

Report of Head of Sport and Active Lifestyles

Report to Chief Officer Culture and Sport

Date: 1 August 2017

Subject: Alliance Leisure Contract Variation

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: 10.4 (3) Appendix number: 1	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Summary of main issues

1. The Sport and Active Lifestyle service requires amendments to the contract with Alliance Leisure to continue to develop our partnership to improve our sales and marketing activities.
2. The current agreement has been in place for 21 months of a 4 year contract and has been successful in improving the services marketing and sales activities/processes. Following the 6 monthly review of performance as set out in the contract it has been identified that the growth of the budget gym sector has meant the financial rewards for this aren't matched by the level of spend Alliance Leisure have invested.
3. The investment level Alliance Leisure have put into the contract in terms of cash and time has been far greater up to this point than the contract stipulated in order to ensure the partnership was a success. However this level of investment can't continue due to the original income share thresholds being set too high and therefore Alliance haven't received any financial payments for their services.
4. The partnership has been successful in changing sales processes and benefits are being realised however to continue this work and level investment there needs to be changes to contract to allow the partnership to flourish and benefit both parties.
5. There is a 6 month review clause built in to the current contract to 'Monitoring performance will be ongoing throughout the contract, but there will be formal 6

month reviews to report back on progress and to agree targets for each new period. Six month reviews are to be conducted in October and March.'

Recommendations

6. The Chief Officer Culture and Sport is recommended to:

- Agree with extending the contract by 18 months with an optional 1 year extension remaining on the agreement;
- Agree to change the Thresholds to the financial performance achieved in 2016/17 as set out in section 3.12 table 5; and
- Agree to reduce the bandings within the percentage splits when profit share is reached as set out in section. 3.12 table 5.

1. Purpose of this report

- 1.1 To highlight the success of the marketing and sales partnership with Alliance Leisure to date. However, it will also raise some of challenges the health and fitness marketplace in Leeds has presented which have impacted on the financial part of the contract and the need to review this element. This will ensure the partnership will continue to flourish in order for both parties to benefit financially.

2. Background information

- 2.1 The Sport and Active Lifestyles service operates in a competitive business environment with commercial activity helping to cross subsidise targeted work aimed at getting people more active. Earned income is more than twice as significant as council subsidy to service delivery.
- 2.2 Based on business information provided, there was the potential to generate additional income through better use of data, improved processes, targeted campaigns, retention programmes and sales and customer service training. However the service didn't have the capacity or funds to deliver this work effectively and it was agreed in May 2015 to go out to tender for a company to work with the service to provide marketing and sale activity support in order to generate this additional income.
- 2.3 Alliance Leisure were procured to deliver this work and the partnership for marketing and sales activity contract commenced on the 1st January 2016. The current Contract is a 3 year plus 1 year arrangement.
- 2.4 The contract was issued at zero direct cost to the Council as the contract is based on gross income share arrangements (with incremental thresholds), based on an agreed baseline. This baseline was set with input from staff within the Service and colleagues in finance.
- 2.5 Alliance Leisure provide us with specialist marketing support, specifically helping further develop the health and fitness membership element of the business. Utilising 4 arms of their business:
- 2.6 Alliance Partnership – providing support for: brand development; targeted marketing; promotions and campaigns; business intelligence and customer insight; sales and retention processes; sales and marketing workshops; provision of marketing collateral (at their cost); and mystery visits.
- 2.7 Alliance Digital – providing support for: social media support to extend reach and engagement; campaign microsites to capture prospecting data; and digital and social media workshops.
- 2.8 Alliance Impact – providing support for: sales campaigns; upskilling frontline staff; lead generation; converting leads into sales; and advising on sales processes and techniques.
- 2.9 Alliance Academy – providing support for: customer service training; enquiry handling training; sales and retention training; and bespoke training where deemed necessary.
- 2.10 **Key Successes to date:** Commercially sensitive data, see confidential Appendix 1 section 1.

3. Main issues: Commercially sensitive data, see confidential Appendix 1 section 2

3.1 Moving Forward: Commercially sensitive data, see confidential Appendix 1 section 3.

4. Corporate considerations

4.1 Consultation and engagement

4.1.1 Sport and Active Lifestyles team and the finance team have been involved in the review with Alliance Leisure, support from Legal with advice which led to the development of this paper.

4.1.2 The Executive Member for Resources and Strategy has been consulted on 25th July 2017 and is supportive of the variations proposed.

4.2 Equality and diversity / cohesion and integration

4.2.1 If the recommendations are to be accepted and the partnership continues there would be no equality and diversity issues to address.

4.3 Council policies and best council plan

4.3.1 The Best Council Plan update of 2017/18 sets Council outcomes of:

- Enjoy happy, healthy, active lives;
- Enjoy greater access to green spaces, leisure and the arts; to encourage new users to participate in sport and leisure activities.

4.3.2 Additionally, the project supports the priorities of;

- Health & Wellbeing: Supporting healthy lifestyles, improving mental health and wellbeing, integrating health and social care.
- Promoting physical activity – by providing accessible and welcoming sport and leisure facilities.

4.4 Resources and value for money: Commercially sensitive data, see confidential Appendix 1 section 4.

4.5 Legal implications, access to information, and call-in

4.5.1 This agreement is not subject to a call in

4.5.2 Appendix 1 contains information which is Exempt/Confidential under Access to Information Procedure Rules 10.4 (3) due to the commercial nature of contained within the report. There is commercial sensitive information from Alliance Leisure but also from the Council which other organisations could use to their advantage.

4.6 Risk management

4.6.1 If the recommendations are accepted there is a financial risk for Leeds City Council, however the risk of the financial impact if Alliance Leisure withdrew their investment would be far greater. If the Council were to match this level of investment then it would cost far more than the financial risk as explained in Appendix 1 section 4. The service operates in a volatile and competitive market and the proposed

approach presents a calculated risk. Quarterly and annual performance reviews will be conducted to ensure the partnership continue to develop and any issues that do arise can be discussed.

4.6.2 Highlighted above the annual reconciliation of income remains with in the contract to ensure the Council's baseline income is protected.

5. Conclusions

5.1.1 The report has highlighted that the partnership has provided many benefits to the service so far in a competitive marketplace. However, as highlighted, to ensure the partnership continues to develop and benefits both parties financially the recommendation to make changes to the contract is needed.

6. Recommendations

6.1 The Chief Officer Culture and Sport is recommended to:

- Agree with extending the contract by 18 months with an optional 1 year extension remaining on the agreement;
- Agree to change the Thresholds to the financial performance achieved in 2016/17 as set out in section 3.12 table 5; and
- Agree to reduce the bandings within the percentage splits when profit share is reached as set out in section. 3.12 table 5.

7. Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.