

meeting CABINET

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agenda item number 4

REPORT OF THE CABINET MEMBER FOR CULTURE AND COMMUNITY

Future Management Arrangements for the National Water Sports Centre

Purpose of report

1. This report seeks Cabinet approval for:-
 - a) a new ambition statement for the National Water Sports Centre
 - b) the undertaking of a “competitive dialogue” procurement process to secure an operating partner to manage, operate and develop the Centre on the Council’s behalf
 - c) expenditure on the estimated costs associated with the procurement exercise.

Information and advice

Background

2. The National Water Sports Centre is unique in the UK in that it has a mix of world-class water sports facilities alongside a country park and community facilities on a single site. The site is made up of the following elements:-
 - a 270 acre Country Park
 - a 2000m international standard regatta lake
 - a world class canoe slalom and rafting course
 - a 130 pitch camp site
 - a newly refurbished and extended ski tow
 - a 60 bed accommodation block (currently 1*)
 - meeting and conference rooms
 - a range of catering facilities
 - a sports hall and fitness studio
 - a young people’s adventure base
3. This mix of facilities drives current business at the Centre, which can be summarised as follows:-

- general “pay and play” water based activities for groups and individuals. These include:-
 - Water skiing and knee boarding
 - Commercial rafting
 - support for the water based clubs that use the Centre’s facilities for canoeing and rowing;
 - hosting major sports events and elite training
 - managing the Centre’s green space (entry to the site is free);
 - hosting meetings and conferences
 - providing camping and accommodation services
 - providing indoor sports and fitness services
 - delivering corporate team building events.
4. The Centre is owned by the County Council. Cabinet will recall that the County Council took back responsibility for its operational management in April 2009. Prior to this, the Centre had been leased to Sport England, which in turn sub-contracted Leisure Connections, a private sector leisure operator, to manage the site.
 5. When the Council re-assumed operational responsibility for the Centre, it negotiated a legally binding settlement agreement with Sport England for the period to April 2023. This provided:-
 - an annual revenue contribution of £500,000 from Sport England towards the running of the Centre for the financial years 2009/10 to 2012/13 inclusive.
 - a one off capital contribution of £2 million from Sport England.
 6. In return, the Council was required to deliver a range of sporting outcomes and usage requirements for Centre users, elite athletes and National Governing Body activities.
 7. In recent discussions with officers, Sport England has confirmed that it will not extend its revenue support for the Centre beyond 2012/13.
 8. In the 2010/11 financial year, the operating cost of the Centre to the Council was approximately £300,000. Without the Sport England revenue contribution, the net revenue cost to the Council would have been approximately £800,000.

The case for change

9. The National Water Sports Centre offers a range of high quality, largely unique facilities that cater for local, regional and national users at both community and elite levels. From an events perspective, the Centre is also well respected internationally.
10. That said, in view of the current total revenue cost of the Centre (and the anticipated increase in this to the Council from 2013 onwards) it is clear that the current business and operational model employed at the Centre is not sustainable in the medium or long term. Other significant

factors also impact upon the viability of the current operating model; these include:-

- the rising costs of maintaining the Centre's current building and facilities mix, specifically the original main building, which is not fit for purpose
- the current major retraction in the meetings and conferencing market
- the location of the current catering facilities - a significant distance away from the areas of highest footfall (the white water course)
- staffing arrangements that are dictated by an outdated facility configuration.
- the increasing cost of managing the capital and operational risks involved with the Centre.

A new ambition for the Centre

11. Following discussion with key stakeholders, including Sport England, and in the light of the operating context for the Centre set out above, officers have set out a draft new ambition for the Centre. It is based upon the following core assumptions:-

- that the Council wishes to see the continuing operation, at the current site, of high quality leisure provision for local community and elite use; this includes the maintenance of the core water based provision at the Centre
- that the Council wishes to retain overall ownership of the Centre site, but wishes to see its operational management undertaken by whichever organisation is best able to manage the Centre effectively and sustainably, so as to achieve the Council's ambitions for it
- that the Centre's site should be retained and promoted as a community open/green space with free access
- that the future facilities and customer offer for the Centre should be based upon a financially sustainable long term operational model
- that, in the long term, the County Council is seeking to achieve revenue cost neutrality for the Centre
- that, in the future development of the Centre, planning issues can be resolved, and sufficient capital funding can be delivered to support the remodelling of the Centre.

