

Place Scrutiny Committee

10 March 2020

Leisure Services Review

For Recommendation to Cabinet

Portfolio Holder: Cllr A Alford, Customer, Community and Regulatory Services

Local Councillor(s): All

Executive Director: John Sellgren, Executive Director of Place

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Report Status: Public

Recommendation:

That the committee recommends to Cabinet:

1. To bring back in-house the operation of Blandford Leisure Centre on 01.04.2022.
2. The approval of a budget allocation for the one-off costs associated with bringing Blandford Leisure Centre back in-house.
3. That officers are instructed to agree contract extensions for Ferndown Leisure Centre and Dorchester Sports Centre until 31.03.2025, with appropriate contract break clauses.
4. That leisure centres are established as a high priority in the buildings and assets review.

Reason for Recommendation:

The Executive Advisory Panel strongly supported the need for the leisure review to be considered alongside the council's wider review of buildings and assets.

The panel considered that the continuation of funding maintenance and refurbishment works at some of the leisure centres may not be the most viable option and that the preferred approach would 'buy the council time', and enable opportunities around the development of community hubs to be explored in detail.

It is not possible to extend the contract at Blandford Leisure Centre beyond 31.03.2022, and therefore managing the centre alongside other in-house facilities was fully supported by the Executive Advisory Panel.

The extension of the Ferndown Leisure Centre and Dorchester Sports Centre contracts to 31.03.2025 will minimise the impact on centre staff, customers and service provision.

1. Executive Summary

The Leisure Services Review evolved with a need to consider existing leisure contracts that were due for renewal in late 2019 and the summer of 2020. It was also recognised that the creation of a new council would provide an opportunity to consider and adopt a more strategic and informed approach to the way that leisure facilities and services were operated.

Max Associates were appointed as specialist leisure consultants to develop an options appraisal to review the future delivery of leisure services and have subsequently produced a detailed report which highlights a range of options and recommendations.

A member led; cross party Executive Advisory Panel was set up to provide a strategic oversight to the work undertaken by Max Associates.

The Executive Advisory Panel have through their work considered several other external factors that could have an influence and impact on future decisions. The primary factors are the deteriorating condition of the current leisure centre building stock and future maintenance liabilities, and the buildings and assets review; which could bring about opportunities for incorporating a wide range of internal and external services within locality hubs.

The panel with senior officers evaluated a range of options. The preferred options were subsequently assessed in more detail, with the findings presented to the panel to scrutinise, challenge and debate.

The panel were unanimous in their support for the option that would 'buy some time' and enable leisure facilities to be considered as an integral part of the buildings and assets review, and that this would minimise disruption to staff, the service and Dorset Council's reputation

The panel also had strong reservations about continuing to fund repairs on buildings that may not be fit for purpose in the medium to long term.

The panel supported the principle to extend contracts where possible; minimising the impact to operators and the community at large. However, this is not feasible for Blandford Leisure Centre, and therefore bringing this facility in-house, was the preferred course of action.

It was agreed, that the recommendations of Max Associates to contract out the service to a third-party operator was an appropriate course of action in the longer term and should be reviewed once the buildings and assets review has evaluated the opportunities associated with leisure assets.

2. Financial Implications

Costs for managing Blandford Leisure Centre in-house are estimated to be an additional £19,154 per annum.

There will be one-off transactional costs associated with this; these will be assessed and reported to Cabinet.

3. Climate implications

Having declared a climate emergency, Dorset Council is committed to reducing its carbon footprint by developing energy efficiency and renewable energy projects in council buildings. Leisure centres owned by the council are large buildings with high energy consumption, and the condition survey reports for leisure centres used in the Max Associates report have identified a need for substantial amounts of facility investment.

Any future investment in existing buildings, or decisions around future uses and viability of buildings, will need to take account of the ability of the building to incorporate low carbon technologies such as LED lighting, efficient pool ventilation, solar PV, biomass heating or air/ground source heat pumps etc.

4. Physical Activity

As reflected by the Government and Sport England strategies and recognised by local authorities and Public Health England for some time, 'sport' is no longer delivered solely for 'sport's' sake. Increasing participation in sport and physical activity and reducing levels of inactivity are key to both local and national Government achieving outcomes in public health (physical and mental), adult social care and education.

This is reflected in the new Council Plan, where a key priority is to help create strong, healthy communities. The council's aims are to support communities to be active, to increase people's healthy life expectancy and reduce differences between areas. Leisure facilities will play a significant role in providing opportunities for all ages to lead a more physically active lifestyle.

A recent report completed by Sheffield Hallam University reviewed the social return of investment into sport in England. It concluded that for every £1 spent on sport, £1.91 of benefits are generated in health and other related outcomes.

