

CABINET

Salt Ayre Sport Centre and Community Swimming Pools – Savings Options

17th February 2009

Report of Corporate Director (Regeneration)

| PURPOSE OF REPORT | | | |
|--|---------------|------------------|------------------------------|
| To consider savings options in respect of Salt Ayre Sports Centre and the three community swimming pools in Carnforth, Heysham and Hornby. | | | |
| Key Decision | X | Non-Key Decision | Referral from Cabinet Member |
| Date Included in Forward Plan | February 2009 | | |
| This report is public | | | |

RECOMMENDATIONS OF COUNCILLOR JANE FLETCHER (to follow):

1.0 Introduction

1.1 This report is in two parts; the first deals with Salt Ayre Sports Centre (SASC) and the second deals with the proposals regarding savings in respect of the three community swimming pools in Carnforth, Heysham and Hornby.

2.0 Proposals for Salt Ayre Sports Centre (SASC)

2.1 The 2009/10 revenue budget expenditure provision for SASC is currently £2,062,200, of which £871,700 relates to 'Facilities Management' costs (broken down further in the following table), leaving a total of £1,190,500.

Gross Facilities Management / Fixed Council Ownership Costs - £871,700

| Expenditure Type | Cost (£) |
|---|----------|
| Employee Related (Maintenance & Plant Engineer Part Time) | 12,500 |
| Rates | 144,900 |
| Utilities (Gas, Electricity and Water) | 262,600 |

| | |
|---|---------|
| Repair & Maintenance | 59,400 |
| Support Recharges (from within Cultural Services) | 197,700 |
| Support Recharges (from Corporate Support Services) | 151,500 |
| Other Plant Expenses | 32,400 |

All of these 'Facilities Management' costs relate to the physical running of the building and, as discussed with Cabinet, a proposal is to be forwarded regarding the future management of this with the possible review of the current CAPITA arrangement.

It should be noted that the December 2008 monitoring at SASC has shown a potential overspend of £50,000 for 2008/09 in relation to energy costs. It is anticipated that this increase will continue into future years. However, this is subject to confirmation. This would need to be taken into account when reviewing the Facilities Management review.

The support recharges (from within Cultural Services) are to be reviewed as part of the Management Review. The support recharges (from Corporate Support Services) will be reviewed as part of the Corporate Support Services Review.

Gross Service Delivery - £1,195,800

| Activity | Usage (2007/08 Public Throughput) |
|--------------------------|--|
| Athletics Track | 8,268 |
| Crèche – Supervised Play | 2,879 |
| Heatwaves | 24,756 |
| Holiday Activities | 8,500 |
| Main Hall | 58,573 |
| Outdoor Synthetic Pitch | 18,376 |
| Projectile Hall | 8,681 |
| Reflexions | 51,330 |
| Sports Development | 30,020 |
| Studio | 27,666 |
| Swimming | 106,225 |
| TOTAL | 345,274 |

- 2.2 In terms of future provision and development, Cultural Services has been made aware, via the Lancashire Economic Partnership (LEP), of a sports/regeneration opportunity known as "Sports Village". The LEP's initial work is being supported by the North West Development Agency (NWDA), Sport England, the NHS, Lancashire Sport, DTZ (Property Development), and the Lancashire and Blackpool Tourist Board. Successful pilot Sport Village schemes in the region have included, amongst others, Warrington, Leigh and Salford. In those locations, new models of service/facility developments have emerged, drawing in significant private and public finance, ranging from £33m to £88m. Lancaster is considered well placed to being considered as a potential Sports Village, because of:

- Existing international standard facilities at SASC
- Lancaster’s Cycling Demonstration Town status
- A Sport England 2012 Facilities /Legacy Study identifying Lancaster as a key strategic location for the development of rowing and cycling (both Olympic sports)
- Lancaster’s Planning Policy Guidance (PPG) 17 has highlighted significant shortfall in sports pitch provision, but has also identified via the Local Strategic Framework, locations and opportunities to address the shortfall.

