

REPORT TO THE EXECUTIVE

Report No. 7

| | | | | |
|---|---|--|------------------------------|-----------------------------------|
| Date of Meeting | 12th July 2007 | | | |
| Title of Report | Leisure Centre Update | | | |
| Portfolio | Leisure & Economy | | | |
| Link to Corporate Priorities | Healthy Lifestyles - To provide leisure opportunities and facilities for everyone to encourage healthy lifestyles. | | | |
| Key Decision | No | | | |
| Executive Workplan Ref | B272 | | | |
| Public Report | Yes | | | |
| <p>Summary of Report</p> <p>To provide an update to the Executive on the current position regarding leisure provision within the Council's Leisure Centres and to agree the way forward.</p> | | | | |
| <p>Officer Recommendations</p> <p>That the Executive:-</p> <ol style="list-style-type: none"> 1. Note the current position regarding leisure provision and monitoring arrangements. 2. Agree that the procurement of a future service provider should be undertaken as set out in Section 3. 3. Agree to delegate to the Assets, Design & Regeneration Team Leader authority to select the most suitable tender to undertake enhancement and repair works within the centre as set out in Section 2.2. 4. Agree to delegate to the Deputy Chief Executive authority in consultation with the Lead Member to agree the terms of the prospectus referred to in paragraph 3.6 5. Agree that the Leisure Provision Working Group should continue to meet to discuss and recommend the Council's objectives and priorities to the Executive as set out in paragraph 3.4 6. Agree that the current budget allocated for leisure consultants, be used to develop a new Leisure, Culture and Sports Strategy as set out in 3.5 and that authority be delegated to the Deputy Chief Executive in consultation with the Lead Member to appoint the consultants, within budget to undertake this work. <ol style="list-style-type: none"> (a) Endorse the previous decision to close Limekiln Leisure Centre after the interim 18-month period, or (b) Agree to keep Limekiln Leisure Centre open until a new facility on the east side can be further considered, subject to the budget shown in 5.7 being identified. | | | | |
| Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report. | | | | |
| Financial Implications | Legal Implications | Community & Environmental Implications | Human Resources Implications | Equality & Diversity Implications |
| Yes | Yes | Yes | Yes | Yes |
| Contact Officer | Laurie Bell, Deputy Chief Executive, 01249 706561 lbell@northwilts.gov.uk Graham Wilson, Customer & Business Support Team Leader, 01249 706420 gwilson@northwilts.gov.uk | | | |

1. Introduction

1.1 The Executive at its meeting on the 23rd November 2006, agreed to North Wiltshire Leisure Limited's request to close the Limekiln Leisure Centre, Wootton Bassett, Cricklade Leisure Centre, Cricklade and White Horse Leisure Centre in Calne from 31st March 2007. The Committee resolved:-

1. *In response to a request from North Wiltshire Leisure Ltd (NWLL) and having taken financial, legal and leisure consultants advice, the Council agrees to vary the Services which NWLL provide under the contract relating to the management and operation of six leisure centres within the district by removing any requirement to provide the Services at Cricklade Leisure Centre, the Limekiln Leisure Centre, Wootton Bassett and the White Horse Leisure Centre, Calne and that these centres be mothballed in a manner satisfactory to the Council.*
2. *North Wiltshire Leisure Limited be advised to submit their proposed recovery and business plan for 07/08 by the end of December 2006, as per the terms set out in the contract.*
3. *In light of the current financial position, no further grant funding to North Wiltshire Leisure Limited be approved over and above that already agreed for 2006/07.*
4. *Subject to a Business Plan from North Wiltshire Leisure Limited, an advance payment be approved from the 2007/08 management fee budget to enable North Wiltshire Leisure Limited to continue to trade until end March 2007, and that authority be delegated to the Council's Section 151 Officer in consultation with the Lead Member to release as necessary.*
5. *That the agreed annual management fee for later years does not exceed the approved base budget provision.*
6. *The cost of auditors carrying out a full financial audit of North Wiltshire Leisure Limited's accounts as referred to in paragraph 7.13 of the Report be underwritten by the Council.*
7. *A further report be prepared on any additional costs which relate to closures, as referred to in paragraph 7.14 of the Report.*
8. *That the Leisure Provision Working Group continues its work and submits further reports by end March 2007 to the Executive to cover the following:-*
 - *Recovery Plan and Enhancement Plan for the centres that are to remain open;*
 - *Disposal Plan and options for centres proposed for closure;*
 - *Proposals for testing the market and procurement of future service provider.*

