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.”
- 7.3 The most recent statutory guidance on the duty (September 2011) draws particular attention to the broad range of matters it is necessary to have regard to when considering the duty and states that “(local) authorities should consider overall value, including economic, environmental and social value, when reviewing service provision. As a concept, social value is about seeking to maximise the additional benefit that can be created by procuring or commissioning goods and services, above and beyond the benefit of merely the goods and services themselves”.
- 7.4 Legal advice given to the Council states the EU Procurement Directive covering public services contracts (implemented in the UK by the Public Contracts Regulations 2006) classes recreational and sporting services as part B services. There is no requirement for part B services to be subject to competition. However , the EU Procurement Directive is currently being reviewed with further details of how this will change being available later in 2014, for implementation to follow shortly afterwards. This will be monitored carefully and the timescale for the award of the contract amended accordingly.

8 Financial and value for money implications

- 8.1 The cost of a 10 year contract at the current levels of budgeted spending for leisure services would be in the region of £4m for the total contract value. It is hoped that these negotiations will significantly reduce this cost to the Borough council and demonstrate value for money over the lifetime of the agreement.

9 Risk analysis

Nature of risk	Consequences	Likelihood of	Control
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	if realised	occurrence	measures
Contractual arrangements with DCLL expire before a new arrangement is made for the supply of leisure services.	Loss of council reputation. Loss of opportunity to improve and develop services and/or generate income.	Low.	Nine month contract extension on existing terms to afford time for finalisation of terms and conditions.
Legal challenge to contract by third party	Loss of council reputation. Cost of re-tendering	Low	The services are not required by law to be re-tendered provided that the council can demonstrate that reasonable steps have been taken to secure value for money.

10 Implications for resources

None directly arising from this report.

11 Implications for stronger and safer communities

None directly arising from this report.

12 Implications for equalities

None directly arising from this report.

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