2.3 Alternative Management Models

Lancaster City Council has previously exposed SASC to market testing via Compulsory Competitive Tendering (CCT), and on each occasion the service has remained “in-house”. The City Council has also considered and rejected a previous voluntary exercise of exploring the possibility of transferring into a Trust/Not for Profit Distributing Organisation (NPDO) (Minute 86 03/04 refers). In both cases, there was no financial benefit to the City Council. For the reasons above, this is not being presented as an option.

3.0 Options for Salt Ayre Sports Centre (SASC)

3.1 Option 1

Officers enter into early negotiations with CAPITA regarding the facilities management issues and seek to address where, and if possible, savings that can be made.

| Operational Risk | Financial Risk | Legal Risk | Benefits |
|--|---|--|--|
| In re-allocating the facilities management function, care needs to be taken that the building operates in accordance with the Service needs and a strong Service Level Agreement will need to be in place. | Clarity around fixed cost budgets should provide clarity around monitoring of budgets and future financial management. It would also mitigate future increasing costs such as utilities. | The City Council has substantial health and safety, and corporate liabilities. A more focussed approach to facilities management should reduce the risk associated with this area. | The City Council is currently setting itself challenging targets following recommendations made in the recent Carbon Trust report and a more proactive approach to facilities Management will assist this. Mitigate increasing unknown costs associated with utilities. |

3.2 Option 2

Cabinet resolve to request a financial saving of 10%, which equates to £119,000 from the Service Delivery budgets, and request that a further report be brought back to Cabinet advising which areas of Service delivery have been affected by the proposal.

| Operational Risk | Financial Risk | Legal Risk | Benefits |
|--|--|---|---|
| <p>Any cut in service costs will have an issue on the level of service provided. Officers will need to carry out a full options analysis and consultation process to identify where a revised capped budget can best achieve maximum service delivery, whilst minimising any effect on income.</p> <p>The above option will include the opportunity for officers to consider the possible closure of the SASC for 1 or 2 days.</p> | <p>Providing a set budget will provide clarity around monitoring of budgets and future financial management.</p> | <p>The service provision is discretionary. However, there may be employment and other contractual arrangements in place, which may be affected by redefining the services. However, these will be addressed as part of the options analysis that officers will undertake.</p> | <p>Setting a revised fixed budget will offer up the necessary contribution to the 2009/10 Budget Process, and by allowing officers the flexibility and time to carry out a full options appraisal on future services delivery, will ensure that minimum service disruption within budget is achieved.</p> |

3.3 Option 3

With regards to the revenue income (£956,600), Cabinet request officers look to explore possibilities of increasing additional income generation, and maximise such income, bearing in mind possible service delivery cuts, should Option 2 also be taken.

| Operational Risk | Financial Risk | Legal Risk | Benefits |
|--|--|--|--|
| <p>Should the service savings be taken under Option 2, this may affect the capability of increasing income.</p> <p>For a number of years, Cultural Services have adopted a 'market pricing policy' which subsidises targeted users via the Passport to Leisure scheme (PTL). If these are to be reviewed, this may have an impact on disadvantaged groups.</p> | <p>Any increase in income fees that are sustainable can only be a financial benefit to the City Council.</p> <p>Care must be taken not to exceed the fees of any competitive market as this could cause a reduction in use and therefore income.</p> | <p>There is no legal risk as fees are entirely at the City Council's discretion.</p> | <p>Increased income can have a direct knock on effect of increasing service delivery as in theory more budgets could be made available to improve future service delivery.</p> <p>The issues of service delivery and the cost of delivering services are cyclical.</p> |

3.4 Option 4

To retain existing budgets and service provision within SASC and not take any savings from the service.