1.2 On the 8th February 2007, the Executive agreed to keep Limekiln Leisure Centre open for a further 18 months, while the possibility of building a new leisure centre on the east-side of the District could be explored. The Committee resolved:-

1. *To reject options 1, 2 3 and 4 for the reasons set out in the report.*

2. *Agree option 5 as the way forward.*
3. *Authority be given to the Community & Environment Strategic Manager in consultation with the Team Leader for Legal Services to procure a new interim service provider, as set out in Option 5 to run the centres at Malmesbury, Chippenham, Corsham and Wootton Bassett without testing the market at this stage in line with the urgent situation and subject to funding from the following changes in the 2007-08 budget:*

Revenue

- *Defer the appointment of ASBO Officer for six months - £20,000*
- *Increase in car parking fees - £109,000*
- *Rudloe Centre, delete funding - £33,000*

Capital

- *Rudloe Centre, delete funding - £75,000*
- *Housing, reduce funding - £48,000*

Update Note: The funding for Rudloe Centre was subsequently put back into the budget at Full Council on 22nd February 2007.

4. *That the Team Leader of Legal Services be given authority to negotiate and complete all the legal documentation necessary to enable the new interim provider to operate the leisure centres referred to in recommendation 3.*
5. *That the Section 151 Officer, in consultation with the Lead Member be authorised to make the appropriate payments to North Wiltshire Leisure Ltd. or a contracted interim provider to enable the service to continue until 31st March 2007 within the agreed budget of £500k from Reserves.*
6. *That the recovery plans that have been submitted from community groups to save the centres marked for closure in Calne, Wootton Bassett and Cricklade are not accepted in their current form. The plans do not meet the criteria set by the Council, as there are no financial underwrites attached to any of these plans and would expose the Council to more unknown costs. That community groups be thanked for their time, effort and enthusiasm, in presenting rescue plans for the centres and discussions be continued with all interested parties regarding any financial assistance that may be available for the continued operation of the centres.*
7. *That the Team Leader for Asset, Design & Regeneration secure the premises agreed for closure in the event that North Wiltshire Leisure Limited are unable to resource this work, without undertaking any formal tendering procedure; and*
8. *The Community & Environment Strategic Manager and Team Leader for Legal Services draw up the necessary tender documentation to enable the Council to tender for the longer-term service provision. As part of this tender process, officers are asked to explore the possibility of working with a partner to build a new leisure facility on the east side of the District.*

- 1.3 On 15th February 2007, the Executive resolved not to provide any additional funding to North Wiltshire Leisure Limited over and above that which had previously been agreed (£1.5m).
- 1.4 On 16th February 2007, North Wiltshire Leisure Limited Board resolved to put the organisation into voluntary liquidation.
- 1.5 On 19th February 2007, the Executive agreed to TUPE all North Wiltshire Leisure Limited employees into the Council for an interim period to enable all 6 Leisure Centres to continue to operate until the 31st March 2007, when the two centres marked for closure would be transferred to new service providers or be closed.
- 1.6 The Council appointed DC Leisure Limited, to manage the interim emergency arrangements on the Council's behalf up until 31st March 2007 and to provide interim management from 1st April at the Olympiad, Springfield, The Activity Zone and Limekiln, whilst the Council went through a procurement exercise to appoint a future leisure service provider.