Overall ambition statement

12. The draft ambition for the National Water Sports Centre is:

"An accessible, high quality family activity and sporting centre with an adventurous flavour set in stunning green space"

13. In delivery terms, this would mean the following facilities and events mix:-

- water based activities including rowing, a white water course, and water skiing at both recreational and elite user levels
- good quality, cost effective and appropriate customer facilities, including a properly equipped campsite and cost effective catering and accommodation offers
- additional, income generating family focused facilities.
- a country park experience for local people
- the continuation of high profile local, national and international events at the Centre.

Achieving the ambition

14. Whilst it is feasible to reduce the Centre's current revenue deficit without any further capital investment, it is unlikely that this could be achieved at the level required by the Council without a significant change to the site infrastructure. For example, from an operational and cost effectiveness perspective, it is clear that both the configuration and condition of the current facilities on site is not fit for purpose. This is particularly true of the original main building and accommodation block, which have significant operational costs and yet generate relatively low levels of income.
15. To achieve the ambition for the Centre, then, there are four possible approaches:
 - a) seek an operating partner to manage and operate the Centre on the Council's behalf, with partner selection undertaken through a "competitive dialogue" procurement process. The cost of the required capital works would ideally be shared by the Council and its partner
 - b) the Council puts in the required capital investment and continues to manage and operate the Centre directly (or via a locally established Trust)
 - c) the Council puts in the required capital investment and completes the required works before procuring a partner to manage and operate the Centre on its behalf.
 - d) the Council continues to manage the Centre as at present, with no significant additional capital investment.
16. The strengths and weaknesses of each of these approaches are summarised in **Appendix 1**.

Financial Context

17. In considering the options set out in Appendix 1, it is worth considering the capital investment issues that would impact directly on the attractiveness of each option under consideration.
18. Achieving the Council's medium/long term objective of revenue cost neutrality for the Centre will require significant capital investment. In broad indicative terms the capital investment that would be required to reshape the Centre to (i) achieve the draft ambition, and (ii) support the Council's ambition to achieve cost neutrality would be £5-6million

approximately. This level of investment would deliver a completely reshaped facilities mix (for example a new visitor centre located nearer to the major white water facilities), and allow existing facilities that would be retained to be substantially refreshed and refurbished.

19. There are ongoing capital expenditure/maintenance requirements for the Centre. These are partly funded through the £2 million capital contribution provided by Sport England in 2009, of which approximately £1.4 million remains. Further significant expenditure of this fund has been halted pending a decision on the long term future of the Centre. In consequence, this funding could be used to offset some of the capital expenditure required by the County Council and/or a private sector partner.
20. The repayment costs of further capital funding provided for the transformation of the Centre would, in all probability, be lower if capital was sourced through the Council rather than a private partner.
21. Whatever the source of the required capital, the increased income and cost efficiencies generated at the Centre by the investment would support the repayment of capital borrowing, either directly or via the management contract established with a private sector partner.

Competitive Dialogue

22. Each of the options set out in Appendix 1 has associated strengths and weaknesses. However, Option 1 - *that the Council seeks an operating partner to manage and operate the Centre on the Council's behalf, with partner selection undertaken through a "competitive dialogue" procurement process, with the cost of the required capital works being shared by the Council and its partner* - offers the best balance of risk and reward for the Council.
23. For a National Water Sports Centre procurement exercise based around competitive dialogue, the key elements and indicative timescales are as follows:-

Activity	Timescale
Prior Information Notice (PIN) Stage	
Preparation of Information Pack (finance, property, staffing and ambition details)	September 2011
Publication of OJEU Prior Information Notice (PIN)	October 2011
Initial "Bidders Day" briefing and information event	November 2011
Pre Qualification Questionnaire (PQQ) Stage	
PQQ Issued	November 2011
PQQ Evaluation and shortlist selection	January/ February 2012
Dialogue with shortlisted bidders	February to May 2012
Best and Final Offer Stage	
Final tender documentation issued	June 2012
Final tenders received	August 2012

