

# Executive Decision Report

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## **Sports Services Review**

Decision to be taken by: Deputy City Mayor - Culture,  
Leisure, Sport and Regulatory Services

Decision to be taken on: 12 March 2018

Lead Director: Ruth Tennant

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**City Mayor**

## Useful information

- Ward(s) affected: All
- Report author: Andrew Beddow, Head of Sports Services
- Author contact details: [Andrew.beddow@leicester.gov.uk](mailto:Andrew.beddow@leicester.gov.uk) tel; 0116 4545036
- Report version number: DVFV1

### 1. Summary

- 1.1 The Executive Decision Report approves the option for managing and operating the Council's Leisure Centre provision and contributing to the Sports Services Review budget savings.
- 1.2 The report provides the background for having to make difficult budget decisions on how to take forward Sports Services. The rationale and the alternative options that were considered before making the final decision are included along with the final recommendations to be taken forward to achieve the budget savings and efficiencies over the next three years.

### 2. Recommendations

- To invest £1.8 million of capital via prudential borrowing over the next three years to improve the health and fitness offer at Evington, Aylestone and Cossington Leisure Centres.
- To explore securing external funding to extend Braunstone Leisure Centre's health and fitness facilities.
- To formalise a lease agreement with Sunflowers Nursery for the current space they occupy under the previous licence.
- To revise the opening hours of the Council's swimming pools as part of a coordinated approach to programming the Council's swimming pools.
- To allocate £400k to replace the Air Handling Units at all leisure centres with the exception of Braunstone Leisure Centre, for which a capital bid has been submitted.

### 3. Supporting information including options considered:

#### 3. Background

- 3.1 A Sports Services Review was undertaken to consider options to change the way in which the Service is being delivered that will;
  - Reduce the Council's subsidy for these services
  - Tackling historic under-performance within these services
  - Improve the quality of some of our services and ensure what is provided in our leisure centres and sports facilities is more relevant to meeting existing and future customer expectations.
  - Identify the best management model for these services
- 3.2 The review was set against backdrop of major change for sport and leisure services. This includes the rapid expansion of private sector provision, particularly low-cost gyms, falling physical activity levels and changing expectations about what people want from

local sports and leisure services.

- 3.3 In broad terms the Council provides two types of leisure centre provision that have different levels of usage, appeal and catchment. Leisure facilities such as Spence Street and Cossington that serve the local catchment and meet very specific local needs and facilities such as Evington, Aylestone, Braunstone that have a higher level of usage and serve a wider catchment area, including people living beyond the city's administrative boundary.
- 3.4 Local authority leisure facilities offer a unique mix of provision that is not replicated by other providers. They offer a rich programme of swimming facilities that cater for all the disciplines of swimming with other facilities and activities on hand such as health and fitness, sports hall facilities, children and family programmes or exercise referral programmes. The unique selling point is the need to excel at offering a good local leisure centre service that provides excellent value for money.
- 3.5 The review was supported by a city wide sports and physical activity strategy. The Strategy, to be launched in April 2018, recognises that council facilities are one part of a complex set of professional and amateur clubs, private leisure providers and other city facilities which are used by people living in the city. It also recognises that improving physical activity levels in the city – and the health benefits that go with this – will also be driven through other means, such as active transport, investment in cycle lanes and other resources including parks.

### **Context**

- 3.6 Benchmarking shows that the leisure centres are high cost and low performing in terms of income generation, which is partly due to the condition of facilities and equipment, high expenditure, under developed marketing, sales and performance culture and low levels of income.
- 3.7 In terms of the supply and demand for sports facilities, the evidence suggests that there is a latent demand for increasing health and fitness provision and an opportunity to consider further investment to extend and improve the Council's health and fitness offer. The city shortfall in health and fitness provision could justify investment to increase and improve the quality of the Council's health and fitness provision.
- 3.8 Data collected by Sports Services show that there is significant headroom (up to 40% more capacity) to increase the usage of our swimming facilities. The evidence on swimming provision indicates that there is capacity to absorb and mitigate the impact of the revised swimming opening times by adopting a coordinated approach across all the family of council swimming pools.
- 3.9 The analysis of customers and usage shows that there are times when levels of swimming usage are very low, with the individual subsidy of users during these times being extremely high and uneconomic. The review of data and evidence also highlights that there is duplication of catchment areas with New Parks and Braunstone Swimming Pools and opportunities to provide complimentary programming and opening times that are more sustainable.
- 3.10 An assessment of all component leisure centre areas and activities to identify how they perform financially has been completed. In summary this work showed that public swimming is a high cost activity, whilst health and fitness and learn to swim activities generate significant income and wider community benefit.
- 3.11 The remodelling exercise of all the sports centres to make them as efficient as possible has been completed and projects a net saving of £1.32 million p.a. The efficiencies are