2. Update Position

2.1 Olympiad, Springfield, The Activity Zone & Limekiln Leisure Centres

- 2.1.1 DC Leisure Limited currently manages the Council's four leisure centres in Chippenham, Corsham, Malmesbury and Wootton Bassett until 31st March 2008 when the Council will procure a long term provider. The employees who work in these centres were transferred under TUPE from the Council to DC Leisure on 31st March 2007.
- 2.1.2 The interim contract with DC Leisure requires the Council to pay a fixed management fee for management of the centres, with an annual subsidy. The total cost to the Council is £818,000. In addition, the Council is required to underwrite any shortfall between income and expenditure during this interim period on a quarterly basis. This still exposes the Council to some financial risk. However, the risks are reduced in comparison to the risks which existed with the former operator.
- 2.1.3 Profit and loss is discussed on a monthly basis between DC Leisure and the Council. If there is a loss, opportunities to increase income and / or reduce expenditure will be explored and agreed. Any shortfall is payable on a quarterly basis to DC Leisure Limited and any surplus made is paid back. 60% to the Council and 40% retained by DC Leisure Limited.
- 2.1.4 Income was approximately £12,000 less than estimated for April 2007. This has been decreased in May to £9,000 and is less than had been expected and is anticipated to improve again in the June accounts. This drop is due to a number of memberships being cancelled by customers when the centres were threatened with closure and to the transfer of details on the direct debit system. DC Leisure Limited is confident that this drop in income can be recovered with new memberships being taken up. A new team of 9 staff focusing on securing new membership has been appointed across the four centres.
- 2.1.5 DC Leisure has set up new Customer Advisory Groups in each of the centres. These will replace the former Advisory Bodies that previously existed, as they are keen to listen to and act on any feedback they receive to improve their services and the customer experience. The groups will meet quarterly in each of the centres and will be made up of customers primarily and an invitation extended to the Town Councils. Council Officers will also attend these meetings and an there is open invitation to the Lead Member.

2.2 Enhancements & Improvements

- 2.2.1 DC Leisure Limited took over the running of the four centres from the Council on 1st April 2007. A number of improvements have been made during this time including general cleanliness, maintenance and decoration, and health and safety improvements. This has helped to improve the overall perception of the facilities with customers and to improve their experience when using the centres.
- 2.2.2 The Council has budgeted £750,000 towards capital improvements and enhancements within the Olympiad, Springfield and The Activity Zone Leisure Centres. Only minimal improvements and works will be undertaken in Limekiln over the next 18 months, as there is currently no long-term proposal to retain this centre. The Executive may wish to extend the period further, as the revenue cost for doing so is within the Councils base budget. However, it will be necessary to consider allocating additional capital funding to this centre if the Executive wishes to consider this option as part of the budget process for 08/09 as referred to in Section 5.7 of this report.
- 2.2.3 DC Leisure has submitted a programme of enhancements and improvements in the centres, based on their experience and expertise to improve the customer experience, to increase usage and income and to address health and safety issues. This schedule of works is shown in Appendix A. The enhancements have been assessed by officers and are supported.
- 2.2.4 Officers have undertaken an audit inspection of the 4 centres looking at all the customer facing areas and services to assess a benchmark of the current service. This will help measure improvements and the impact of these improvements. DC Leisure set a minimum standard of 80% satisfaction in each of the centres that they operate and has now put in place action plans to improve the service. The next quarterly audit will take place in July, where improvements can be measured against these plans. The current rating for each of the centres is:-
- Olympiad, Chippenham - 58%
 - Springfield, Corsham - 62%
 - The Activity Zone, Malmesbury - 77%
 - Limekiln, Wootton Bassett - 42%

2.3 Contract Monitoring

- 2.3.1 The Deputy Chief Executive and Project Leader are currently undertaking the strategic and contract-monitoring role and meeting with DC Leisure Limited on a monthly basis until the Client Officer Role is appointed. This meeting focuses on Service Performance, Issues Resolution, Profit & Loss and Cash Flow position to enable any corrective action, which needs to be taken to increase income or decrease expenditure to be taken quickly.
- 2.3.2 It is proposed that a quarterly strategic meeting is held between the Lead Member, Leader of the Council, Deputy Chief Executive, Project Manager and representatives from DC Leisure's Senior Management to look at future plans, the strategic direction and way forward for the service. In addition to this, at officer level there will also be meetings to look at Operational Service Quality and Plant Maintenance inspections.
- 2.3.3 Annually there will be a service review of the previous year, contract review, and investment and enhancement plan, linked to the Planned Preventative Maintenance and Asset Programme.
- 2.3.4 The draft contract monitoring process is attached at Appendix B for information.