Evaluation of tenders	August/September 2012
Formal approval for recommended contractor	October/November 2012
Formal award of contract	December 2012

Statutory and policy implications

24. This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, crime and disorder and those using the service. Where such implications are material, they have been described in the text of the report. Attention is however drawn to the following:-

Personnel implications

25. In the event of the Council procuring a managing partner for the Centre, all staff at the Centre would be subject to TUPE considerations. The Council would comply with statute and its Human Resource policy framework in dealing with these considerations.

Financial implications

26. In the main, these are considered within the main body of the report. However, the recommended procurement process will incur additional costs. The initial estimated costs that have been identified are set out below:

Item	Cost
Warranted property packs	£80,000
Internal & external legal advice	£75,000
External consultant support (leisure sector specialist)	£35,000
Consultation/preparation and publication of tender materials	£10,000
Total	£200,000

27. In addition, it is anticipated that significant further external commercial legal advice will be required as the procurement process goes through the dialogue and best and final offer stages in early-mid 2012. This advice will be key to ensuring that the final contract agreed between the Council and the successful bidder ensures best value. The maximum estimated cost of this advice will be £150,000.
28. External legal advice and sector specialist consultancy costs will be met from the Council's Transformation Programme budget. Other costs will be met from within the Culture and Community Portfolio revenue budget.

Equal opportunities implications

29. The delivery of the Council's vision for the Centre will improve current levels of access for those with disabilities. In addition, should the Council procure a managing partner for the Centre, the resultant

management contract would require the partner to comply with all current equal opportunities related statute.

Implications for service users

30. The delivery of the Council's vision for the Centre would improve customer numbers and the customer experience significantly, through the establishment of a range of new and enhanced facilities.

Corporate Property implications

31. The management and development of the National Watersports Centre by a third party operator would significantly improve the Council's estate by supplementing/replacing the existing provision with modern, new build facilities. This will improve services for Centre customers and reduce the capital and health and safety related risks faced by the Council.

RECOMMENDATION

32. That Cabinet approves:-
- a) the proposed new ambition statement for the National Water Sports Centre
 - b) the undertaking of a "competitive dialogue" procurement process to secure an operating partner to manage, operate and develop the Centre on the Council's behalf
 - c) expenditure on the estimated costs associated with the procurement exercise.
33. That a further report be brought to Cabinet on the outcome of the procurement exercise.

COUNCILLOR JOHN COTTEE

Cabinet Member for Culture and Community

Reasons for recommendations

34. The draft ambition statement for the Centre clearly sets out the Council's priorities for the future development of the Centre.
35. Procuring a third party operating partner for the Centre through the competitive dialogue process is the most cost effective and lowest risk option facing the Council in terms of achieving its ambition.

Legal Services' comments (LM/30.8.11)

36. Cabinet has delegated authority for the discharge of all functions and to exercise all powers of the County Council not expressly reserved to the full Council or to any other part of the County Council by statute or by the Constitution as amended from time to time. Cabinet may therefore approve the recommendation in this report.

Financial comments of the Service Director – Finance (NDR)

37. The financial implications are set out in paragraphs 26 to 28 of the report.

Background papers available for inspection

None.