5. Risk Assessment

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: Low
Residual Risk: Low

6. Equalities Impact Assessment

There are no equalities implications arising from this report.

7. Appendices

Appendix 1 - Strategic Review of Leisure Centres report – Exempt

8. Background Papers

Empowering Communities – An assessment of capital investment into community wellness hubs

https://www.ukactive.com/wp-content/uploads/2018/09/ukactive_Empowering_Communities_-_Capital-Investment.pdf

9. Background

- 9.1. The creation of the new Dorset Council has provided an opportunity for the new Council to consider and adopt a more strategic and informed approach to the way it operates its leisure facilities and service.
- 9.2 In November 2018 the Shadow Executive Committee agreed to appoint a specialist leisure consultant to develop an options appraisal to review the future delivery of leisure services; which would also include a building condition survey of all the assets. Max Associates were appointed as the preferred consultants.
- 9.3 The Shadow Executive Committee agreed for officers to extend the current contractual arrangements that were due to expire for Blandford and Ferndown Leisure Centres until 2022, with sufficient break clauses to mitigate against risks for unexpected delays. The Blandford contract has now been extended to 31.03.22. The Ferndown contract will be extended prior to its current end date in July 2020.
- 9.4 The objectives of the options appraisal were to:
 - Consider and clearly articulate the desired outcomes for the service, based on a detailed understanding of community need and the Council's wider outcomes;
 - Provide an objective, transparent and rigorous assessment that can stand up to scrutiny and challenge;
 - Provide an understanding of the risks associated with different operating models;
 - Enable an informed decision to be made on the best value solution to meet the needs of the community in Dorset.
- 9.5 The Shadow Executive Committee also supported the principle that there is the potential to generate savings to the leisure services budgets, and that a service that integrates with health and wellbeing through prevention at scale could generate longer term savings elsewhere for the Council. Consideration should also be given to potential savings by utilising existing centres to provide wider services to the community.
- 9.6 The project scope was to review leisure facilities and services that were owned or managed by Dorset Council. These were broken down into the following categories:
 - Primary offer: These are the main leisure centres, which are operated or funded by Dorset Council which will form the core service going forward:
 - Blandford Leisure Centre

- Dorchester Sports Centre
 - Ferndown Leisure Centre
 - Purbeck Leisure Centre (Wareham)
 - Queen Elizabeth Leisure Centre (Wimborne)
 - Verwood Hub
- Secondary Offer: These facilities and services will be reviewed but may not form part of the core service going forward, depending upon the viability/availability:
 - Potterne Park, Verwood (3G ATP and grass pitches)
 - Emmanuel School Sports Hall, Verwood
 - Redlands Community Sports Hub, Weymouth – leased to Weymouth College and operated by the college as a community and educational facility
 - Sports Development service
 - Bridport Leisure Centre – owned and operated by the Bridport & West Dorset Sports Trust Ltd but requiring an annual grant from Dorset Council

10. Executive Advisory Panel

10.1 An Executive Advisory Panel was set up with the following terms of reference:

To provide member oversight over the work of consultants to evaluate strategic options for our Leisure Centres, with an aim of determining a common strategic approach to future service delivery.

10.2 The Leisure Executive Advisory Panel have to date met five times. Max Associates have attended some of these meetings, and in doing so they facilitated a session to identify the criteria to support an appropriate evaluation model. They also provided an opportunity for members/officers to scrutinise the outcomes identified within the Strategic Review of Leisure Centres draft report.

10.3 The Executive Advisory Panel have suggested to the Portfolio holder that all the leisure facilities apart from Redlands Community Sports Hub and Bridport Leisure Centre should form part of a harmonised operating model at some point in the future. Redlands and Bridport would be reviewed separately.

11. Condition Surveys

11.1 Condition surveys were completed by Dorset Property and the table below provides the estimated costs over the next 25 years. This data is

currently being reviewed and a verbal update will be provided at committee.