2.3.5 It is proposed to report to Final Accounts and Audit Committee on a quarterly basis setting out performance against projections. The first quarter performance will be reported to the next available meeting.

2.4. Cricklade Leisure Centre

2.4.1 Cricklade Community & District Association, hold a full repairing lease for Cricklade Leisure Centre, which expires 2016. The Association took over the running of the centre from the Council as of 1st April 2007. All former staff who wished to transfer to the Association and not DC Leisure Limited did so under TUPE.

2.4.2 The Executive at its meeting on 6th March 2007, agreed to give £60,000 to the Association to help with setup and running costs for the first year. This was a one-off contribution and is conditional on the lease being surrendered immediately to the Council at any point in the future where the service is deemed to be financially un-viable by an independent accountant.

2.4.3 The Association is required under the lease to provide annual accounts to demonstrate to the Council that the centre is viable, or notify the Council at any stage should the Association be deemed unviable by an independent account. No additional monitoring is being undertaken.

2.4.4 The Council commissioned a condition survey of the facility, which showed a capital cost associated with planned and preventative maintenance at the centre of £451,000 over the next tens years, based on today's prices. These costs did not include any enhancement that would have been necessary. This indicated that the costs of continuing to run the centre were not affordable.

2.5 Calne Leisure Centre

2.5.1 John Bentley School now operates Calne Leisure Centre for educational use only under the terms of a licence, which took effect on 1st April 2007. The school only required the use of the dryside of the facility, and the wet side was due to be decommissioned at the end of June, as required by the Council's insurers, but this has been extended by a further month. The conditions of the license require that the school do not allow any community use of the facility as this could expose the Council to claims for unfair dismissal from employees who were made redundant as a result of the closure of the centre to the public.

2.5.2 The Calne Community Area Partnership working with Athena Leisure Limited submitted a number of proposals to the Council to take over the running of the centre. However, these proposals were all rejected as they did not meet the Council's agreed criteria and continued to expose the Council to financial and operational risks. A further meeting was held on 31st May 2007, with the Calne Area Community Partnership to revisit the Athena proposal. The Lead Member and Leader of the Council agreed that the Executive would consider a final submission on the understanding that the Council should incur no further costs. The Lead Member agreed that the plan should be submitted on 15th June. As of 26th June, no plan has yet been received.

2.5.3 The Council commissioned a condition survey of the facility, which showed a capital cost associated with planned and preventative maintenance at the centre of £515,000 over the next ten years, based on today's prices. These costs did not include any enhancement that would have been necessary. This indicated that the costs of continuing to run the centre were not affordable.

3. Procurement of Long Term Service Provider

3.1 Officers are currently looking at options and a timetable to procure a long term service provider. These are shown in the following table.

| | |
|--|--|
| Direct management | <ul style="list-style-type: none"> The Council manages the service directly. |
| In-sourcing (i.e. bringing in external management) | <ul style="list-style-type: none"> This could take a number of forms including bringing in external managers to run the service, or appointing a performance partner to support the existing management team at the Council. Under both forms, staff responsible for delivering the leisure service (i.e., not the external management) would become employees of the Council. Contractors could include either the private sector, or possibly another local authority that has the necessary skills, capacity and experience. |
| Devolve the Centres to the Town Councils to run | <p>This would involve each of the centres being devolved to the Town Councils to take over responsibility for the centres and their management. Town Councils would then be able to employ the staff direct or contract out the running of the service to an external management company.</p> |
| Joint arrangements with other authorities | <ul style="list-style-type: none"> Two or more local authorities combine certain services to benefit from operating synergies and economies of scale (and hopefully efficiency savings). There are a variety of possibilities from informal arrangements where certain aspects of the service are shared through to the entire leisure services of two or more local authorities being jointly managed (under a single management team comprised of representatives of each authority). |
| Transfer the service into an existing leisure Non Profit Distributing Organisation (or 'Trust') | <ul style="list-style-type: none"> Where an existing trust manages the service (along with others it is already managing) under a management contract. Sometimes called 'hosting'. |
| Establishment of a new leisure trust | <ul style="list-style-type: none"> Independent bodies that generally have charitable objectives. Different legal forms include Company Limited by Guarantee, and Industrial and Provident Society. |
| Procuring a leisure management contractor | <ul style="list-style-type: none"> Traditionally, a private sector operator is contracted to manage the service to a certain specification (under a management contract with a period of c. 5 - 10 years). Longer contracts (10 – 15 years) may include some investment in the facilities by the contractors. There are also other possibilities such as partnering (two parties working collaboratively), and PPP/PFI (which may be appropriate if a major investment is required). |