| Operational Risk | Financial Risk | Legal Risk | Benefits |
|--------------------------------|---|---|---|
| There are no operational risks | There would be no contribution from SASC towards the City Council's challenging financial position, and the cost is likely to increase as a result of additional utility costs. | There is no legal risk as the service is discretionary. | Cultural Services contributes to 3 out of 4 of Lancaster City Council's corporate objectives, and delivers against 6 out of 7 of the Local Strategic Partnership (LSP) priority themes. The work undertaken by, and with, the district's sports organisations contribute to the City Council's service priorities as well as local and national indicators. |

4.0 Proposals for the community swimming pools

4.1 The draft 2009/10 revenue budgets for the three community swimming pools are:

| | |
|-----------|-------------------------------|
| Carnforth | £52,400 (net revenue subsidy) |
| Heysham | £17,300 (net revenue subsidy) |
| Hornby | £38,900 (net revenue subsidy) |

It should be noted that the financial monitoring for Heysham Pool, at the end of December 2008, was projecting an overspend of £32,800. It is anticipated that £6,000 of this increase will continue into future years.

4.2 The three community swimming pools in Carnforth, Heysham and Hornby have, since 2001, been the subject of a Partnership Agreement between Lancashire County Council and Lancaster City Council. Lancashire County Council undertake the "landlord" function as the owners of the premises, and Lancaster City Council manage and operate swimming services for both community and school swimming (directly to the schools, as a "devolved" activity). Predominantly, the latter relates to all the primary schools within the Lancaster district that are required to provide swimming as part of Key Stage 1 and Key Stage 2 of the National Curriculum for Physical Education. A small number of secondary schools within the Lancaster district also access the three community swimming pools.

4.3 It is a condition of the Partnership Agreement, between Lancashire County Council and Lancaster City Council, that either party gives a full 12 months notice of intent to terminate the above Agreement. In the event of terminating the Agreement for one, or more, of the community swimming pools, there would be HR implications to Lancaster City Council.

4.4 The current usage of the community pools are as follows:

| 2007/08 Full Year Figure | Casual/Public Swimming | Clubs | Schools/number of classes |
|-------------------------------------|-----------------------------------|--------------|--------------------------------------|
| Carnforth Pool | 5,316 | 10,890 | 12/22 |
| Heysham Pool | 14,912 | 18,307 | 14/23 |
| Hornby Pool | 7,566 | 6,979 | 12/12 |

- 4.5 As part of the current options appraisal, in respect of SASC and the three community swimming pools, Cultural Services has undertaken a review of pools provision within the District. The following is a summary of that review:

| Pool | Review |
|--------------------------------|--|
| Capernwray Hall | Private |
| JJB Fitness | Members Club |
| Lancaster Royal Grammar School | Poor Condition, very limited use |
| Lancaster University | Public and private use, but no spare capacity |
| Pine Lake Resort | Private |
| Sandpiper Health Club | Private |
| Spirit Health Club | Private |
| Total Fitness | Members Club |
| VVV Health Club | Members Club |
| Whoop Hall County Club | Private |
| Ripley St Thomas School | May be able to accommodate some school and/or public use |
| Holgate Leisure Park | Public and private use |
| Mansergh Caravan Park | Private |
| Bleasdale Special School | Fully used with no spare capacity |
| South Lakes Leisure Park | Private |
| Ocean Edge Leisure Park | Private |

Of the above, it is clear that, whilst there are a substantial amount of pools, it is unclear whether such pools are appropriate for school usage. It is likely that they may be useable for general swimming on the proviso that the operators would welcome such an approach. Given the short timescale available, officers have not, to date, had the opportunity to fully test the feasibility of this alternative provision.