Electoral division(s) affected

Nottinghamshire

M19C2879

Appendix 1 - Future Management Options for the National Water Sports Centre

Options	Strengths	Weaknesses/issues
<p><i>A. Seek an operating partner to manage and operate the Centre on the Council's behalf, with partner selection undertaken through a "competitive dialogue" procurement process. The cost of the required capital works would be shared by the Council and its partner.</i></p>	<ul style="list-style-type: none"> • Promotes capital and operational innovation through the competitive dialogue process (competitive dialogue is the recommended procurement route by the Procurement Service) • Through competitive dialogue interested partners can develop a better understanding of the Council's expectations and requirements • The process does not assume a level of capital investment from the Council, and offers potential private sector/trust capital investment (with investment costs likely to be met through the monthly contract fee) • The process allows for variant solutions to be offered (including consortia bids) • This approach has been used successfully in 2010/11 by Sport England for the Lilleshall and Bisham Abbey complexes; these offer some direct comparisons with the NWSC. • Transfers operational risk to the partner (and potentially some capital/infrastructure risk) • Offers medium to long term operational stability via a negotiated management contract. 	<ul style="list-style-type: none"> • The Council could select an inappropriate operating partner • The competitive dialogue process takes 12-15 months to complete • The Centre is unique; the competitive dialogue process could therefore highlight a very limited market, or result in an unacceptable contract price • The Council will retain an element of risk associated with the Centre's property infrastructure • It is possible that any management contract could be "front loaded" with little revenue cost reduction initially whilst capital is invested in improving facilities • The Council would not have direct day to day operational control of the Centre • The Council would need to commit to a long-term contract; it would be expensive for the Council to exit such a contract prematurely • The Council would be required to provide significant capital investment to ensure partner involvement • Obtaining planning permission for site changes may not be straightforward. Flood plain and conservation area issues will influence final capital choices.
<p><i>B. The Council puts in the required capital investment and continues to manage and operate the Centre directly (or via a locally established Trust).</i></p>	<ul style="list-style-type: none"> • Enables the Council to maintain full and direct control of the Centre (excluding the local Trust variant) • The Council's current management experience in operating the Centre helps establish the areas for capital investment for the future. • There is no procurement process • Any capital investment can be made relatively quickly. • Establishment of a local Trust would support the generation of revenue savings via NNDR and VAT routes and would remove some 	<ul style="list-style-type: none"> • Requires the Council to invest all capital, and assumes that the investment choices made are the correct ones • The Council maintains the full operational risk if the capital investment does not deliver the expected/required return • The Council does not benefit from external innovation/leisure management sector expertise • Capital works would probably be higher cost than if procured/delivered by a commercial partner • Obtaining planning permission for site changes may not be straightforward. Flood plain and conservation area issues will influence final capital choices. • The establishment of a local Trust would be complex and

	capital and operational risk from the Council	time consuming. Trusts have a mixed track record of success and sustainability
<i>C. The Council puts in the required capital investment and completes the required works before procuring a partner to manage and operate the Centre on its behalf.</i>	<ul style="list-style-type: none"> • This results in a simpler offer for potential partners, making it easier for them to develop bids • This results in a simpler and quicker procurement process (6-9 months) • The Council's current management experience in operating the Centre helps establish the areas for capital investment for the future • The Council, having developed the Centre, will be able to negotiate a more effective management contract (as it will be able to more accurately predict income levels) 	<ul style="list-style-type: none"> • Requires the Council to invest all capital, and assumes that the investment choices made are the correct ones • Potential partners may not wish to assume financial risks if the capital investment does not deliver the expected/required return • The Council does not benefit from external innovation • Capital works would probably be higher cost than if procured/delivered by a commercial partner • The Council would lose direct day to day operational control of the Centre • The Council would need to commit to a long-term contract; it would be expensive for the Council to exit such a contract • Obtaining planning permission for site changes may not be straightforward. Flood plain and conservation area issues will influence final capital choices.
<i>D. The Council continues to manage the Centre as at present, with no significant additional capital investment.</i>	<ul style="list-style-type: none"> • No capital funding costs • Current management arrangements are likely to generate some income increases, and some revenue cost reductions in the short term • Enables the Council to maintain full and direct control of the Centre • There is no procurement process 	<ul style="list-style-type: none"> • Limited capital investment and therefore limited transformation of the site - the ambition would not be achieved • Long term increasing revenue commitments as the site maintenance backlog increases. This would result in the Centre not meeting customer needs leading to falling visitor numbers/income. • The Council maintains the full operational and an increasing capital risk • The Council does not benefit from external innovation/leisure sector management expertise • The Council would need to permanently absorb the revenue implications of the cessation of Sport England funding from 2013.