| | |
|--|--|
| <p>Procuring a ‘hybrid’ solution delivered by a leisure management contractor</p> | <p>This could include various options. The most common is where the local authority contracts with a commercial operator to deliver the leisure service. The commercial operator establishes a trust in which to deliver the service to receive the tax and other financial benefits that a trust can offer.</p> |
|--|--|

- 3.2 In considering the above options, the Executive will need to determine what range of criteria will be used to evaluate the various options. Officers propose evaluation is based on the following criteria:-
- Potential to raise service quality levels
 - Council Control / Influence
 - Potential Cost Savings
 - Potential for Third Party Capital Investment
 - Potential to reduce Council’s financial risk exposure
 - Speed of implementation
- 3.3 There are of course many other possible criteria that could be used, should Members consider this necessary. The above criteria will be weighted to form a scoring matrix.
- 3.4 The Executive will also need to agree its objectives and priorities for the future leisure service and confirm the number of centres to be retained and if it wishes the procurement process to include the option of building a new leisure centre.
- 3.5 The Council’s current leisure strategy runs out in 2007, it will therefore be necessary to develop a new strategy focusing on Leisure, Culture and Sports. This will focus on the whole of leisure in its widest context across the district and will help the Council to determine the strategic direction and scope of provision in the future. There is currently no resource to undertake this work internally and it would therefore need to be outsourced to a consultant to undertake this work.
- 3.6 The Council will also need to develop a formal opportunity prospectus that sets out the key physical, market, and operational and financial characteristics of the contract. This will be done in consultation with the Lead Member.
- 3.7 The opportunity and method of procurement can then be established i.e. through normal procurement routes, single negotiations etc. The chosen process should be one that allows the Council the best opportunity to explore and investigate those which offer most potential to meet the Council’s objectives and priorities. This will form part of a future report to the Executive
- 3.8 The procurement process is estimated to take up to 12 months to complete. However, some work has already begun and officers are working to a deadline of 1st April 2008 to have the future service provider in place. The Council can extend this deadline if required, but this will continue to expose the Council to some financial risks, while the interim arrangement continues.

4. Legal Implications

- 4.1 Procurement and contractual issues are dealt with elsewhere in the report. Legal documentation is presently being finalised with DC Leisure Limited with regard to the current arrangements. An update will be given at the meeting.