achieved by a mixture of measures including return on investment projects in health and fitness, improved leisure centre management, expanding the learn to swim programme and reducing expenditure by reviewing opening hours at times of low demand.

- 3.12 A review of public swimming and opening times has been completed. The review highlighted that by reviewing swimming pool opening times as part of a coordinated approach we could reduce expenditure and provide a swimming timetable that reflects the way in which the majority of customers are using the Council's swimming pool provision.

## **Rationale and Service Proposals**

### **Overall Service Proposals**

- 3.13 The review considered different management and governance options, however it's proposed to retain current in house management of all our leisure centres. The proposed in house option will require the service to transform and improve over the next three years. The savings will be generated by reducing expenditure and increasing income. The overall affect is to reduce the overall leisure centre subsidy by a net £1.32 million p.a. after three years.
- 3.14 The overall rationale to propose an improved in house leisure management option is to ensure the Council mitigates as far as possible the impact on residents and local communities. In comparison to national benchmarks the service is provided at relatively high cost and performance is low. In view of this, there is a strong rationale to undertake a programme of reform, modernisation and transformation to deliver a service that is low cost and high performing. By doing so, the aim would be to generate savings by improved efficiency and increased income.
- 3.15 There is evidence from other similar size local authorities such as Leeds and Nottingham that have modernised the in house sport and leisure service to reduce expenditure and increase income and reduce the overall subsidy by the Council. This has been achieved by a combination of investment, improving management, modernising programming and opening times, improved marketing, online and IT development and increased focus on creating a positive customer service culture.
- 3.16 The alternative option of closing facilities to generate the savings is not the preferred way forward and will only be considered if the in house improvement journey is not successful or if additional savings need to be generated in the future because of continued austerity. The option of transferring the facilities to an external organisation has also been considered, however the financial benefits between an existing trust and the improved in house management was minimal and therefore externalising the service at this time was not considered sufficiently attractive to justify the external trust option.
- 3.17 Extenalising the service or the closure of centres cannot be ruled out in the long term if further savings need to be made. However, for the medium term Sports Services are confident in delivering the transformation and improvement without having to resort to externalisation or closures and therefore the in house improvement option is proposed as the preferred solution following the review.

### **Summary of alternative Options**

- 3.18 In addition to retaining the service in house the review considered alternative governance and management options including;
- Set up of a 'Leicester trust' non-profit distributing organisation to manage

facilities and services;

- Set up of a local authority controlled company to manage facilities and services;
- Externalisation of management to an existing leisure management provider;
- Mixed provision models, for example the Council retaining strategic service responsibility for sports development, sport in parks, access to schools and managing the smaller local community leisure centres. (Cossington and Spence Street); alongside outsourced delivery of core leisure centres to an external leisure management operator.

3.19 The assessment of the alternative options revealed that the financial benefits were not significantly attractive to warrant progressing any further. The similarity of performance between an existing trust and the in house improved option is primarily because the in house improvement will adopt and deliver similar improvements that would be undertaken by an existing trust, for example a comprehensive approach to learn to swim and health and fitness programming and income generation, restructuring, improved marketing and on line capability. In view of the scope for improvement with the in house leisure management option this was considered the preferred way forward.