ble 1 - Condition Survey Costs

Centre	2019/23	2024/25	2025/26	2026/27	2027/28	2028/29	2030/34	2035/39	2040/44	TOTAL
Verwood Hub	£140,850	£73,500	£15,000	£9,000	£263,000	£8,000	£421,900	£181,700	£247,400	£1,360,350
Potterne Park	£159,750	£205,000	£38,800	£39,000	£0	£60,000	£159,800	£262,700	£51,000	£976,050
Emmanuel	£27,100	£0	£6,600	£0	£119,500	£11,000	£100,300	£15,100	£176,100	£455,700
Queen Elizabeth	£1,165,720	£714,050	£124,600	£35,000	£26,000	£177,000	£929,150	£1,019,400	£517,900	£4,708,820
Ferndown	£1,843,900	£231,500	£414,500	£166,000	£91,000	£190,000	£330,000	£78,000	£1,029,500	£4,374,400
Purbeck	£770,975	£237,800	£591,600	£105,800	£15,800	£194,400	£915,500	£862,300	£1,317,350	£5,011,525
Dorchester	£585,250	£75,800	£223,000	£1,120,000	£30,000	£365,000	£920,000	£658,000	£1,340,000	£5,317,050
Blandford	£385,425	£1,368,700	£18,000	£0	£140,000	£569,800	£358,500	£187,000	£397,000	£3,424,425
TOTAL	£5,078,970	£2,906,350	£1,432,100	£1,474,800	£685,300	£1,575,200	£4,135,150	£3,264,200	£5,076,250	£25,628,320

11.2. Over the next five years there is potentially £5 million of condition survey works required, the majority of which (£3 million) is required at Queen Elizabeth Leisure Centre and Ferndown Leisure Centre. In addition, Queen Elizabeth Leisure Centre and Blandford Leisure Centre require substantial amounts of funding for condition survey works in 2024/25.

12. Option Appraisal Outcomes and Recommendations

12.1 The Strategic Review of Leisure Centres report provides detailed analysis, conclusions and recommendations. Within the report, Max Associates:

- completed a full operational review of the scope of services;
- considered the potential management options open to the Council;
- developed, with the Council, a suitable evaluation model to evaluate the options given the Council's strategic and financial objectives; and
- evaluated and scored each of the options.

12.2 The evaluation, which was based on the original scope, recommends that the council outsources the management of the leisure facilities to an external contractor. The main reasons for this are:

- The potential for financial savings from an external contractor managing all sites is significantly better than both the in-house and local trust options.
- Currently performance is mixed across the sites, however the sites that are financially performing better are those already managed by an external contractor.
- Having one operator across the sites will produce a consistency in quality of service provision and create an identity for leisure across the county.

13. Key considerations

13.1 Although the work completed by Max Associates provides a steer to the most suitable management approach moving forward, there are several other external factors that need to be considered alongside these recommendations.

13.2 Community Hubs

The opportunities around creating community hubs was first identified by the Shadow Executive Committee. Dorset Council is currently undertaking a buildings and assets review, and as part of this work, the consultants Avison Young are working with the council to explore opportunities for aligned services to be delivered within locality-based community hubs. The review will aim to establish whether the wide range of council assets are providing true value for money.

From a financial perspective, the review will consider how much money needs to be spent on the assets over the next, say, 25 years; this includes running and maintenance costs, capital expenditure, management costs etc. The review would also want to understand what the realistic remaining useful life of the asset is. This would then facilitate an exercise where these costs are compared to 'starting afresh' in a new facility to see what the difference is.

From a qualitative perspective, the review would ask whether the asset is; in the right location to serve those most in need, providing the right environment, and being optimised in terms of the services and facilities being provided e.g. could the asset accommodate other public services that would improve the experience for the user e.g. health, library etc. (and allow the release of assets in the vicinity for other uses e.g. local housing). Again, the current position could be compared to a 'new world' where services are collocated.

13.3 Avison Young recently facilitated a session with senior managers from the following services - Adults, Children, Place, Public Health and the Clinical Commissioning Group to look at potential opportunities around community hubs. The consensus of the group was that the leisure buildings, many of which are on school sites, could play a vital role moving forward and that a short-term in-house option would allow for a holistic asset strategy to be developed.

13.4 There is a clear demand for community assets from the public, and ukactive and Sport England are keen to see the success of integrated wellness hubs rolled out (mixed use leisure centres, libraries, GP surgeries and pharmacy, etc.). They believe that wellness hubs should be welcoming, inclusive, well located, and focused on the needs of local people; ensuring that they are at the heart of local communities up and

down the country, and that they make a real impact on the lives of those who need these facilities the most. The background paper from ukactive provides a range of examples.

The wellness hub model has demonstrated it can:

- Leverage £10 of investment from a range of sources (including the private sector and local authorities) for each £1 of lottery funding invested
- Achieve savings of around 30 per cent in both construction and operating costs
- Stimulate a 35 per cent uplift in usage by the public

13.5 Long term asset costs

In 10 years' time (after 2029) significant amounts of funding for condition survey works will be required across all centres. Max Associates have suggested that the council will therefore need to consider its facility strategy beyond 2029 and whether continuation of funding maintenance and refurbishment works is the most viable option, or should the council consider replacement centres and potential rationalisation across the Dorset Council area. This suggestion provides a clear link to the work of the buildings and assets review.

