

# CABINET

## Potential Options for Salt Ayre Sports Centre 20 January 2014

### Report of Chief Officer (Health & Housing)

PURPOSE OF REPORT			
To inform Cabinet of the potential options for Salt Ayre Sports Centre and to seek approval to undertake further work to explore a development partner.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision	19 December 2014		
This report is public.			

#### RECOMMENDATIONS OF COUNCILLOR RON SANDS

- (1) That Cabinet approve in principle to seeking a development partner to invest and improve facilities at Salt Ayre sports centre in the short and medium term.
- (2) That the outcome of this piece of work be reported back to Cabinet with more detailed proposals, associated financial implications and to seek authority to proceed prior to entering into any contractual agreement.

#### 1.0 Introduction

- 1.1 In November 2013, Cabinet agreed to a service review of the management and operation of Salt Ayre Sports Centre (SASC), sports development function and the Community Swimming Pools.
- 1.2 The review had both short and longer term actions and the short term actions involved a staffing restructure which was implemented on 1 July 2014 and resulted in a streamlined, more efficient sport and leisure service and contributed £118K towards the Council's savings target.
- 1.3 During the 2014/15 budget process, Members confirmed at that stage, to continue to provide sport and leisure facilities recognising the important role the council plays in promoting health and wellbeing through the provision of accessible, affordable leisure facilities. This was further affirmed by the adoption of the ensuring council ethos.
- 1.4 Having made a decision to continue to run sports facilities in house, there are now decisions to be made about making these facilities as financially viable

as possible whilst retaining the capacity, ability and inclusivity to ensure our wider health and wellbeing objectives for our communities can still be met.

- 1.5 This report outlines a potential way forward for the council to invest in up to date facilities at SASC and provide a new leisure offer which meets the changing market demand for activities such as climbing walls, high ropes courses, soft play and spa facilities and leads to a more financially secure operation in the future.

## **2.0 Proposal Details**

- 2.1 Over the last 5 -10 years there has been a declining national trend in the popularity of some of the more traditional sports such as badminton, netball, volleyball and five a side football etc. This trend has resulted in a reduction in occupancy rate of our sports hall to the extent that these types of sports only contribute 24% towards sports hall revenue per year. More popular activities such as gymnastics account for in excess of 43% revenue.
- 2.2 The fitness suite (Reflexions) opened in 1997 with membership numbers in excess of 1,400 but is currently operating at around 900. The decline in numbers is partly due to competition from other larger private sector gyms and partly due to the relatively small size of our gym coupled with an environment which hasn't been substantially improved since it opened.
- 2.3 The outdoor Artificial Turf Pitch (ATP) when first opened achieved around £25k per annum as a minimum. The recent rise in provision from other organisations of such facilities which are all of a higher standard has resulted in an expected return this year of less than £6k.
- 2.4 The sauna facilities return around £6k per annum from casual users (pay on the day).

### **Options**

There are essentially two options to consider:

#### **2.5 Option 1**

This would be continuing as we are now, replacing and repairing where necessary to maintain minimum health and safety legislative requirements and to provide the facilities to a level to meet the minimum customer expectation.

However, just to maintain current health and safety standards is likely to require additional expenditure in the region of £400k which has been identified as necessary in a recently updated building condition survey.

Only investing in essential planned capital improvements or repairs as opposed to any wider refurbishment would lead to a general decline in the quality of the facilities on offer and it is likely that gym memberships will decline further over the next few years and there would be a continued reduction in sports hall occupancy and sauna use. To compete with other providers in the district, we need to be able offer high quality, "private sector feel" facilities.

There would be a further knock on detrimental effect on performance in remaining areas such as the swimming pool and café.

This option would require increased subsidy over the next few years and there will become a point where a decision about whether to continue to keep SASC open will need to be made.

In terms of the current budget position, the estimated cost of operating Salt Ayre in 2015/16 is £1.404M (£982K excluding notional capital charges). Latest estimates show this cost increasing by over £200K over the next 4 years. This assumes customer numbers remain static, therefore any drop in numbers would increase this cost further.

## 2.6 **Option 2**

Many councils and leisure trusts around the UK have adopted this model as an alternative to leisure provision reduction whereby leading sports industry specialists work in partnership with the council/trust with the main aims of

- improving the quality of the product on offer to residents and visitors to the area
- improving the commercial viability of leisure services through invest to save capital developments

A development partner works at risk to establish a business case to scope any schemes and to ensure capital affordability and reviewing schemes to bring forward those first that maximise profitability in the shortest time.

The benefits of selecting a development partner are that it would bring experience and capacity in key areas in terms of resources to deliver proposals, recommendations and improvements. Although a development partner would manage any programme from concept to completion and assist with marketing, advertising and promotion of the projects, the council would still retain full control of the operational management at SASC including pricing, programming and delivery of our community health and fitness schemes.

The timescale for selection of a partner based on commencement in February 2015 would take around five months to complete. Given that significant investment needs are anticipated, it should be expected that a final decision would be sought through the 2016/17 budget process; this would allow Members to consider their relative priorities in context of up to date financial expectations. The selection process would have already identified the need for potential development partners to assess current facilities at SASC and suggest improvements that would meet relevant council priorities and reduce operating costs. Officers are aware through the soft marketing testing carried so far, that there are only a couple of development partners that operate in this way but both have undertaken several successful schemes with other councils and leisure trusts. Officers are confident that a suitable development partner with the ability to understand our needs can be found.