#### **4. Details of Scrutiny**

- 4.1 On the 8 August 2017 the Heritage, Culture, Leisure and Sport Scrutiny Commission (HCLS) received a presentation by the Head of Sports Services on the Sports Services Review. The presentation set out the Review proposals and provided an opportunity for the HCLS to provide initial feedback and ask questions. The HCLS recommended that they receive an update following completion of the consultation and the final proposals being considered by the Executive.
- 4.2 On the 7 December, the Executive received a follow up report that considered the feedback from the consultation and referred the final recommendations to the HCLS meeting on the 9 January 2018.
- 4.3 On the 9 January the HCLS considered the final report that outlined the results of the consultation and the final recommendations to be taken forward. The HCLS noted and accepted the report recommendations.

#### **5. Financial, legal and other implications**

##### 5.1 Financial implications

- 5.2 The review is expected to deliver net revenue savings of £1.5million p.a. after three years which will contribute towards the £2m spending review target. The £1.5m pa comprises a £1.32 million reduction in the leisure centres' subsidy and £0.18 million by improved efficiency across Sports Services.
- 5.3 The savings from the centres will come from a combination of reduced costs following a

service efficiency review and increased income following a significant £2.265m capital investment. The £2.265m has been included in the 2018/19 capital programme as a policy provision and comprises:

1. £0.514m for new gym equipment
  2. £1.351m for improvements to the building
  3. £0.4m to replace air handling units
- 5.4 Items (1) and (2) totalling £1.865m will be funded through prudential borrowing on an invest to save basis and the annual debt servicing costs of £0.13m have been included in arriving at the net savings of £1.32m above. Item (3) will be funded by the corporate programme.
- 5.5 This report is recommending the release of the £2.265m capital policy provision.

### 5.6 Legal implications

- 5.7 Given the wide ranging effect of the proposals set out in this briefing. It is anticipated that further detailed legal advice will be required on the following issues:-
- (a) Employment and any implications for members of staff as a consequence of the review;
  - (b) Advice relating to prudential borrowing and associated issues in respect of procurement of works;
  - (c) Implications relating to land and property assets.

### 5.8 Climate Change and Carbon Reduction implications

- 5.9 Although initial assessment of energy reduction on each leisure centre didn't show significant efficiencies to be gained through energy reduction schemes this will need to be revisited. The review considered energy reduction schemes utilising existing procurement frameworks and this will continue to be explored and developed to identify the levels of savings that could be accrued to justify further development around energy reduction.

### 5.10 Equalities Implications

- 5.11 An equality impact assessment has been completed to assist in identifying any adverse impacts upon existing customers and specific user groups and to seek to mitigate against these. The changes to the revised opening times of swimming pools are supported by mitigating actions that aim to reduce any likely adverse impact.
- 5.12 The proposed revised swimming pool programmes has been developed to reduce the associated costs for operating the swimming pools when the level of usage is low or

where we can make changes to the programme that will result in the swimming pool being programmed more efficiently.

- 5.13 Where there is an impact on specific groups such as Women Only, Disabled Clubs, Aqua Tots or Under 16's swimming then alternative slots will be programmed within the swimming pool programme to mitigate against the impact on these groups. In a number of cases specific sessions can be programmed earlier or alternatively where this can't be achieved, other council swimming pools will be programmed so that customers do have an opportunity to access activities and continue swimming. It is recognised that despite all the mitigating actions it may be that specific individuals and groups may still find it difficult to continue accessing swimming activity and whilst we would anticipate the number to be extremely low we have to accept that there may be adverse effects that we are unable to mitigate against.

5.14 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

- 5.15 Creating the culture and structural changes required to achieve the identified improvements will be challenging, and experience from other authorities suggests that this can take a period of time to drive through. Achieving this level of culture change at pace will require significant resource from our HR department, and will build on existing organisational development and training for staff that is currently taking place.

**6. Background information and other papers:**

None

**7. Summary of appendices:**

None

**8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?**

No

**9. Is this a "key decision"?**

Yes

**10. If a key decision please explain reason**

- 10.1 The decision will have a significant impact on Sports Services expenditure and income and therefore will have an impact on the overall corporate budget savings strategy. Furthermore, the decision to review opening hours of swimming pools and invest in leisure centres will have a significant impact across wards and the City as a whole.