5. Financial Implications

- 5.1 The cost to the Council of the TUPE transfer of the former NWLL employees and completing the redundancy programme begun by North Wiltshire Leisure Limited was £528,000. The Council had estimated and set aside £500,000 to complete this process. The overspend of £28,000 can be met from the underspend within the £72,000 Planned Maintenance budget in 2005/6.
- 5.2 The Profit and Loss Account for April showed a projected deficit of £12,000, and this has been as a direct result of the decrease in memberships resulting from cancellations in February. This was reduced during May to £9,000. Officers have discussed this with DC Leisure and they are confident that this can be reduced further during June as the Sales Team are now in place and are focusing on increasing Membership takeup.
- 5.3 The Council has £50,000 set aside for the use of consultants and outsourcing. There is currently a balance of £23,000. This balance, plus savings in the two leisure posts could be used to take forward the development of a Leisure, Culture and Sports Strategy, which will be needed to inform the procurement process, which is estimated to cost approximately £25,000.
- 5.4 The Council has a budget of £220,000 for capital planned maintenance and £750,000 towards capital improvements and enhancements within the Olympiad, Springfield and The Activity Zone Leisure Centres. In addition, £50,000 capital has been set aside for Limekiln over the next 18 months to cover the costs of any planned maintenance needs, as there is currently no long-term proposal to retain this centre. A condition survey undertaken in October 2006, estimates future repair costs of around £180,000-£200,000 to year end 2008/09. The enhancement costs can be kept to a minimum, refreshing the reception area as proposed for 2007/08 Enhancements.
- 5.5 The centre is tired and the Pool Ventilation Plant, including extract fan unit within the pool area and associated run around heat recover coil, is overdue for replacement. Cost risk is around £25,000 (included in £200,000).
- 5.6 The Building does not comply with Disabled Discrimination Act requirements and cannot be remedied without major works. These are not costed in detail but are likely to be at least £200,000. The Council has a defence against any claims whilst it is considering alternative provision.
- 5.7 In summary, a decision to extend the life of Limekiln Leisure Centre, will require the identification of £400,000 of capital resources in 2008/09 and beyond, which is currently not in the three year finance plan. If Recommendation 6b were agreed a further report will be required to identify source of funding.

6. Community & Environmental Implications

- 6.1 The Council continuing to work in partnership with DC Leisure Limited will show direct benefits to the local community and users of the facilities, with the running of the facilities improved, value for money and an improved customer experience.

7. Human Resources Implications

- 7.1 The Council is not currently resourced to undertake the procurement work, as the two posts agreed by full Council in February remain vacant. It is intended to use some of this resource, to buy in expertise to undertake the procurement work and strategy work.

7.2 The Deputy Chief Executive & Project Leader will continue to work closely with DC Leisure in a client and strategic management capacity, until recruitment of these posts is complete.

8. **Risks**

8.1 The Council is still exposed to an element of financial risk in providing a deficit guarantee to DC Leisure Limited until a long term service provider can be agreed, although this risk is more manageable with DC Leisure than was the case with the former operator.

8.2 The Council is managing a process during a considerable period of change and a high level of operational delivery. This could impact on the project if additional resources are unable to be secured or existing resource is redirected or leaves the organisation.

8.3 Devolving the centres to the Town Councils could present a risk to the District Council, if only some of the Town Councils decided to take up the opportunity, leaving the District Council with a smaller number of sites to attract an external provider. It is unlikely that any external leisure management company would be interested in only running fewer centres than the three as this would prove to be less financially viable for them.

8.4 Limekiln Leisure Centre is an old building. The Council has set aside £50,000 capital to undertake any planned maintenance work in the building. However, the longer the building remains open, the higher the risk is to the Council that more maintenance work will be required and further additional unknown cost incurred. If Members were to consider keeping Limekiln Leisure Centre open beyond the initial 18 month period, it will be necessary to increase the budget for maintenance and enhancements within the centre in 2008/9 as shown in Section 5 above.

| | |
|---|---|
| Appendices: | A - DC Leisure Improvements & Enhancement Proposals B - Contract Monitoring Flow Chart |
| Background Documents Used in the Preparation of this Report: | Previous Executive, Full Council Reports and Resolutions |

Previous Decisions Connected with this Report

| Report | Committee & Date | Minute Reference |
|---|---|-------------------------|
| Agreement to allow NWLL to close the leisure centres at Wootton Bassett, Calne and Cricklade from 31st March 2007 | Executive - 23 November 2006 | |
| Advance Payment to meet salary obligations | Executive – 18th January 2007 | |
| Appoint new service provider and retain Wootton Bassett Leisure Centre | Executive – 8th February | |
| Agreement to provide no more additional funding to NWLL | Executive – 15th February | |
| Agreement to TUPE staff into the Council for an interim period up to 31st March 2007 | Executive 19th February | |