13.6 Climate emergency

Having declared a climate emergency, Dorset Council is committed to working to mitigate climate change; and part of this work is focused on reducing its carbon footprint by developing energy efficiency projects in council buildings. Climate emergency considerations will therefore need to be factored into any asset improvements moving forward.

14. Financial considerations

14.1 There are several financial factors that need to be considered, when reviewing the Max Associates findings.

14.2 The estimated future service costs are based on national benchmarking; the actual cost of a contracted-out service would only be determined through a procurement exercise.

14.3 Within their report, Max Associates have provided two sets of tables; one that includes Redlands Community Sports Hub and Bridport Leisure Centre showing estimated future costs, and one set that includes the current operating costs.

14.4 The Dedicated Schools Grant contributions which currently support the operation of Ferndown Leisure Centre and Purbeck Sports Centre would need to be adjusted to ensure that the provider wasn't generating a profit from the grant.

14.5 National leading contractors are currently operating Dorset Council facilities and existing costs are much higher than the estimated costs identified by Max Associates, however it is recognised that there would be opportunities around economies of scale.

14.6 The one-off set-up costs of procuring a contract, to include all leisure facilities in scope, is estimated to be £140k - £160k.

15. Leisure Options

15.1 In reviewing the recommendations from the Max Associates report, and taking into consideration the additional external factors, officers presented several options to the Executive Advisory Panel. These were as follows:

- Short 5-year contract
- Standard 10-year contract
- Long 20-year contract
- Take service back in house
- Take service back in house prior to a contract

15.2 In considering the options the panel concluded that three of the options should not be pursued for the following reasons:

- Short 5-year contract
Bids may not be competitive, reflecting high transaction costs as a proportion to the overall contract sum.
Accumulated maintenance cost likely to fall to Dorset Council.
- Long 20-year contract
Does not consider recommendations of the assets review.
May not provide value for money in later years.
Potential breakdown in relationship with contractor.
- Take service back in house
Time and costs of management
Increased costs of delivering service

16. Preferred Options

16.1 The Executive Advisory Panel identified two preferred options and asked officers to carry out a more detailed assessment of these options. The key findings of these options are as follows:

Standard 10-year contract

- The tender process would need to start in the summer of 2020, with a contract start date of 01.04.2022.
- A fixed management fee would provide a degree of cost certainty for 10 years.
- The Dedicated Schools Grant contributions which currently support the operation of Ferndown Leisure Centre and Purbeck Sports Centre would need to be adjusted to ensure that the provider wasn't generating a profit from the grant.
- The one-off set-up costs of procuring a contract, to include all leisure facilities in scope, is estimated to be £140k - £160k.
- The cost of the service is estimated to be between £830,546 - £1,124,517 per annum.
- The upper cost estimate is based on the existing costs of the external contractors currently operating Dorset Council facilities.
- Based on the upper cost estimate, which is made up of existing contractor costs and forecast estimates for contractors managing existing in-house leisure facilities; an annual saving of £579,207 could be realised.
- Recommendations of the building and assets review could not be implemented until 2032.
- Given the known future asset costs, it would be unlikely that a contractor would want to agree to a full repairing lease. Therefore, accumulated and continuing maintenance cost would still be the responsibility of Dorset Council.

Take service back in house prior to a contract

- Recommendations of the building and assets review could be developed and implemented without delay. In doing so consolidating council assets could generate greater savings overall to the council.
- Blandford Leisure Centre would need to be brought back in-house on the 01.04.2022; at the termination of the existing contract.
- The Ferndown Leisure Centre contract can be extended for one further period. This could be extended to a date beyond 2022 (awaiting legal confirmation).
- Dorchester Sports Centre has the option for a further extension beyond 2022.

- Costs for managing Blandford Leisure Centre in-house are estimated to be an additional £19,154 per annum.
- There would be costs associated with an internal transfer, although these would be much lower than costs associated with a procurement.
- If the Ferndown and Dorchester contracts were not extended beyond 2022, then managing these facilities inhouse are estimated to cost £119,220 per annum, in addition to the costs for managing Blandford Leisure Centre in house. However, these figures include significant estimated costs for central services. Given that these facilities are a 'bolt on' to an existing service; it is anticipated that these marginal costs would be much lower.
- There would also be an opportunity to undertake internal transformation to reduce operational costs. Max Associates estimated the cost of running an inhouse service at £1,694,953 (adjusting for Redlands and Bridport), which is a saving of £8,771 on the current costs to Dorset Council.

Footnote:

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.