5.0 Options for the community swimming pools

5.1 Option 1

Cabinet resolve to serve notice on Lancashire County Council to terminate its current agreements with regards to the community swimming pools, with effect from 31 March 2010, and officers provide support over the next 12 months in assisting users to seek alternative venues.

| Operational Risk | Financial Risk | Legal Risk | Benefits |
|---|---|--|---|
| The City Council currently only operate the facilities due to the fact that Lancashire County Council withdrew its service provision. Closure of the pools would clearly have an impact on community provision but it would be hoped that these could be picked up within the other private/public facilities available (including SASC). | The Council would make significant cost savings. It would also mitigate future increasing costs such as utilities. The cost of redundancies will need to be addressed. | The City Council would need to ensure that it terminates the contracts in accordance with the Legal Agreement in place. The Council has no statutory requirement to make provision for community, or educational, swimming. | Substantial budgetary savings without impacting on statutory service provision. Mitigate increasing unknown costs associated with utilities. |

5.2 Option 2

Continue with existing Agreement.

| Operational Risk | Financial Risk | Legal Risk | Benefits |
|--|--|---|-----------------|
| The City Council currently only operates the facilities due to the fact that Lancashire County Council withdrew its service provision. Closure of the pools would clearly have an impact on community provision but it would be hoped that these could be picked up within the other private/public facilities available (including SASC). | The cost of operating the pools would still have to be met by the Council. In addition, this cost may increase if the current increased energy costs continue into future years. | The Council has no statutory requirement to make provision for community, or educational, swimming. | |

6.0 **Officer Preferred Option (and comments)**

6.1 Officer preferred options are detailed within 3.1, 3.2, 3.3 and 5.1 of this report.

7.0 **Conclusion**

7.1 The report raises significant issues in terms of determining Value -vs.- Cost in maintaining publically accessible sports and leisure facilities within the district.

RELATIONSHIP TO POLICY FRAMEWORK

Salt Ayre Sports Centre and the three community swimming pools at Carnforth, Heysham and Hornby are an integral part of the Cultural Services "offer" within the district and impact in terms of facilities provided for residents and visitors.

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

The report raises issues in respect of community safety, sustainability and rural proofing.

FINANCIAL IMPLICATIONS

The figures quoted within the report are draft figures that have yet to be agreed as part of the 2009/10 budget process.

SASC and Heysham pool have recently reported through PRT an increase to the Utilities budgets in 2008/09. These are likely to affect the current draft budgeted position for 2009/10 by circa £50k SASC and £6k Heysham Pool.

Once Cabinet have determined their preferred option regarding the future operation of SASC and the three community pools, a more detailed report (to include all operational, financial and legal matters) will need to be brought back to Members before final implementation.

SECTION 151 OFFICER'S COMMENTS

In reaching a decision, Members are advised to consider the options in context of the budget position and the need to make ongoing savings and achieve value for money, as well as proposed priorities and the impact on service users.

LEGAL IMPLICATIONS

In respect of the options for Salt Ayre Sports Centre, there are no legal implications arising at this stage from these proposals.

With regard to the options in relation to the community pools, Legal Services have considered both the Agreement and Lease documents. Both documents are silent as to when the pools should be open, and indeed do not include an unequivocal obligation to open, but clearly the intent of these documents is to pass all management/operational responsibilities to Lancaster City Council. The Agreement defines the three grounds upon which the arrangement can be determined:-

- 1) On the occurrence of a material breach of any provision of the Agreement.

If it was resolved to stop managing and operating the pool, it is likely that this would be perceived by the County as a material breach, and they would then seek to claim for any loss arising from the Council's failure to manage/operate the pools.

- 2) The Agreement shall automatically terminate upon termination of the Lease (for whatever reason). The City Council could surrender the Lease. This could be done expressly by deed, both parties entering into a deed of surrender and agreeing all liabilities placed upon the City Council cease from the date of surrender. or implicitly

by handing back the keys to Lancashire County Council and the County accepting them, the surrender being effected by operation of law. It is not known whether the County Council would agree to either course of action.

3) By giving not less than 12 months notice to terminate.

Other issues

HR and/or other contractual arrangements (such as supply agreements and maintenance, etc).

Any outstanding claims or disputes directly arising from the City Council's management/operation of the pools.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and her comments incorporated in the report.

BACKGROUND PAPERS

None

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