

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

2318

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Department:

Communities

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Subject:

Leisure Centre fitness equipment capital replacement & refurbishment programme

Total Value:

£996,600 (Type: Capital)

Decision Being Taken:

In order to protect existing annual revenues of £2.2m over the next 5 years, this report seeks approval to: 1. Approval to spend £996,600. 2. Approval to use reserve 'Kit Replacement' and noting reserve profiling over future years, approval also to undertake annual contributions to the reserve. 3. Undertake a procurement of a new supplier of gym equipment at the end of the current contract period from the 14.10.16 until 31.3.20 through OJEU tender and delegate authority to the Director of Sport & Culture to award the contract. 4. Delegate authority to the Director of Sport & Culture to call off contract orders under the gym equipment contract over the term of the programme. 5. Draw down funds from existing reserves and provisions. 6. Continue to fund the programme over the next 5 years to secure a sustainable business model. 7. Amend the capital programme accordingly.

Reasons for the Decision(s)

This report seeks endorsement to extend the principles of the gym refurbishment and equipment investment programme approved in PHD report 477 until March 2020.

The programme will enable the Sport & Leisure service to effectively manage the replacement and maintenance of gym equipment and the refurbishment of fitness provisions in order to maximise income streams. The proposed programme will protect £2.2 million of existing annual revenue by delivering competitive service standards in terms of reliable, fit for purpose equipment, as well as the latest technological advances in equipment and fitness industry trends.

The contracts to procure goods and services will be awarded through OJEU tender in the case of cardio vascular & resistance gym equipment through the Council's existing Gym Equipment contract with Technogym until 14.10.16 and through a new OJEU tender from the 14.10.16 until 31.3.20. Group Cycling & fitness equipment and fitness refurbishment works will be procured by seeking 3 quotes in accordance with Contract Procedure Rules or through the EMPA Framework.

The funding will be met from existing reserve funds, the sale of existing fitness equipment and the Sport & Leisure Operational Budget.

The programme presents best value in protecting existing revenues and minimises future financial risks as equipment is procured with inclusive service and maintenance agreements. This self-sustaining programme will enable the service to maintain income which will assist to mitigate against future financial pressures and the potential reduction in services offered.

Other Options Considered:

Do nothing: Without this investment the services will be unable to maximise the commercial opportunities that are available to protect the business; provide a sustainable service offer for citizens and customers; and effectively respond to financial pressures facing the service area. This could result in the reduction in services and the potential of some services having to cease over the longer term.

Alternative funding options: A number of funding options were considered as an alternative to establishing a reserve fund including prudential borrowing and equipment Lease. It was concluded that a reserve fund provides best value in terms of minimising the capital financing charges. The alternative funding options would represent an additional 6-10% of capital funds over the 5 year period.

Reduce investment: The investment programme has been produced after careful analysis of the market and understanding of customer expectations. The investments identified provide the greatest opportunities for maximising resources and spaces available to give the best returns on investment. Reducing the amount of investment would impact on the ability to deliver the brand standard and the resultant commercial and income potential.

Extended replacement or renewal programme: The proposed programme replaces cardio vascular equipment every 5 years and resistance equipment every 10 years. Careful market and financial analysis has concluded that this replacement programme enables the service to not only optimise buy-back values for replaced equipment generating on average 10% of the original purchase value but also enables the service to operate with inclusive service and maintenance contracts for the duration of the purchase period thereby maximising value for money.

Background Papers:

Published Works: Portfolio Holder Decision 0447

Affected Wards: Citywide

Colleague / Councillor Interests: None

Any Information Exempt from publication: Yes

Exempt Information:

Description of what is exempt: Appendix 1, Leisure Centre Fitness Equipment Capital Replacement Programme

An appendix (or appendices) to this decision is exempt from publication under the following paragraph(s) of Schedule 12A of the Local Government Act 1972

3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The public interest in maintaining the exemption outweighs the public interest in disclosing the information because the exempt information contains commercial, financial and development detail about each of the projects, which if made available to the public may jeopardise the ability for these to be progressed and/or enable potential competitor access to commercially sensitive information.

Documents exempt from publication: Appendix 1, Leisure Centre Fitness Equipment Capital Replacement Programme.xlsx

Consultations: Those not consulted are not directly affected by the decision.

Crime and Disorder Implications: None.

Equality:	Please login to the system to view the EIA document: Gym Equipment EIA Signed 6.8.15.doc
Social Value Considerations:	This decision will positively impact upon the social value of city residents by enabling the authority to offer attractive services which increase participation levels and introduce new users. Residents accessing the new equipment will benefit from improved mental and physical health and wellbeing, potentially impacting on employability, economic development and community cohesion.
Decision Type:	Portfolio Holder
Subject to Call In:	Yes
Call In Expiry date:	05/02/2016
Advice Sought:	Legal, Finance, Procurement, Equality and Diversity
Legal Advice:	This report does not raise any significant legal issues. Advice provided by Andrew James (Team Leader Contracts and Commercial) on 02/11/2015.
Finance Advice:	<p>1.The cost of this decision is £996.6k , this will be financed from the existing "Kit Replacement Reserve".</p> <p>2.The capital progamme will need amending to reflect this scheme.</p> <p>3. Approval to continue to make annual contributions of £174k to this reserve as previously agreed PHD 477.</p> <p>4. Any receipts from the sales of replaced equipment to go to the Kit Replacement Reserve.</p> <p>5. The recommendations in this report will not have a negative impact on the Medium term financial plan for the following reasons:</p> <ul style="list-style-type: none"> i. There is an existing provision within the existing Leisure budget for contributions to the reserve. ii. The cost of the replacement equipment included annual maintenance and repairs, hence the annual running costs of the equipment is miminal. Failure to replace old equipment would mean a significant increase cost of one off replacements ,repairs and equipment out of commisssion,hence reduction in members. iii. The planned replacement of newer and modern equipment will encourage both new member and increase member retention. This will allow Leisure to maintain existing income targets and provide a strong platform for further growth though the "Invest to grow " programme. <p>6.The department should ensure all purchases and sales of old equipment follows the Nottingham City Council's financial guidelines. Advice provided by Steve Ross (Finance Analyst) on 06/01/2016.</p>

Procurement Advice:

<p>A replacement contract for fitness equipment will be procured via a fully compliant OJEU open tendering process to ensure value for money, fairness and transparency.</p> <p>Comments re EMPA building works - The EMPA framework Agreement provides both a compliant and value for money option for these works to be undertaken. Therefore there are no significant concerns with the recommendations set out in the report.</p> <p>Advice provided by John Watson (Category Manager) on 19/10/2015.</p>

Equality and Diversity Advice:

<p>It will be important for consultation to be a key cornerstone of activity and the intent to consult 3-6mths prior to installation will be important if the diverse needs of the community are to be met. The reference to the 'This Girl Can' is a prime example where the take up of marginalised groups e.g. Muslim women should be made as key indicators as to whether or not the offers made are appropriate. Business reviews etc. therefore need to SMART and where necessary remedial taken rather. Advice provided by Adisa Djan (Equalities and Diversity Consultant) on 16/10/2015.</p>

Signatures

David Trimble (Portfolio Holder for Leisure and Culture)
SIGNED and Dated: 29/01/2016
Andrew Vaughan (Corporate Director Commercial and Operations)
SIGNED and Dated: 21/01/2016