There are various models of financing the improvements from fully funding this from council resources, whether that be from reserves or via unsupported

borrowing, or borrowing directly from the development partners and repaying only when a certain level of return in income is generated. The exact financing model will be subject to a full financial appraisal to determine the most cost effective option for the council.

### 3.0 Details of Consultation

3.1 None at present, there would be consultation with customers and potential customers prior to any projects starting.

### 4.0 Options and Options Analysis (including risk assessment)

	<b>Option 1:</b> Continue to invest in line with current budgets with replacement and repair as necessary but with no major improvements.	<b>Option 2:</b> Seek a development partner to invest and improve SASC in the short and medium term.
Advantages	None	<p>Provides a planned programme of works over a period of years which could include for example refurbishment/expansion of the gym, change of use to half the sports hall to provide activities that would result in greater occupancy levels, spa facilities and an outdoor ropes course.</p> <p>Provides facilities which meet current customer expectations as well as all H&amp;S standards.</p> <p>Would position Salt Ayre sports centre as a premier sport and leisure facility in the North West providing a diverse range of activities on one site whilst retaining a community hub for continuation of active health and other targeted health programmes for more vulnerable citizens.</p> <p>Position the council well for delivery of public health commissioned activities that cut across a range of council delivered services such as leisure, housing and environmental health.</p> <p>Provides a sounder financial footing for the sports centre.</p> <p>Is a good example of the</p>

		municipal entrepreneurialism theme of the ensuring council ethos enabling the council to translate its policy objectives into practice.
Disadvantages	Opportunity to reduce operating subsidy missed.	Upfront investment is required to facilitate these improvements. Officer capacity to oversee the programme is required. Some external specialist legal advice may be required.
Risks	<p>Operating costs increase to such a point that the facility becomes no longer viable to subsidise in the context of reducing resources. This could lead to decisions about closure.</p> <p>Lack of investment in new facilities will increase the repair costs and potentially lead to unforeseen costs due to meeting health and safety standards.</p>	<p>Failure to secure a suitable development partner – this risk is mitigated by the fact that our soft market testing has shown there are a few experienced companies with a track record of success.</p> <p>The investment required is substantial and the affordability, financial sustainability and prudence of this is not yet known – detailed analysis of the financial model and robust due diligence processes will allow the council to ensure the best option of financing the improvements is chosen.</p> <p>Officer capacity to oversee the programme may be insufficient – this risk is mitigated by the fact that the sport and leisure restructure built in some capacity to progress projects such as this as well as day to day management. In addition, the council adopts a cross service project team approach to large scale projects such as this similar to the solar PV project.</p>

## 5.0 Officer Preferred Option (and comments)

- 5.1 Option 2 is the officer preferred option. Seeking a development partner will give the council the opportunity to assess how a partner could improve the facilities, enable a more secure financial operation and prepare the council for a more sustainable model of sport and leisure provision for the future. Improving the offer will further enhance the district as a place to live and visit whilst remaining entirely well placed to deliver on our health and wellbeing objectives particularly still providing for our more vulnerable citizens.

## 6.0 Conclusion

- 6.1 There is a clear requirement to address the medium and long term future of SASC. This report sets out that to continue as now with limited investment will lead to reduced occupancy levels, reduced gym memberships, increased subsidy as income decreases and ultimately unaffordable facilities.
- 6.2 Having seen refurbished facilities in other parts of the country and spoken to officers at these councils/trusts, officers believe that the development partner option to invest and improve SASC is a financially attractive option and is a good example of the municipal entrepreneurialism strand of the ensuring council ethos.

### **RELATIONSHIP TO POLICY FRAMEWORK**

This report supports the council's ensuring council ethos, particularly relating to municipal entrepreneurialism. In addition, it is directly related to the health & wellbeing corporate plan priority and aligns with the council's key objective of ensuring value for money in delivering services.

### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)**

None arising as a direct result of this report, however, the impact of any improvements will be fully assessed at the time.

### **LEGAL IMPLICATIONS**

There are no legal implications arising from this report as this early stage. Any partnership/development agreement would need Legal Services input.

### **FINANCIAL IMPLICATIONS**

As referred to in section 2.5 the estimated costs in running Salt Ayre Sports Centre will increase by c£200k over the next four years – assuming customer throughput remains static. It is likely that further reductions in throughput will occur over future years as facilities become more dilapidated and the trend of decline in some of the more traditional sports continues. Difficulties in attracting customers to swim are currently being experienced (as evidenced by reduction of c£20k income compared to last year). This is in part due to the overall offer becoming 'tired' with no additional activities such as the more extreme type sports (high ropes course for example) or space for activities in demand (adventure play / adventure climbing) being available.

At this stage there is no request for funding to support this procurement process and it is reiterated that a detailed report will need to be brought back for member approval prior to entering into any contractual commitment. This will need to include a full financial appraisal of the proposed options including the most cost effective financing model for the Council.

### **OTHER RESOURCE IMPLICATIONS**

#### **Human Resources:**

Officer capacity to progress the work to seek a development partner has been accounted for within existing resources.

#### **Information Services:**

None at this stage.

**Property:**

None at this stage.

**Open Spaces:**

None at this stage.

**SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and her comments are reflected within the report.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

None.

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